

Analysing the different psychological contracts



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A psychological contract is an informal agreement between an employer and an employee, which represents the mutual beliefs, perceptions, and obligations of both parties. Unlike the obligations of a formal contract of employment that are enforceable by law, the psychological contract is an intangible agreement that essentially functions through the process of reciprocation. Aside from fulfilling the terms of the formal contract of employment, organisations must respond to the expectations of their employees in order to retain and motivate their workforce. Equally, the employee must work to the best of their ability if they are to expect respectful treatment and reward. Managers must constantly balance an organisation's requirements for productivity with the employees' expectations of reward.

Traditionally, there was a much higher loyalty from the workforce towards an organisation and it was common for an individual to work for a single organisation over the course of their life. The modern worker, however, will have expectations of a much more flexible working life, and would expect to be able to change jobs or working patterns to suit their personal lifestyle. As a result, an employer cannot reliably expect to maintain the same workforce in the way it once could.

Many construction businesses have seen a period of fundamental change in the past 25 years, as turbulent markets and rapidly changing work loads have required downsizing, restructuring, merging and de-merging in order to survive. These changes have placed new pressures, challenges and constraints on the employee/employer relationship, and employees are likely

to have reconstituted expectations of the psychological contract between them as a result.

Three different types of psychological contract are defined by Handy (1999); coercive, calculative and co-operative. The type of contract that an organisation employs will affect the type of involvement they get from an individual.

The employee and employer expectations will vary depending on the position of either party within the company. A co-operative contract is most likely to exist between more senior engineers; individuals working in these positions will have had to display a level of excellence and commitment in order to progress to their position, and are therefore likely to share the same objectives and ambitions as the organisation. The employer can expect the individual to commit to meeting these goals, as the employee will be motivated to the same objectives in order to fulfil their higher level needs of self-actualisation, as set out by Maslow (1943).

This has certainly been true in my personal experiences working in a medium sized engineering consultancy. The practice was based in an open plan office environment, and I worked closely with people operating at all levels of the company. The partners and associates were passionate about the projects they were working on, and it was clear that these more senior members were operating on a co-operative contract; when project deadlines were approaching, they would skip lunch breaks and stay later in the evenings to ensure work was delivered on time, without expecting any extra reward.

The more junior engineers, however, had slightly different expectations than the senior staff. They were also prepared to put in extra hours on occasion, but unlike the senior staff, they were motivated by the prospect of promotion to a more senior position, both to increase self-esteem and likely command a higher salary. Working with these motives - which also fall under Maslow's hierarchy of needs, just below self-actualisation - indicates a calculative agreement with the junior engineers, albeit speculative, as they expect this extra work to pay dividends at a later point in time. I also fell into this bracket, as I hoped that by making extra efforts I would be rewarded with the offer of a permanent job after graduating. Managers can expect this sort of behaviour from any employees who believe they have real possibilities of job progression.

However, it can be difficult to define the transition from calculative to co-operative psychological contracts in the construction industry. As an engineer grows in seniority, their ability to influence the creative design process will gradually increase, and the individual's motives are likely to span Maslow's (1943) 4th and 5th level needs simultaneously, as the job will become more challenging and rewarding whilst there is still potential for further promotion.

A calculative contract was also present with the CAD technicians, who did not work above and beyond what they were contractually obliged to do and their effort was, in their view, matched to their salary. The managers would not expect the technicians to work overtime without offering some reward.

An individual will have many psychological contracts, and they may choose to satisfy certain needs in contracts outside of the workplace. The manager or employer must recognise and address the requirements that the individual expects of the psychological agreement between them in order to achieve the highest productivity. It is possible for the employer to set out the type of psychological contract, and thus influence the employee expectations, through organisational design. It is typical for an engineering consultancy to employ a matrix structure, whereby the workforce is pooled and allocated to tasks as required, with the task being assigned to those most capable of accomplishing it. This results in the formation of a co-operative contract, where responsibilities are shared and shifted between all members of the workforce without any expectation of employees to receive additional reward. It is important, however, that the manager delegates tasks appropriately; if an employee is not given control of a task which they believe they should have, they are being prevented from achieving self-actualisation, i. e. the employer is preventing them from meeting their expectations, and the co-operative agreement breaks down.

The obligations of both the employer and employee are set out in their contracts of employment and codes of practice, and are enforceable by law. The expectations of both parties, however, are defined by an intangible psychological agreement, the terms of which will depend on the role and position of both parties within the organisation. Both employer and employee must take care to identify and meet each other's expectations, as failure to reciprocate will cause the agreement to break down.

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Question 2

Leadership is a key element in meeting the demands of a highly competitive civil engineering profession. To maintain a competitive edge, civil engineering practices require leaders who can combine technical ingenuity with business acumen.

An individual whom I consider to have possessed good leadership skills is the late Professor Sir Edmund Happold (1930 – 12 January 1996), better known as Ted Happold (Figure 1). Happold spent the majority of his early career working at Ove Arup and Partners, and later became head of the prestigious ‘Structures 3’ design team where he worked on architectural landmarks such as the Pomidou Centre and the Sydney Opera House. He later became a professor of Architecture and Engineering Design at the University of Bath and founded his own Bath-based consultancy, Buro Happold. He was appointed a Royal Designer for Industry, of which he later became a Master; a member of the Design Council; Vice-President of the Royal Society of Arts; founder of the Construction Industry Council; and was President of the Institution of Structural Engineers in 1986-87. He received many awards, including the IStructE Gold Medal in 1991, and was knighted in 1994 for his services to engineering, architecture and education.

Figure 1: Sir Edmund Happold 1930 – 1996

Happold died during my childhood, so I have not experienced his leadership qualities first hand. This discussion is therefore based entirely on external sources, but in my view, his achievements and accolades adequately demonstrate the result of good leadership.

Towards the end of his career with Arup, Happold had asked to start up an office in Bath, but his request had been denied. He showed great determination and initiative by instead founding his own practice, Buro Happold, and his enthusiasm, integrity and drive for achievement enabled him to establish and retain a state of the art design team. This bold move exhibits many of the 'traits' of a good leader identified by Handy (1995).

Happold was a lifelong Quaker, and the formation of Buro Happold was informed by the Quaker principles of simplicity, integrity, equality, justice, peace and care of the environment. Trait theory suggests that leaders are 'born', but it was clear that these values had certainly influenced his approach to leadership; the practice was not run in a hierarchical fashion where decisions were taken by a majority vote against the wishes of the minority. Instead, "the partners sought to discern the feeling of the meeting" (Greenwood). This democratic and participative ethos is traditionally believed to evoke better performance, owing to the co-operative psychological contract that is created. In agreement with 'style theory', Happold had developed his leadership 'style' through learning.

Happold possessed the hallmarks of high 'emotional intelligence', described by Goleman (1995), particularly in his self awareness and relationship management, and recognised that the best results could only be achieved through collaboration between different disciplines:

"We need all these differences to achieve quality. But our biggest problem is how to work together well, how to understand what we each do best, how to have a common language and values" - Ted Happold

It was this challenge that led him to found the Construction Industry Council in 1988 (then known as the Building Industry Council), with the aim of empowering shared knowledge.

Whilst Happold had previously excelled in his role at Arup with a more authoritative approach, he clearly understood that delegation is often a requirement of leadership, such that a task will be assigned to those most capable of carrying it out. He stated that:

“ The best work is done by the most diverse group of talents who can still live together.” – Ted Happold.

Happold took this collaborative approach at Buro Happold, such that diverse teams had to work in harmony, and this defined a new model for engineering consultancies. His understanding of compatibility requirements reinforces his capacity of emotional intelligence, which Goleman (1998) identifies as a quality of a good leader.

Contingency theories suggest that there is no ‘ right’ leadership style, rather that a good leader will select a leadership style appropriate for a given situation. Over the course of his career, Happold has shown the ability to adapt his leadership style depending on his position, the task, his team and environment. As Buro Happold grew in size, for example, he allowed for a greater degree of delegation. His range of styles, however, would predominantly fill the ‘ non-directive subordinate-centred’ half of the Tannenbaum/Schmidt model of leadership, shown in Figure 2. Some may believe that this hardly resembles leadership at all, but Blanchard (2004) states, “ The key to successful leadership today is influence, not authority”.

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The Tannenbaum/Schmidt model has no means of measuring the ‘influence’ of a leader, and is therefore essentially irrelevant in assessing one’s ability to lead.

Figure 2: Tannenbaum/Schmidt model of leadership (Source: Copping et al. (2011))

Hooper and Potter (1997) recognise the importance of emotional intelligence, and also comment that a good leader must be “inspirational”. Happold would certainly be considered ‘inspirational’; he broke down traditional perceptions between engineering and design, and his ‘big picture’ thinking made many connections amongst engineering professions. His work ethos, charisma, determination, experience and achievements earned him the respect of his colleagues, and ultimately enabled him to influence his fellowship, which is the fundamental requirement of a good leader.

His inspirational emphasis on diversity, the importance of personal relationships and his Quaker background added a dimension of social responsibility, and are still very alive in Buro Happold today. By perpetuating Happold’s passionate ethos, the Partnership has continued to grow into a world leading engineering consultancy.

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