



**Effect of Psychological Contract on Employees
Perceived Performance:**

A Case of Nib Insurance Share Company

By Anteneh Gulilat

Thesis Submitted to Addis Abeba University, School of Commerce in
Partial fulfillment to the requirements for the Degree of Masters of Art
in Human Resource Management

June, 2019 G.C

Addis Ababa, Ethiopia

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DECLARATION

I hereby declare that the study entitled “The Effect of Psychological Contract on Employees Perceived Performance: A Case of Nib Insurance Share Company” is my original work and has not been submitted in Addis Abeba University or any other universities, and that all sources of materials used for the study have been duly acknowledged.

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Letter of Certification

This is to certify that the thesis prepared by Anteneh Gulilat titled: **The Effect of Psychological Contract on Perceived Employee Performance: A Case of Nib Insurance Share Company**, submitted in partial fulfillment of the requirement for the Degree of Master of Arts in Human Resource Management complies with the regulation of the University and meets and accepted the standards with respect to originality and quality.

Advisor: Adane Atrar

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Addis Abeba University

School of Commerce

Certification of Approval

This is to certify that the thesis prepared by Anteneh Gulilat titled: The Effect of Psychological Contract on Employees Perceived Performance: A Case of Nib Insurance Company submitted in partial fulfillment of the requirements for the Degree of Master of Arts in Human Resource Management complies with the regulation of the University and meets and accepted the standards with respect to originality and quality.

Signed by the Examining Committee:

Examiner (External): _____ Signature: _____ Date: _____

Examiner (Internal): _____ Signature: _____ Date: _____

Chair of Department or Graduate Program Coordinator

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List of Abbreviation

HR- Human Resource

PC-Psychological Contract

TPC-Transactional Psychological Contract

RPC-Relational Psychological Contract

NIC- Nib Insurance Company

TP-Task Performance

CP-Contextual Performance

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Abstract

This main aims of this study is to examine if a relationship exists between psychological contract and employees perceived performance mainly employee beliefs about the reciprocal and promissory obligations between them and their employer in the case of Nib Insurance Share Company in Addis Abeba. The research was conducted with quantitative research approach. In this study, research questions and hypothesis were developed to analyze if psychological contract through the transactional and relational dimension affects employee's perceived job performance. A stratified probability sampling was employed. A set of standard questionnaires were used following a pilot test and reliability test for measuring psychological contract and employee job performance. A total of 186 sample questionnaires were collected. Data was analyzed using descriptive and inferential statistics such as; Percentage, mean average standard deviation as well as, correlation and regression analysis. The Pearson correlation analysis result have revealed that there exists a positive relation between psychological contract and employee perceived job performance. The correlation coefficient analysis has also revealed that the relational dimension of psychological contract has a positive significant effect on employee perceived performance. The regression analysis of the study proved that 54/% of employee performance variation is caused to psychological contract. Besides, the highest variation on employees' performance is attributed to the relational dimension of psychological contract than the transactional dimension of psychological contract. It is therefore recommended that the effect of psychological contract on employees perceived performance has to be given due attention and considered in the development of the different human resource practices in NIC especially in the human resource performance management system.

Key Words: Psychological Contract, Employee, Perceived Performance, Insurance Company, Relational Psychological Contract, Transactional Psychological Contract

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to Aktepe and Eros (2012), the very first systematic studies on performance started in the beginning of 20th century. Taylor (1911) in his book “Principles of Scientific Management” discussed productivity, efficiency, optimization and proposed novel techniques on increasing productivity. Then research on employee performance was triggered. Armstrong (2009) argues that performance management arrived in the later 1980s partly as a reaction to the negative aspects of merit rating and management by objectives referred to earlier. Its strength is that it is essentially an integrated approach to managing performance on a continuous basis. The appeal of performance management in its fully realized form is that it is holistic – it pervades every aspect of running the business and helps to give purpose and meaning to those involved in achieving organizational success.

Linda Koopmans and Claire M. Bernard’s (2011) argue that Individual work performance is an issue that has not only grasped companies all over the world but also fueled a great deal of research in fields of management, occupational health, and organizational psychology. Work performance is an abstract, latent construct that cannot be pointed to or measured directly. It is made up of multiple components or dimensions. These dimensions, in turn, are made up of indicators that can be measured directly. To conceptualize and operationalize individual work performance, we should explicate the construct domain of work performance and identify its dimensions and indicators. Whereas the dimensions may generalize across jobs, the exact indicators can differ between jobs.

Providing accurate description to the components of employee job performance makes its measurement effective. According to Robert Lang (2004), employee performance encompasses positive and negative workplace behaviors. Positive behaviors can be classified as content (task) performance and contextual performance. Content performance refers to in-role behaviors (that employees are required to perform as stipulated in their job description. In contrast, contextual performance (also referred to as organizational citizenship behaviors) are performed by an employee beyond what is prescribed by the organization. Armstrong (2009) argues that there are

different views on what performance is. It can be regarded as simply the record of outcomes achieved. On an individual basis, it can be a record of the person's accomplishments. Kane (1996) argues that performance 'is something that the person leaves behind and that exists apart from the purpose'.

Jacqueline and Shapiro (2008) argue that although Argyris (1960) was the first to coin the term psychological contract, the idea of the employment relationship as an exchange can be traced to the writings of Bernard (1938) and March and Simon (1958). Barnard's (1938) theory of equilibrium speculates that employees' continued participation depends upon adequate rewards from the organization. They further explain that in light of the subjective nature of the psychological contract, researchers have attempted to categorize psychological contract items (e.g., job security, interesting work, career prospects, pay, training and developmental opportunities, and autonomy in job) in terms of two underlying dimensions which are transactional and relational.

Argyris (1960) used the term 'psychological work contract' to describe as the embedding of the power of perception and the values held by both parties (organization and individual) to the employment relationship. Significantly, this earlier literature illustrates the point that employment relationships are shaped as much by a social as well as an economic exchange. (Niall and Tony, 2006)

The psychological contract developed through the employment relationship creates links between breach and a wide range of outcomes if not well established. As a reaction to perceived breach, employees often suffers extreme emotional reactions, develop negative attitudes towards the employer, and withdraw various forms of positive work behaviors. The majority of the studies in this area focus on the effect that breach on different types of employee attitudes, including negative affect towards the employer, decreased levels of trust in the organization, reduced organizational commitment, reduced job satisfaction and the development of cynical attitudes towards the employing organization (Gerlard et al., 2015).

A number of researchers have explained the effect of psychological contract on employees' behaviors and attitudes. In line with some of theoretical explanations given above about the importance of psychological contract in the employment relationship and organizational effectiveness, it is worth conducting further study about the relationship between psychological

contract and employees perceived job performance. The change in employment relationship, external business competition for companies, and the need for organizations to continuously excel in their performance paves the way to further explore the topic of psychological contract and its effect on employee performance.

This study attempted to assess the psychological contract and employee job performance level at Nib Insurance Share Company and analyze the relationship between the two variables

1.2 Statement of the problem

According to Waiganjo (2012), increased competition has led to recent changes in business environment which has signified the need for organizations to search for new ways to survive and enhance their performance. One of the possible solutions for organizations to respond effectively and efficiently to these changes is to embrace the use of human resource management (HRM) practices and develop a psychological contract to improve on their performance. Modern organizations can't succeed unless the people they employ agree to contribute to their mission and survival.

Sonnentag and Frese (2017) argue that organizations need highly performing individuals in order to meet their goals, to deliver the products and services they specialized in, and finally to achieve competitive advantage. Nicole (2013) argue that research findings have consistently shown that psychological contract breach is related to lowered job satisfaction .The breach of an employee's psychological contract is also positively related to the employee's intention to leave the organization, which is another widely researched attitudinal job outcome . After a psychological contract breach, employees may be less willing to exert extra effort on behalf of the organization and have a lower desire to remain employees of their organization.

According to an empirical study by Chabuey (2016), there has been great negative effect on psychological contract breach to job attitudes and performance. For example, the psychological contract and job satisfaction, organizational commitment and trust in organization have negative effect. Psychological contract fulfillment has effect on job attitude and performance, such as organizational commitment, loyalty to manager, job satisfaction and trust. Psychological contract violation accordingly may lead individuals to become more cynical.

Matthijs et.al, (2010) argue that psychological contract breach is negatively related to work performance. Consistent with prior work, an examination was conducted on the two types of work performance: job performance (in-role) and organizational citizenship behaviors (extra-role). According to the norm of reciprocity, when employers do not fulfill their promises and obligations, the employee reciprocates by altering his or her contributions to the organization (e.g. by reducing their efforts and performance). Thus, psychological contract breach is expected to be negatively related to employee job performance. Moreover, when the organization fulfills its promised obligations, employees may be motivated and engage in discretionary behaviors, including increased effort and organizational citizenship.

Cheng and Xu (2016) argue that the performance of employees directly determines competitive power of organizations in fierce market, and it also influences the long-term development of firms. If companies motivate employees only by virtue of economic contract, it cannot effectively assure job performance, because psychological contract also affects employee's work behavior and attitude.

Cheng & et al.,(2016) carried out an empirical study on the effect of the two dimension of psychological contract (transactional and relational) on employee job performance in an E. business company. Employee task performance and contextual performance were the key elements of the dependent variable Job performance. Their research was developed through a quantitative method using a five score Likert scale on sample of 103 employees. The final result of their study showed that a positive relationship exists between psychological contract and employee performance. The first hypothesis was; the transaction dimension of the psychological contract between the enterprise and employees has a significant positive effect on the job performance; and the second hypothesis was; the relationship dimension of psychological contract between enterprise and employees has a significant positive impact on the job performance. According to their study, analysis of the data based on the regression equation showed that employees' psychological contract and its dimensions have a significant effect on the job performance, so company must pay more attention to psychological contract between employees and organization, including transaction dimension and relational dimension.

Being a recent concept in the area of organizational psychology and human resource management discipline in Ethiopia, the researcher could not find studies conducted about the

effect of psychological contract on employee performance especially in the Insurance industry. Hence, presenting empirical findings about the relationship of the two variables from the Ethiopian context has been very challenging. However, some empirical findings on the relationship between psychological contracts are described in the literature review.

According to Abate (2012), profitability of insurance companies is determined by internal, external and industry factors. The internal determinants could be managed by the management decisions. These internal determinants are classified as the financial statement variables which are directly driven from items in a balance sheet and profit & loss accounts of the insurance companies. On the other hand, the non-financial statement variables are those factors which are not directly displayed on the financial statements accounts. Non-financial statements variables are classified as management quality, efficiency and productivity, age and number of branches.

Denis (2016) argue that various factors are blamable for growth in the insurance business and the most significant of these are the factors connecting with financial, culture, religion, quality of the product, personal and customer servicing. Moreover, efficient internal manpower and operational policies, the operations of insurance industry is also affected by the external factors like the policies of the government, competition among public and private sector insurance companies.

Since its inception in 2002, Nib Insurance Company has been operating in a competitive business in Ethiopia. Insurance companies often compete for business clients. Key differentiator among them is the quality and speed of service they give to their clients both at the time of agreement and upon insurance claim request. The introduction of new technology alone could not consistently aid the insurance companies to win the hearts and minds of their customers. The persistent and efficient customer service they provide has a higher contribution for business performance. Hence, requires attracting, developing, growing and rewarding a competent workforce for greater performance. Nib Insurance has implemented different HR practices. It has also introduced effective performance management system that recognizes and rewards employee's performance based on their behavior (Annual Human Resource Report, 2010).

The researcher of this study has often met with HR Managers and few branch manager of the Insurance Company through social acquaintance. Employee performance management and how to sustain it continuously has been the repeated academic discussion. These managers often argue that ensuring consistent performance from employees have been a major challenge in the

organization. And it is their strong belief that having an attractive reward package for employees is the primary and critical instrument in order to boost employee's motivation to improve performance. The researcher of this study has often challenged this perspective of the HR managers of the company and argued that the relationship between the employer and the employees has a significant relationship on employees' performance and it should be somehow analyzed. And often refers to the saying "When hired, employees join people not organizations. And when they leave, they depart from people not organization." The argument over the critical importance of the relationship between employer and employee, the culture, working climate, the matching of employees' expectations and the commitment of the organization have been mentioned as some of the drivers to ensure consistent performance by the researcher of this study. In a nut shell, the importance of psychological contract on the consistent employee performance has often been the topic for debate.

Being in a highly competitive insurance industry, NIC has to provide a working environment where the employment relationship is mutually beneficiary both to the employer and employees. The employees are the key assets for the success of the business. The competition in the insurance industry demands retaining clients on hands and attracting as many clients as possible to secure continuous long term business success. The continuous and effective performance of the employees; be it in the operational and clerical role to the senior management is vital.

No research on the effect of psychological contract performance in the insurance industry in Ethiopia has been conducted before. Hence, this study is expected to provide practical insights and findings about the effect of psychological contract on perceived employee performance in Nib Insurance Share Company. Since, the research will be looking at the two dimension of psychological contract, the findings will be exhaustive and will respond to some of the perspective that senior managers have on the causes of inconsistent performance of employees in Nib Insurance Company. The recommendation drawn from the study would provide the management of NIC some guidance in order to review the company's' HR practices. Though employee performance is a factor of many variables, identifying the effect of psychological contract on employee perceived performance would help the HR Department of NIC to get some insights on HR Practices for its HR strategic plan.

1.3 Research Questions

In line with the assumptions made in the statement of the problem of the previous section, this research was conducted to answer the below research questions

- What are the effects of psychological contract on employee perceived job performance at Nib Insurance Share Company?
- What is the relationship between psychological contract; mainly the transactional and relational dimension and employee perceived job performance?
- To what extent does psychological contract (the transactional and relational dimension) affect employee perceived job performance?
- What is the magnitude of the effect of transactional and relational dimension of psychological contract on employee performance?

1.4 Research Hypothesis

Quantitative researches are accompanied by research questions to assess the relationship between the independent and dependent variables. This study will also aim to test a couple of hypothesis to substantiate the findings. The hypothesis described below is developed In line with the conceptual framework for the study.

H1. The transactional dimension of psychological contract has a positive relationship with employee job performance

H2. The relational dimension of psychological contract has a positive relationship with employee job performance

1.5 Research Objective

General Objective

The main objective of the study is to examine the effects of transactional and relational dimensions of psychological contract on employee's perceived job performance which consists of task and contextual performance

Specific Objectives

- To assess the perception and understanding of the NIC Employees about psychological contract especially the transactional and relational dimension.
- To determine the relationship between the transactional and relational dimension of psychological contract and perceived employee job performance.
- To examine the magnitude of transactional and relational dimensions of psychological contract on employees perceived job performance at NIC.

1.6 Significance of the Study

Ensuring a consistent and continuous employee performance has been a critical human resource practices and priority for many organizations. Senior Leaders and Human Resources Managers have always been very curious about the factors that contribute to effective employee performance.

Different factors have been attributed as a cause for greater employee performance. Rewards and benefits, promotion, non- financial benefits and positive work relationship are few of the factors often mentioned by HR practionners. However, there has been a very limited research on how the psychological contract affects employee's perceived performance in an organization especially in the Insurance industry in Ethiopia. According to previous researchers, the effect of psychological contract has been related to different outcomes such as job satisfaction, employee turnover and motivation. Recent studies have also identified the effect of the transactional and relational dimension of psychological contract on employee's job performance.

The findings from this study would help in providing practical understandings about the relationship between the transactional and relational dimension of psychological contract and employee's job performance. The management of NIC will be the primary beneficiaries of the outcome of the study. The insights gained would help as inputs for review the company's HR practices. Policy owners working in the area of human capital development, HR practitioners in the insurance industry, academicians and students of management studies mainly human resource management would benefit from the findings of this study. Besides, middle management and supervisors in the company would get a better understanding about the value of psychological contract on employee performance.

1.7 Scope of the study

As per related researches reviewed during this study, scholars have argued that though the development of psychological contract between the employer and the employee begins the moment the employee apply for a job, it takes at least six months for the employee to experience the effect of psychological contract after joining the organization. Hence, the time scope of this study focused on employees who have served at least six months at NIC and above.

Conceptually, some previous researches that examine the relationship between psychological contract and job outcomes such as employee performance applied a combination of quantitative and qualitative research approach. They also include the viewpoint of employers through interviews. However the scope of this research employed a quantitative research method to analyze the perspective of employees. This study was limited to branches of NIC in Addis Abeba Only. Hence, geographically the scope did not include the opinion of employees working outside Addis Abeba. Methodologically this study focused on a quantitative and descriptive statistical analysis only

1.8 Limitations of the study

The study examined the relationship of two dimensions of psychological contract (Transactional and Relational expectations) with employee job performance from the perspectives of employees only. The major limitation of the study was the ability of respondents to truly understand the concept of psychological contract. Being a new topic in HR, the research observed inconsistency of responses on the questionnaires by respondents with regards to items that had similar

explanation. Since no qualitative approach was used, this limitation was not managed. Since the research was not member of the organization, there was a delay for on time completion of the study

1.9 Definition of Key Terms

Performance

Performance is a combination of results and behaviors that arises while carrying out a task by an employee (Armstrong, 2010).

Task Performance

The proficiency with which job incumbents perform activities that are formally recognized as part of their jobs (and, usually, are not a part of at least some other jobs in the organization), activities that contribute to the organization's technical core either directly by implementing a part of its technological process, or indirectly by providing it with needed materials or services (Borman & Motowidlo, 1993).

Contextual Performance

The degree with which incumbents engage in activities that contribute to organizational effectiveness in ways that shape the organizational, social, and psychological context that serves as the catalyst for task activities (Borman & Motowidlo, 1993).

Employment Relationship

Employment relationship is an informal and constant process that happens whenever an employer has dealings with an employee, and vice versa (Armstrong, 2014).

Psychological Contract

Psychological contract is a set of expectations that employees and employers hold of each other with regard to obligations they have towards each other (Rousseau, 1994).

Expectations

The attitude of waiting attentively for something usually to certain extent defined (Rousseau, 1994).

Promises

A commitment to do or not to do something for an employee as expressed formally (Rousseau, 1994)

Obligations

The constraining power of a law, a percept, a duty or contract (Concise Oxford Dictionary, 1996)

Breach

It refers to the judgment that a party has failed to fulfill its obligations (e.g., an employer who fails to promote a high-performing worker after agreeing to do so) (Armstrong, 1994).

Violation

An act of not carrying out the terms and conditions stated in an agreement or contract (Armstrong, 1994).

1.10 Organization of the study

The research paper is organized into five chapters. Chapter one provides introduction about the study including the background, the research problem, research questions, significance of the study and its scope. Chapter two describes review of theoretical and empirical literatures. Chapter three deals with the research methodology, approach and research design. Chapter four discuss interpretation and data analysis. The fifth chapter provides a summary of conclusion, recommendation and areas of future study.

CHAPTER TWO

2. REVIEW OF LITERATURE

The aim of this literature review is to examine the fundamental concepts, perspectives, theories and models that are pertinent to Psychological Contract and Employee Performance. The chapter describes the literatures that were reviewed to provide theoretical and conceptual insight for the study for deeper and better understanding of the topic

2.1 Theoretical Literature Review

2.1.1 Employee Performance Management

Performance management has the potential to improve the performance of organizations and act as a lever to achieve cultural change. A focus on performance can bring real rewards for organizations. Performance management can be the key space or mechanism for dialogue in an organization. An organization's choice of where to focus its attention in relation to performance management may in part determine its future and can certainly guide its culture (Kathy and Adrian, 2005).

According to Armstrong (2009)), performance management is often referred to as the 'Achilles heel' of Human Resource Management. All modern organizations face the challenge of how best to manage performance. That is, they must determine the best ways to set goals, evaluate work and distribute rewards in such a way that performance can be improved over time. While all firms face similar challenges, the way a firm responds to these challenges will depend on where the firm is located and the context within which it is operating.

Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by

understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Processes exist for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be achieved in the short and longer term. It is owned and driven by line management (Armstrong, 2009).

Robert (2003) argues that Performance Management is a critical and necessary component for individual and organizational effectiveness. The Effective management of performance first requires a solid understanding of performance domain. Two major approaches to defining performance are behavioral and outcome approaches. Behavioral approaches describe job performance in terms of behaviors and outcome approach describes in terms of outcomes achieved such as amount of sales, number of clients etc.

2.1.1.1 History and Development of Performance Management

According to Armstrong (2009), the beginning of formal performance management can be attributed to principles of “scientific management,” developed by industrial engineers in the early 1900s. These principles emphasized the importance of defining standards against which to measure performance, an important best practice today. During World War I (1914–1918), the performance of Army officers was evaluated, with a focus on assessing officer ability. These efforts marked the first large-scale use of judgmental assessment performance management: and began to solidify the use of performance management systems in government and industry. In the 1950s and 1960s, there was development and expansion of the types of performance rated, beyond job relevant traits. This happened because it was recognized that traits (e.g., conscientiousness), thought to underlie job performance, were not the most direct and meaningful thing to evaluate. As a result, attention shifted to more direct and observable measures of performance. These included both objective outcome measures (e.g., dollar volume of sales) and subjective (e.g., behavioral) measures.(Eliane and Pulakos, 2009).

The first formal monitoring systems, however, evolved out of the work of Frederick Taylor and his followers before the First World War. Rating for officers in the US armed services was introduced in the 1920s and this spread to the UK, as did some of the factory-based American systems. Merit rating came to the fore in the United States and the UK in the 1950s and 1960s, when it was sometimes re-christened performance appraisal. Management by objectives then

came and largely went in the 1960s and 1970s, and simultaneously, experiments were made with assessment techniques such as behaviorally anchored rating scales. A revised form of results-orientated performance appraisal emerged in the 1970s and still exists today. The term performance management was first used in the 1970s but it did not become a recognized process until the latter half of the 1990(Armstrong, 2009).

2.1.1.2 Definition of Job Performance

The Oxford English Dictionary defines performance as: ‘The accomplishment, execution, carrying out, working out of anything ordered or undertaken.’ This refers to outputs/outcomes (accomplishment) but also states that performance is about doing the work as well as being about the results achieved. Performance could therefore be regarded as behavior – the way in which organizations, teams and individuals get work done. Campbell (1990) believes that: ‘Performance is behavior and should be distinguished from the outcomes because they can be contaminated by systems factors.’ A more comprehensive view of performance is achieved if it is defined as embracing both behavior and outcomes. This definition of performance leads to the conclusion that when managing the performance of teams and individuals both inputs (behavior) and outputs (results) need to be considered. (Armstrong, 2009)

Armstrong (2009) argues that Vroom (1964) suggested that performance is a function of ability and motivation as depicted in the formula: $Performance = f(ability \times motivation)$. The effects of ability and motivation on performance are not additive but multiplicative. People need both ability and motivation to perform well, and if either ability or motivation is zero there will be no effective performance. A formula for performance was originated by Blumberg and Pringle (1982). Their equation was:

$$\text{Performance} = \text{individual attributes} \times \text{work effort} \times \text{organizational support}$$

Job performance is the summary of occurrences of behavior that are evaluated as promoting or hindering organizational goal accomplishment. There are many different kinds of behaviors that advance or hinder organizational goals, and lumping them all together produces a psychologically intractable. The performance domain can be organized into two behaviorally homogeneous categories (i.e., task performance, contextual performance). This helps direct

selection research in choosing the best predictors of multiple criteria simultaneously, each representing behavioral patterns in each category (Jhon, 2000).

2.1.1.3 Categories of Employee Job Performance

Sabine Sonnentag, Judith Volmer and Anne Spynhole (2010) argue that the concept and definition of individual job performance has received considerable scholarly research attention over the past 15 to 20 years. Researchers agree that performance has to be considered as a multi-dimensional concept. On the most basic level one can distinguish between a process aspect (i.e., behavioral) and an outcome aspect of performance.

Employee performance can be defined as the job related activities expected of a worker and how well those activities were executed. Many employees are assessed on an annual or quarterly basis in order to help identify gaps in their performance. John (2000) argues that job performance can be thought of as the degree to which an individual helps the organization reach its goals and is arguably one of the most important dependent variables studied in applied psychology (Margaret, 2016).

According to Sandra (2009), job performance has generally been defined as the degree to which an individual helps the organization achieve its goals. When employees use technical skills and knowledge to produce goods or services or accomplish a specialized task that support the actual functions of an organization, the employees are said to be involved in task performance. An employee engages in contextual performance when they are for instance involved with voluntarily helping colleagues, putting in extra effort to complete a given task, putting in extra hours to get work done on time and so forth.

Hosei and Karvetchi (2016) argue that differentiating between task and contextual performance both contextual and task domains of performance contribute to the accomplishment of organizational goals, but through different mechanisms. Task and contextual performance has been distinguished by three key assumptions: (1) activities associated with contextual performance are similar across jobs, whereas actions associated with task performance will vary

between jobs; (2) contextual performance is linked to personality and motivation; while task performance is related to ability; (3) contextual performance is discretionary and extra role, whereas task performance is prescribed and comprised of in-role behavior.

According to Mark (2000), task performance and contextual performance are two distinct dimensions of behavior at work that can contribute independently to effectiveness outcomes for organizations. Contextual performance is important because it represents a type of behavior that is largely under the motivational control of individuals. It is generally assumed that individuals can engage in contextual activities if they wish, and that this choice reflects individual differences in motivation. However, individuals do not always have the opportunity to engage in discretionary activities. As task demands increase (e.g. because the task becomes more difficult), the opportunity for engaging in contextual activities may decrease, since individuals are likely to devote an increasing proportion of available resources to task performance. This suggests that the choice to engage in contextual behaviors will only be possible in some situations.

Task Performance

According to Linda Koopmans (2011), almost all frameworks mentioned task performance as an important dimension of individual work performance. Task performance can be defined as the proficiency with which one performs central job tasks. Other labels sometimes used for task performance are job-specific task proficiency, technical proficiency or in-role performance. Task Performance includes mainly work quality, planning and organizing work, being result oriented, prioritizing and working efficiently.

Linda Koopmans (2011) also argue that task performance includes key elements such as completing job tasks on time ,work quantity, work quality, job skills, job knowledge, keeping knowledge up to date, working accurately and neatly, planning and organizing administration, decision making, solving problems, oral and written communication skills.

Task performance is the proficiency with which job incumbents perform activities that are formally recognized as part of their jobs (and, usually, are not a part of at least some other jobs in the organization), activities that contribute to the organization's technical core either directly by implementing a part of its technological process, or indirectly by providing it with needed materials or services (Borman & Motowidlo, 1993).

Sabina et al., (2010) argue that task performance deals with in-role behavior and part of the formal job-description of the employee. Task performance covers a person's contribution to organizational performance, refers to actions that are part of the formal reward system (i.e., technical core), and addresses the requirements as specified in job descriptions. Thus, task performance covers the fulfillment of the requirements that are part of the contract between the employer and employee.

Contextual Performance

According to Linda (2011), although task performance has been the traditional focus of research, researchers have come to believe that individual work performance is more than meeting prescribed work goals. Contextual performance can be defined as individual behaviors that support the organizational, social, and psychological environment in which the technical core must function. Several labels exist for this dimension, such as non-job-specific task proficiency, extra-role performance, organizational citizenship behavior or interpersonal relations. All concepts, however, refer to behaviors that go beyond the formally prescribed work goals, such as taking on extra tasks, showing initiative, or coaching newcomers on the job.

Contextual performance includes key elements such as taking initiative, accepting and learning from feedback, cooperating with others, communicating effectively, showing responsibility, being customer oriented, being creative and taking on challenging work tasks (Linda, 2013).

John (2000) argues that contextual performance can be described as the degree with which incumbents engage in activities that contribute to organizational effectiveness in ways that shape the organizational, social, and psychological context that serves as the catalyst for task activities. Thus, the desirability of contextual behaviors is determined by the degree to which these behaviors maintain the broader organizational, social, and psychological environment to which the technical core must function.

Sabina et al., (2010) argue that contextual performance consists of behavior that does not directly contribute to organizational performance but supports the organizational, social and psychological environment. Contextual performance is different from task performance as it includes activities that are not formally part of the job description. It indirectly contributes to an organization's performance by facilitating task performance. Examples of contextual

performance are demonstrating extra effort, following organizational rules and policies, helping and cooperating with others, or alerting colleagues about work-related problems.

Linda (2011) argues that contextual performance includes items carried out by employees such as extra tasks, extra effort, initiative, enthusiasm, attention to duty, resourcefulness, industriousness, persistence, motivation, dedication, proactivity, creativity, cooperating and helping others, politeness, interpersonal relation and organizational commitment.

According to John (2000), the below are the six major job dimensions of contextual work performance

1. Organizational commitment: Working effectively within the framework of organizational policies, procedures, rules and so forth; carrying out orders and directives; supporting reasonable policies of higher authorities.

2. Representing the organization to customers and the public: representing the organization to those not in the organization; maintaining good organizational image to customers, the public, stockholder, the government, and so on; dealing with customer/client problems.

3. Maintaining good working relationships: developing and maintaining smooth and effective working relationships with superiors, peers and subordinates; displaying personal concern for subordinates; backing up and supporting subordinates as appropriate; encouraging and fostering cooperation between subordinates.

4. Persisting to reach goals: persisting with extra effort to attain objectives; overcoming obstacles to get the job done.

5. Training, coaching, and developing subordinates: identifying staff training needs and developing responsive training programs and material, or ensuring that such programs/materials get developed; training, teaching, and coaching subordinates; assisting subordinates in improving their job skills.

6. Communicating effectively and keeping others informed: communicating orally and in written form; keeping subordinates, superiors, and others informed; obtaining and then passing on information to those who should know.

2.1.2 The Employment Relationship

Armstrong (2014) defines an ‘employee’ as a person who works under a contract of employment, the tacit assumption being that ‘the employer’ is the other party to the contract. The concept of employment relationship then emerges as this two party’s meet for a purpose in a formal or informal environment. He further explains that the employment relationship is a constant process that happens any time the employer has dealing with the employee.

According to a report by CIPD (2010), the new perspective in employment relationship and the subsequent change in how employment relationship is viewed sparked an interesting chapter to study about psychological contract. The traditional psychological contract which necessitates an offer for commitment by the employee in return for the employer for providing job security or in some cases the legendary “job for life “is being replaced by the new deal that is said to rest on an offer by the employer of fair pay and treatment plus opportunities for training and development. This notion could also imply that this new concept of employment relationship calls for a reciprocity of obligations and expectation between the employer and employee. Hence, the concept of psychological contract consists of expectations and obligations from both parties. Employees have expectations from their employers and Employers have expectations from employees. These expectations could be written or unwritten. And psychological contract focus on the unwritten expectations.

The starting point of the employment relationship is an undertaking by an employee to provide skill and effort to the employer, in return for which the employer provides the employee with a salary or a wage (the pay–work bargain). Initially the relationship is founded on a legal contract. This may be a written contract but the absence of such a contract does not mean that there is no contractual relationship. Employers and employees still have certain implied legal rights and obligations. The employer’s obligations include the duty to pay salary or wages, provide a safe workplace, to act in good faith towards the employee and not to act in such a way as to undermine the trust and confidence of the employment relationship. The employee has corresponding obligations, which include obedience, competence, honesty and loyalty. This perspective also paves a way to have a deep look at the non –legal, unwritten form of employment contract known as psychological contract (Armstrong, 2014).

Denise (2007) also argues that there exist some non-material benefits that an employee may give (‘transfer’) to their employer that have been identified as including extra care, consideration,

responsibility and loyalty than would normally be expected or required from an employee. The reciprocal reward (again, 'transferred') could be the extra confidence that management has in that employee, possibly leading to increased security and advancement opportunities. But what governs this form of reciprocity in the employment relationship? Will it have effect on organizational performance? Employee performance? Can employees claim for their expectations from the employer if not fulfilled? This study will assess the two major dimensions of the psychological contract and its effect on perceived employee performance exploring theories and related perspectives.

2.1.3 The Employment Relationship and Psychological Contract

As described by Guest (1996), the psychological contract may provide some indication of the answers to the two fundamental employment relationship questions that individuals pose: 'What can I reasonably expect from the organization?' and 'what should I reasonably be expected to contribute in return?' But it is unlikely that the psychological contract and therefore the employment relationship will ever be fully understood by either party. Daniel (2012) suggests that the exchange relationship between employer and employees is based on reciprocal obligations. Nevertheless, employees will differ in what they perceive as organizational obligations. This perception may also change due to a number of situational factors such as employment duration, age, sex and status of the employee.

According to Armstrong (2014), relationships between employers and employees are founded on some underpinning but seldom articulated philosophies. These are the unitary and pluralist views, the unitary view is one typically held by management, who sees its function as that of directing and controlling the workforce to achieve economic and growth objectives. To this end, management believes that it is the rule-making authority. Management tends to view the enterprise as a unitary system with one source of authority – itself – and one focus of loyalty – the organization. The pluralist view, as described by Fox (1966), is that an industrial organization is a plural society, containing many related but separate interests and objectives which must be maintained in some kind of equilibrium. The topic of psychological contract and studying its influence on organization is worth studying as far this two divergent views are discussed.

2.1.4 Theories about Employment Relationship

Siti (2017) explain that there exist different employment theories that evaluate the nature of employer and employee relationship. In current era, organizations confronted with a large number of changes in their workplace environment, due to change in external environment such as globalization, tough market competition, technological advancement and governmental regulations. In time of organizational advancements and changes, the construct of psychological contract received high importance in employment relationship. The terms of the employment agreement are being frequently managed, reformed, and renegotiated to fit changing environments.

2.1.4.1 Social Exchange theory

According to Daniel (2012), social exchange theory has been in existence since 1920, and is seen as one of the most influential theories that describe workplace behavior and relationships in the organizational context. The social interactions are further described as being interdependent and social exchange theory was found to have explanatory relevance in many fields, among them is the study of psychological contracts. The relationship between social exchange theory and the psychological contract was described with the psychological contract seen as a micro level analysis of social exchange theory within the macro level study of the employee-organization relationship. Redmond (2015) argues that social exchange theory involves where people are motivated to attain some valued reward for which they must forfeit something of value (cost). The social exchange relationship comprises of tangible and intangible resources governed by the norm of reciprocity. And each party brings to the relationship a set of expectations/obligations that they will provide in return for what they receive.

Many social exchanges are characterized by the need for finding balance, agreement or alignment in the needs of the different parties to the interaction, such as friendships and the employment relationship. Armstrong (2010) further clarifies that the social exchange theory sets out to explain organizational behavior in terms of the rewards and costs incurred in the interaction between employers and employees. Because there are no formal agreements to enforce the exchange, the exchange relationship is based more on personal relationships, trust, and the reciprocity norm. Gretchen (2015) suggest that although negotiated and reciprocal

exchanges are distinct forms of exchange, they quite often exist within the same exchange relationship.

According to Denise (2007), the duration and development stage of the relationship are likely to impact on the exchanges. Participants in the early stage of a social exchange relationship are more likely to pay close attention to the specifics of the exchange transfers than participants who have an existing long established or recurrent social exchange relationship. Long established relationship partners are more likely to have developed trust and less likely to look out for the 'tit-for-tat', or direct, payoff for each exchange transfer, with social exchange relationships being maintained through balancing the elements of trust and indebtedness.

According to Robert (2004), the social exchange theory and norm of reciprocity provide as useful explanatory frameworks for the relationship between psychological contract breach and employee behaviors. Both theoretical perspectives suggest that exchanges between two parties are anchored on a system of reciprocity as a means of balancing the employment relationship. When one party of the exchange receives something good, the party would return the favor. Contributing to this exchange process is the norm of reciprocity which maintains that, "people should help those who have helped them" In other words, reciprocity involves the repayment of specific benefits to those who have extended help or assistance. Thus, when an organization fails to provide the promised obligations (i.e., psychological contract breach), employees are likely to withhold their contributions to the organization or retaliate by engaging in harmful acts to hurt their organization.

The framework that is often used to clarify the negative influence of psychological contract breach on work-related outcomes is social exchange theory. According to this theory, employees are motivated to maintain a balanced and fair exchange relationship with their employer. Yet, employees' perceptions of psychological contract breach will lead to imbalance in the exchange relationship. Subsequently, when the psychological contract has been breached because the employer did not fulfil all its obligations, employees are likely to believe that the employer is not trustworthy and does not care about employee well-being. In accordance with social exchange theory, employees are likely to reduce their obligations towards the organization, by lowering their level of affective commitment in order to restore the balance in the exchange relationship (Rene, 2009).

2.1.5 Employment Contract and Psychological Contract

Armstrong (2014) explains that the employment relationship is governed by express agreements between employers and employees including contracts of employment, the terms implied by common law and statutory requirements. Gerald et al., (2015) argue that contract development begins before the prospective employee is hired. The prospective employee starts out with expectations about what employment will be like with this organization. The prospective employee will start to gather facts from the vacancy announcement, newspaper advertisement, on-line job posting, etc. Most of these facts are concerned with the economic transactions that bound the position. Next, during the interview process the prospective employee gains more knowledge about the aspects of the job. These details are often related to the organizational culture, the roles and responsibilities of the position, the current management, resources available, promotion opportunities, etc. All, or part, of these facts are retained by the prospective employee who uses them to start building aspects of the psychological contract.

According to Armstrong (2010), formal contract is an agreement between two or more parties which the law will enforce. It includes terms agreed by the parties that must be sufficiently certain to be enforceable, there must be an offer by one party and acceptance by the other and the agreement must be supported by considerations (some form of payment). Kate (2012) argue that a psychological contract term may be perceived as implicit if communicated through observations of others, such as coworkers, or signals from the company's website and recruitment materials (e.g., information about health care and training). Some of the earliest psychological contract researchers defined psychological contracts as only containing implicit terms (e.g., Kotter, 1973; Levinson et al., 1962); however, current researchers acknowledge both explicit and implicit terms.

Savarimuthu (2017) argue that while a legal contract formally represents the employee's and employer's relationship, the psychological contract may be more influential, as the later contract frames the perceptions of the employer employee relationship. This includes everyday intangible actions, expectations and understandings about mutual obligations between the employee and the employer. When an individual perceives that contribution that he or she makes obligate the organization to reciprocity (or vice versa), a psychological contract emerges. A belief that

reciprocity will occur can be antecedent to the development of a psychological contract. Contracts are legally enforceable agreements.

As per a report by CIPD (2010), legal employment contract offer only a limited and uncertain representation on the reality of the employment relationship. The employees may have contributed little to its terms beyond accepting them. The psychological contract on the other hand looks at the reality of the situation as perceived by the parties and may be more influential than the formal contract in how employees behave day to day. It is the psychological contract that effectively tells employees what they are required to do in order to meet their side of the bargain, and what they can expect from their job. This notion shows the influential impact of psychological contract in the employment relationship and organizational performance.

Nail and Tony (2006) argue that in contrast to the psychological contract, a legal contract is one that is more formal, written down and verbalized between the two parties. This suggests that both parties have read and agreed to its terms and conditions. In such an instance, this type of contract becomes quite difficult to change without some degree of consent between the contracting parties. Though psychological contract constitute no formal and verbalized agreement between the two parties, but it has certain significance in the employment relationship.

Psychological contracts differ from other types of contracts not only because of the innumerable elements they may contain but also because the employee (the contract taker) and the employer (the contract maker) may have differed expectations with respect to the employment relationship

The below table describes the key contents of psychological contract

Table 2.1 Contents of Psychological Contract – Source PSYCONES, 2005

Obligations of the employee		Obligation of the Employer
Robinson et al .(1994)	De Vos et al .(2002)	Job Content
Working Over time	Job Performance	Opportunities for career development
Loyalty	Flexibility	Social aspects
Extra –role behavior	Extra –role behavior	Support

Notice	Loyalty	Rewards
Transfers	Employability	Respect for private life
Proprietary protection	Ethics	
Proprietary protection		
Minimum Stay		

2.1.6 Types of Psychological Contract

2.6.1.1 Transactional Psychological Contract

Waiganjo (2012) argue that though psychological contract operates through the principle of reciprocity of obligations, some of these obligations are recorded in the form of a written formal contract; largely they are implied and not openly discussed. For example, the employee has expectations in the areas of promotion, pay, training, job security, career development, and support with personal problems. In return, the employer expects the employee to be willing to work extra hours, be loyal, volunteer to do non-required tasks, give advance notice when quitting, be willing to accept transfer, to refuse to support competitors, to protect company information etc. These obligations are perceived promises that both parties believe have been made and accepted by both parties. However the employees understanding of the employment relationship may be different from that of the organization. It is this perceptual and idiosyncratic nature of the psychological contract that distinguishes it from other forms of contracts. And these Obligations are not legal binding and have no formal document; managing consequence of breach from both parties shall not be an easy exercise.

According to Savarimuthu (2017), transactional contracts are short term psychological contracts that last only until the agreed period of contract. The organization is simply the place where individuals do their work and invest little emotional attachment or commitment to the organization. It is the place where they seek immediate rewards out of the employment situation,

such as pay and credentials. Transactional contracts are formal contracts that have well-described terms of exchange between employer and employees, which are often expressed financially.

Armstrong (2010) argues that this type of contract somehow represents all employees who work (waged or salaried employee). Transactional terms and conditions are those that have been specified formally or in writing. These consist of terms and conditions in the offer letter, the job description as posted, etc. (Gerlard et al., 2015).

Rousseau (1994) also explains that transactional psychological contracts refer to specific, monetizable exchanges over a limited period of time. In operationalizing transactional obligations in the context of psychological contract, the following have been included: rapid advancement, high pay and merit pay.

Rousseau (2004) argues that transactional psychological contracts include such terms as narrow duties and limited and short term duration. Employees with transactional contracts tend to adhere to its specific terms and to seek employment elsewhere when conditions change or when employers fail to live up to their agreement. However, according to Gerald et al., (2015), the most important concept for transactional terms and conditions is that the employer has specific obligations as indicated by compensation and the employee has specific obligations that are categorized as job expectations. Hence compensation and job expectations consist of the key elements of transactional psychological contract.

Rene (2017) transactional obligations such as salary and working conditions are usually regarded as fundamental obligations of the employers, and failure to fulfil these obligations will be most likely to result in immediate reactions from employees. When transactional obligations have been breached, this may be seen as inequity in the economic exchange. According to Equity Theory (Adams, 1963, 1965), employees will react by maintaining equity between the costs and benefits in the employment relationship. To restore equity in the exchange relationship, employees will reduce their obligations, by decreasing in-role performance.

2.1.6.2 Relational Psychological Contracts

Rousseau (1994) argues that relational contracts are broader, more amorphous and subjectively understood by the parties to the exchange. They are concerned with the exchange of personal, socio-emotional, and value based, as well as economic resources and they exist over a period of

time. Savarimuthu (2017) suggest that the relational terms and conditions are some of the other items (i.e. opportunity for growth, long term employment) that the employee believes to be implied during the hiring process.

According to Waiganjo (2012), relational psychological contracts include such terms as loyalty and stability. Employees with relational contracts tend to be more willing to work overtime whether paid or not, to help coworkers on the job, and to support organizational changes that their employee deems necessary. Failure to remedy the situation typically leads to turnover or if the employee remains, to reduced contributions and further erosion of the employment relationship.

Rene (2017) argue that relational obligations of the psychological contract might be more positively related to various work-related outcomes in comparison to transactional obligations. However, when these obligations will be breached, the perceived influence on work-related outcomes, such as affective commitment and in-role performance, might be more detrimental for the employment relationship.

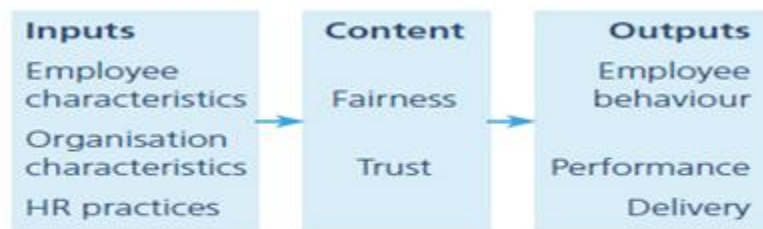
2.1.7 Models of Psychological Contract

According to report by CIPD (2010), the psychological contract offers a metaphor, or representation of what goes in the work place that highlights important but often neglected features. It offers a framework for addressing “soft” issues about managing performance; it focuses on people, rather than technology; and it draws attention to some important shifts in the relationship between people and organization. There are two majors’ models of psychological contract which are often cited by researchers. These are the Guest model and the Iceberg model

2.1.7.1 The Guest Model

According to Guest (2008), the model for measuring psychological contract adopted outlines the influence of the people management practices in the state of psychological contract in employees. Rousseau (1994) argues that psychological contract is based on the employees sense of fairness and trust and their belief that the employer is honoring the “deal “ between them where the psychological contract is positive , increased employee commitment and satisfaction will have a positive impact on business performance.

Gerlard et al., (2015) argue that HRM practices, such as, recruitment, training, performance appraisal and compensation play a vital role in creating psychological contract. Training and development activities are an important source of beliefs regarding psychological contract terms, as well as their degree of fulfillment. In particular, the quality of training shapes whether employees believe commitments have been made, and kept, regarding career development. Employees perceive the presence of practices like internal promotion opportunities and informal mentoring as enablers for fostering a developmentally focused and supportive organizational climate.



Source: Adapted from Guest and Conway (2004).

Figure 2.1. Guest Model of psychological contract (Guest & Conway, 2001, p. 2) (As adopted by CIPD, 2010)

2.1.7.2 The Ice berg Model

Information available from the website (Businessball.com) states that The Ice berg model explains the visible and the hidden dimensions of the employee and employer relationship. It describes the values of the invisible aspects of expectations from both the employer and employee. The hidden aspect of the employment relationship has a profound significance and comprises of the Psychological Contract. The hidden aspect strongly affects the interpretation of the psychological contract. And it is often the case that most of the hidden aspects of the model are not well understood by both the employer and employee. Many of these factors change unpredictably, but many are relatively constant and can easily be clarified. Both sides may assume the other side already knows about these factors, or alternatively has not right to know

about these factors. Some factors are hidden because they are difficult for anyone to understand or predict, but a great many others result simply from secrecy, borne of distrust or insecurity.

psychological contracts 'iceberg' model



Left side of iceberg = employee inputs (and employer needs).

Right side of iceberg = rewards given by employer (and employee needs).

Above the water level: factors mostly visible and agreed by both sides.

Work | Pay = visible written employment contract.

Black arrows = mostly visible and clear market influences on the work and pay.

Red arrows = iceberg rises with success and maturity, experience, etc., (bringing invisible perceived factors into the visible agreed contract).

Below the water level: factors mostly perceived differently by both sides, or hidden, and not agreed.

Left side of iceberg = examples of employee inputs, which equate to employer expectations - informal, perceived and unwritten.

Figure 2.2. The Iceberg Psychological Contract Model (source.WWW.businessball.com)

2.1.8 Measurement of Psychological Contract

Freese and Schalk (2016) argue that psychological contracts may contain hundreds of items, which can be very specific for a certain organization or person. It is difficult to develop a standardized measure to study the content of psychological contracts. Many different psychological contract measures have been developed to assess the content and evaluation of the psychological contract. The constituent structure of the content of the psychological contract is not generally agreed upon, with different researchers developing varying operationalization's on

both theoretical and empirical foundations. Interviewing employees and then constructing a questionnaire is a solid theoretical method to construct a questionnaire. An alternative method is composing dimensions based on previous theoretical work. Many psychological contract researchers constructed a psychological contract questionnaire by combining items from different previously developed psychological contract questionnaires. Many psychological contract questionnaires are based on other psychological contract questionnaires, and therefore completely new items seldom appear. The fundamental question of which items are to be included in a psychological contract content measure cannot only be answered by providing a standard list of items. It is more important to establish whether the list has been constructed in a methodologically sound way and whether the list of items suits the sample that is being assessed.

According to Jessen (2012), the generalizable assessment of the psychological contract across persons and settings developed by Rousseau (2000) is the valid in the psychological contract report describes well the measurement indicators of transactional and relational dimension. From the perspective of the individual, each psychological contract type has been operationalized by creating scale measures representing a sub-division of each component into “conceptually homogeneous components” for the individual’s perception of both their side of the psychological contract.

According to the psychological contract Inventory report developed by Rousseau (2000), measurement of psychological contract was classified into two dimensions using tested instruments. The dimension includes transactional and relational obligations. Transactional employment arrangements focus on a short-term or limited duration employment by the employee. And it primarily focused upon economic exchange; specific, narrow duties and limited worker involvement in organization. Transactional dimension describes a narrow dimension where the employee is obligated to perform only a fixed or limited set of duties, to do only what he or she is paid to do. Employer has committed to offer the worker only limited involvement in the organization, little or no training or other employee development. Employees on transactional contract have no obligations to remain with the firm; committed to work only for a limited time. The relational dimension comprises of long-term or open-ended employment arrangements based upon mutual trust and loyalty between the employer and employee. Employee is obligated to remain with the firm and to do what is required to keep job. Employer

has committed to offering stable wages and long-term employment. The employee is obligated to support the firm, manifest loyalty and commitment to the organization's needs and interests (Linda, 2011).

Hence, this study employed the standard and valid questionnaires developed by Rousseau (2000) to measure the two dimensions of psychological contract and use Lina (2011) valid and standard questionnaires to measure the employee individual job performance.

2.1.9 Psychological Contract Breach

Gerald et al., (2015) argue that as an important element of employment relations, psychological contract serves a purpose in helping organization achieve their objectives. The psychological contract evaluation process involves two parts: breach and violation. Breaches are perceived discrepancies relating to the employee's psychological contract. These breaches precede violations. Violations are emotional states that may result from psychological contract breaches. Once a breach occurs, employees engage in sense making to determine if the breach is severe enough to result in the negative emotions of a violation.

Chabuey (2016) argue that psychological contracts are best understood when they are violated. This provides one of the reasons that might be more interesting to study breach and violation. A reason for this is that Psychological contract breach and violation are relatively common, but can significantly affect employee behavior, attitude, job satisfaction and commitment to the organization.

According to Gerlard et al., (2015), there are two distinct types of psychological contract breach referred to as "employer's breach" and "perceived breach". Employer's breach is the actual abrogation of the exchange agreement by the employer. Perceived breach, on the other hand, is the cognitive assessment that a salient promise has not been fulfilled. Niall and Tony (2006) argue that it is important to note here that almost all measures of breach do not ask about breach directly, but rather about the extent to which employees believe their psychological contract has been fulfilled. Rousseau (1994) stated that psychological contract breach is responsible for bad behavioral actions towards the employers.

Siti et al., (2017) argue that psychological contract breach is positively related to feelings of violation. Daniel (2012) also suggest that the breach is more likely to be perceived as violation as

the relationship gets longer since there may be a longer history of expectations and reciprocal fulfillment. According to Rousseau (2004), when employees think that the organizations fail to fulfill their expectation, they may tend to perceive that psychological contract is breached. Although violation frequently occurs following perceptions of contract breach, it is not an automatic response, and therefore not all cases of breach result in feelings of violation. This explains that the duration of employment can have an effect in the employees understanding of psychological contract breach. This to say employees who are new to organizations may not fully embrace this concept. However, those who have served long years may feel that their expectations have not full filled or breached.

Daniel (2012) argues that the connection between perceived breach and violation involves the individual's interpretation or sense making processes. Gretchen (2013) argue that these processes include an assessment of the magnitude of the negative outcomes of the breach, causal attributions about the breach (e.g., whether the organization purposely defaulted or not), fairness and judgments.

According to a study by CIPD (2010), in organizations where employees believe that management have broken promises or failed to deliver on commitments, this has a negative effect on job satisfaction and commitment and on the psychological contract as a whole. Daniel (2012) suggest that where breach of the legal employment contract may result in employees taking legal steps against the employer to enforce the terms of the contract, the psychological contract has no such legal backing or possibility of recourse if it is unfulfilled. Employees may have a sense of powerlessness in their inability to take such steps and are left to act out negatively as a way of recourse or punishment of the employer for feeling wronged.

According to Nicole (2013), emotions are the common factors affecting feelings that related to the consequences when employees perceived that psychological contract breach is exercised by their employer. This emotional reaction is then negatively affecting employees' motivation and workplace behavior. Once employees feel that a psychological contract has not been fulfilled, they may become less satisfied with their jobs, may experience cognitive manipulation of the perceived inequities, and may change their behaviors by decreasing the amount of extra-role behaviors they perform .The effect of these change in behavior can have an effect on employee's performance.

Coyle et al., (2003) argue that breach of psychological contract has effects in the expected direction on job satisfaction, organizational trust and commitment, in-role and extra-role performance and turnover intentions.

2.1.10 Psychological Contract Fulfillment

The concept of psychological contract fulfillment is associated with the extent one party has kept the promises made to the other party (Rousseau, 1994). Psychological contract fulfillment develops feelings of being valued, leads to more trust in the other party and has a positive effect on work outcomes for both the individual and the organization (Coyle et al., 2003).

Hao et al., (2017) argue that as the psychological contract fulfillment has been viewed as valuable feelings, confidence and working production of employees to organizations are increased which are considered as a primary concept of organizational efficiency.

Though the concept of psychological contract is quickly associated with breach and violation during the employment relationship, fulfillment is also an integral element. When an employee believes that his/her psychological contract is being fulfilled, he/she develops an implicit obligation to reciprocate to the organization with strengthened affective and socio-emotional bonds, which are likely to include increased job satisfaction and organizational commitment.

Satisfying or fulfilling one's psychological contract is important because of its potential influence on employee attitudes, behaviors and outcomes (Rousseau, 1994). Gerlard et al., (2015) argue that the greater the perceived psychological contract fulfillment, the greater employees' affective responses should be in terms of job satisfaction (feelings toward the job) and organizational commitment (feelings toward the employer).

2.2 Empirical Literature review

Some researchers have been carried out by scholars to examine the effects of psychological contract. The Relationship between psychological contract as an independent variable and employee job performance as a dependent variable have been analyzed. Some researchers have treated psychological contract as one independent variable. Few have analyzed psychological contract using the transactional and relational dimension and its effects on employee performance. The outcome of most of the studies reveals that there exists a positive relationship

between the relational dimension of psychological contract and employee job performance. And the magnitude of the psychological contract effect on the employee job performance was significant. Some empirical findings about the relationship between psychological contract and employee job performance is described in the paragraphs below.

2.2.1 Psychological Contract and Job performance

A study by Matthijs et al .,(2010) on the effects of psychological contract breach on job performance and organizational citizenship behaviors are modified by several perceptions of social exchanges, including social exchange relationships. Two hypotheses were formulated to assess the effects of psychological contract. The first one was psychological contract breach will be negatively related to job performance. And the second one was psychological contract breach will be negatively related to organizational citizenship behaviors .The study Thus revealed that there exists a negative relationship between contract breach and work performance will be attenuated for individuals with high social exchanges. Contract breach will be negatively related to work performance. Psychological contract breach relationship is more negatively influenced by contract breaches than those for whom the employment relationship is of marginal importance. For employees with high social exchanges, the way the organization treats the employee becomes important and consequential. Employees with poor-quality social exchanges may already have lower expectations of their organization; contract breach may be yet another signal that the organization does not provide the employee with sufficient resources in the job, and does not value the employee as member of the organization. Psychological contract breach was negatively related to both job performance and OCBs. However, these effects are strongest among the employees who have high perceptions of social exchange relationships, organizational support, and trust in the organization. In general, organizations try to establish long-term relationships with their employees by providing them with support and building strong relationships between the organization and the employee.

Melina (2015) conducted a study to examine the effect of psychological contract on employee job performance. The study tried to assess the effect of the transactional and relational dimension of psychological contract with employee job performance. A study was conducted on a sample of 100 bookstore employees whom 93 of them have filled out the questionnaire developed through the global psychological construct measurement. The result of the study revealed a

significant correlation between the relational dimension of psychological contract and less obvious relation between the transactional dimension of psychological contract and employee job performance.

2.2.2 Transactional - Relational Dimension on Job Performance

According to an explanatory and evaluative research was conducted by (2017) to analyze the impact of the transactional and relational dimension of psychological contract and its consequences with respect to work-related outcomes, from both an employee and employer perspective. This qualitative research design provides the opportunity to generate rich and in-depth data on the psychological contract, breach of transactional and relational obligations and the perceived influence on affective commitment and in-role performance, from both the perspectives of the employee and the employer which resulted in a sample of 19 respondents (ten employees and nine employers) Interviews were conducted among different cases, which consisted of an employee and an employer who were part of an employment relationship. Interview questions were open ended and based upon the research questions and sub-questions proposed in the literature overview, which in turn were derived from existing literature. Data were gathered by means of semi-structured interviews. The only requirement for the selection of the respondents was that they are currently part of an employment relationship for a minimum of six months. The selection criteria of six months is used because research suggest that after a period of three to six months the honeymoon period is ended (Farber, 1994), so after this period respondents will be more objective about mutual obligations.

This study by Rene (2017) involved both employers and employees in order to assess the effect of the transactional and relational dimensions of psychological contract on employees in –role performance. Nearly all respondents (90%) have indicated that they experienced psychological contract breach of transactional obligations by the employer, of which half of the respondents were employees, and half of them were employers. With respect to psychological contract breach of relational obligations by the employer, less than half of the respondents (40%) have indicated that these obligations have been breached. From this group, the majority of respondents were employees. The majority of the respondents (88,89%) that reported breach of transactional obligations by the employer has perceived breach to have a negative influence on in-role performance of the employee, while few respondents (11,11%) have the perception that breach

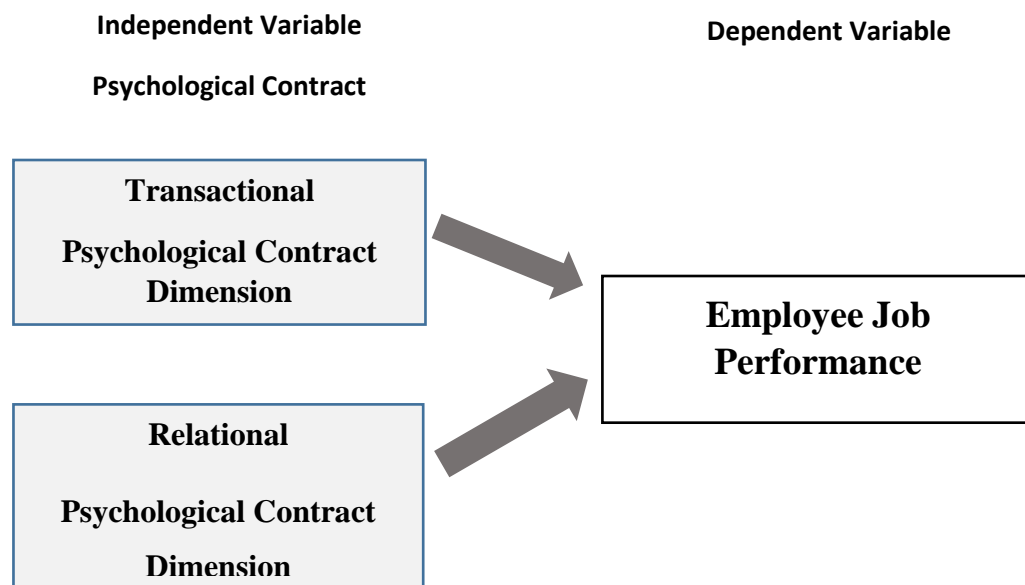
did not influence in role performance. In comparison to employees, more employers have perceived an influence on in-role performance after breach of transactional obligations. Yet, all respondents perceived this influence to be of short-term duration. Regarding breach of relational obligations all respondents perceived a negative influence on in-role performance. Hence, in comparison with breach of transactional obligations, more respondents perceived this influence to be long-term after breach of relational obligations. The researchers have confessed that using small number of samples from both employers and employees was the major limitation of the study. And the sample selection method has some biases since it was left to one person to samples. No probability sampling method was used.

Lewis (2017) conducted a study at Asanko Gold mine in Ghana to examine the effect of psychological contract and its outcome on employee job performance. The research applied a case study in design, and quantitative methodologies. The research applied the mixed method to review data, and apply a household survey. The research focused on a population of 500 employees from Asanko Gold Mines and a sample of 188 respondents. Probability sampling used for the study involved a cluster that categorized staff of Asanko Gold Mine into the Departments of Mining, Finance, Processing, Environmental, Community Affairs, Exploration, and Organizational Capability. A moderate simple random sampling was applied to select respondents from each department. A five point Likert scale was used for the research and focused on a combination of the transactional and relational dimension psychological contract fulfillment practices. The study results on Asanko Gold Mine confirm that psychological contract fulfillment can mediate employee performance in many ways. Psychological contract fulfillment influence on productivity of employees includes helping to provide solutions to problems, meeting work schedules, and improving safety at the workplace. The study results showed that the least influence of PCF on employee performance is on production output, i.e. annual gold production.

2.3 Conceptual Framework

According to Rousseau (2004), there are many ways to conceptualize psychological contracts. An important distinction in this respect is the distinction between a unilateral and a bilateral perspective. In addition, the psychological contract is a multidimensional construct. Therefore, measures can have different focus. A distinction can be made between feature, content, and

evaluation measures of the psychological contract. This study focused on the contents of psychological contract based on the two dimensions. The study examined the relationship between two variables; Psychological contract as independent variable and the employee job performance as dependent variable. In reference to the Guest Model of psychological contract, Rousseau(2000) psychological inventory technical report and Linda (2011) individual work performance framework, the below conceptual framework have been developed for the purpose of this study. The two psychological dimensions were assessed through two independent variables as the transactional and relational dimension.



CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Description of the Organization under study

According to Abate (2013), the history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. At that time, an agreement was reached between Emperor Menelik II and a representative of the British owned National Bank of Egypt to open a new bank in Ethiopia. Similarly, modern insurance service, which were introduced in Ethiopia by foreigners, mark out the origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company.

Hailu (2007) states that the first significant event that the Ethiopian insurance market observation was the issuance of proclamation No. 281/1970 and this proclamation was issued to provide for the control & regulation of insurance business in Ethiopia. Consequently, it created an insurance council and an insurance controller's office, its strange impact in the sector. The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries & 11 assessors in accordance with the provisions of the proclamation immediately in the year after the issuance of the law.

Currently, there are 58 Insurance Companies in Ethiopia. Nib Insurance Company (S.C.) is a Private Insurance Company established on May 2, 2002 by 658 Shareholding members' under the Licensing and supervision of Insurance Business Proclamation no. 86/94 and the licensing No. 010/02 from the National Bank of Ethiopia. Nib Insurance is a broad-based and widely owned private insurance Company in the country. Currently NIC has 879 shareholders with fully paid up ordinary shares. Due to the nature of its shareholding base, the Company has strong business support from a large segment of the public and its shareholders. The Head office of Nib

Insurance Share Company is located on African Avenue at Dembel Building (NIC. Annual Report, 2010).

Nib Insurance is also a sister company of Nib International Bank (S.C.), which is one of the leading banks in Ethiopia. The Product and Services offered by NIC include; property insurance, engineering insurance, liability insurance, life Insurance, General Insurance and Health Insurance.

3.2 Research Approach

There are two basic kinds of research approach which are categorized as Qualitative and Quantitative. This research was conducted using the Quantitative approach. According to Derbisa (2017), Quantitative method focus on information that is numerical. It classify features and construct statistical models. It isolates variables to explain the relationship between them and determines the magnitude and frequency of the relationship.

The study analyzed the relationship between two key variables; psychological contract through the transactional and relational dimension as independent variable and employee job performance as dependent variable. In line with the research question and the hypothesis proposed. The study examined if there exists a relationship between the two variables.

The concept of psychological contract is a two way approached analyzed through its effects both from the employer and employee side. Employers may fulfill or breach the expectation/obligations in psychological contract to employees and vice versa. The research approach for this study focused mainly from the perspective of the employee only. It analyzed the effect of psychological contract on employee's performance from the perspective of employees.

3.3 Research Design

Explanatory design identifies any causal link between the factors or variables that pertain to the research problem. Explanatory research focus on the “why” question. And answering the “why” question involves casual explanation in order to explain and analyze the relationship between the two identified variables. And the correlation between the variables will be analyzed (Social

Research Course Module, AAU, 2017). Hence, this study employed the explanatory method to examine and analyze the relationship between psychological contract as an independent variable and employee performance as a dependent variable.

Through the statistical regression equation developed, the study explained the effect of psychological contract on employee perceived job performance. And the degree of the relationship was analyzed through the interpretation of the regression Beta Coefficient.

3.3.1 Study Population

According to the NIC Annual report (2010 E.C), Nib Insurance employed a total of 416 employees in Ethiopia in its 40 Branch offices. The company is set up through an organizational structure divided into Operational Staff on the lower level of the structure, Middle Management (Supervisory Staff) and Top Management. Out of the total 416 permanent employees 364 of them are based in Addis Abeba in the 27 Branches. There are no third party or contract employees who can be part of the study population. Hence, this study used the 364 employees as the study population.

3.3.2 Sampling Method

According to Derbisa (2017), the technique of sample selection is divided in to two broad categories. They are probability sampling and non-probability sampling. Probability sampling includes methods like simple random sampling, stratified sampling etc. Non- probability sampling includes such as purposing and quota sampling. Probability sampling will be used for this study to reduce any biased during sample selection.

According to Kothari (2004) ,in stratified sampling the population is divided into several sub-populations that are individually more homogeneous than the total population (the different sub-populations are called ‘strata’) and then we select items from each stratum to constitute a sample. Since each stratum is more homogeneous than the total population, we are able to get more precise estimates for each stratum and by estimating more accurately each of the component parts, we get a better estimate of the whole. The samples will be drawn for each strata using

simple random sampling. The three strata shall be the senior management group, the supervisory management and operational staff.

3.3.3 Sample Size

According to Kothari (2004), a sample design is a definite plan for obtaining a sample from a given population. Due to a number of resource limitations and factors like time and budget, not every study population can be included hence taking a selected sample is the convenient approach. The sample size for this study was determined using the sample size determination adopted from Yamane Taro (1967).

$$n = \frac{N}{1 + N(e)^2}$$

Where “n” is the sample size, “N” is the population size and “e” is the desired level of precision

Hence, the below sample size will be selected for this study

$$N = 364$$

$$e = 0.05$$

$$n = \frac{364}{1 + 364(0.05)^2}$$

$$1 + 364(0.05)^2$$

$$n = 364 / 1.91$$

$$n = 190$$

Therefore, the sample size will be 190. Out of this sample size, 186 questionnaires were correctly completed and collected.

According to Kothari (200) Probability sampling is also known as ‘random sampling’ or ‘chance sampling’. Under this sampling design, every item of the universe has an equal chance of inclusion in the sample. This study used probability sampling for the three category or strata of organizational members which are the operational employees, the supervisory (middle

management) and top management. According to this stratification, a simple random sampling method will be applied to collect samples that will sum up to the total sample. The below table is constructed to show the distribution of the sample size for each strata.

Table. 3.1 Sample Population used

Job Category	Number of Employees	Proportion	Sample
Top Management	30	0.54	18
Supervisory Staff	96	0.54	52
Operational Staff	220	0.54	120
Total	346	0.54	190

Note. The sample taken was 54% of the population hence each strata will have similar sample proportion

Source: Computed by the Researcher

3.4 Data Collection Procedure

The data collecting procedure was based on a primary data gathered through self-administered questionnaire developed as per the model for the study. In line with the conceptual framework developed, the independent variable psychological contract was measured using valid items developed by Rousseau (2000) from the psychological technical inventory report. A five score likerte scale was used both for the transactional and relational dimension of psychological contract. The validity of the measures is captured in the technical report. Besides, a pilot test of the instruments was conducted on 20 sample size before the actual distribution of the questionnaires to validate the reliability of the instruments. Previous researchers used similar instrument design to measure psychological contract. Hence, all the transactional and relational dimensions of the psychological contract were measured through the valid and reliable questionnaires.

The dependent variable (employee job performance) was measured using the standard and valid instruments developed by Linda (2011) for measuring individual work performance. These questionnaires measure employee job performance using two major indicators which are employee task performance and contextual performance. Previous researches on the relationship between psychological contracts used similar instrumented developed by Linda (2011). The

validity and reliability of the instruments was tested and pilot test of the instrument measured through a good cronbach's alpha coefficient.

3.5 Data Analysis

Data analysis enables researchers to analyze the relationship between variables and the strength of independent variable on the dependent variable. Hence, this activity demands correlation and casual analysis. According to Kothari (1994), Correlation analysis studies the joint variation of two or more variables for determining the amount of correlation between two or more variables. Causal analysis is concerned with the study of how one or more variables affect changes in another variable. A multiple regression is adopted when the researcher has one dependent variable which is presumed to be a function of two or more independent variables. The objective of this analysis was to make a prediction about the dependent variable based on its covariance with all the concerned independent variables.

The Data was analyzed using SPSS (Statistical Processing Software for Social Science) version 20. Once data collected, edited and coded, a general trend analysis and explanation has been provided about the mean, frequency percentage distribution, and standard deviation. Descriptive Analysis such as mean, frequencies are used to describe the profile of the respondents, level of the psychological contract and level of job performance .Multiple Regression analysis was conducted using the model adopted to measure the significance of psychological contract on perceived employee performance. The Pearson correlation analysis was used to determine the direction and significance of the relationship between psychological contract and employee job performance. Besides, Analysis of Variance (ANOVA) was conducted to test the statistical significance of the regression model. Presented hereunder is the regression model employed in the current study.

$$y = a + b_1x_1 + b_2x_2 + e$$

y=Employee performance (the dependent variable) assessed using the indicators Task performance and the Contextual Performance

a= the “Y intercept”

x_1 = The first independent variable, psychological contract transactional dimension measured through the combined indicators (Job expectation and compensation)

x_2 =The second independent variable, psychological contract relational dimension measured through combined indicators (Sense of belongingness, extra role behavior ,working environment , promotion and career advancement)

- b_1 and b_2 are regression beta coefficients

e = the error term

3.6 Validity and Reliability

According to Kothari (2004), reliability refers to the consistency, where internal consistency involves correlating the response to each question with those other questions in the questionnaire. In order to assess the quality of the research design, content and construct validity of the instrument was conducted. A feedback was given by Advisor. The questionnaire used the two dimension of psychological contract through Transactional and Relation contract. And Employee Job Performance through task and contextual performance. The instrument has 47 items in which five points likerte scale was used. In order to ensure the reliability of the instruments, a pilot test of 20 questionnaires was employed and Cronbach's Alpha was measured. And the Cronbach's Alpha for the 41 statements in the questionnaire for 38 samples was 0.91. According to George and Mallery (2003), the following rule of thumb applies while interpreting reliability coefficients: Greater than or Equal 0.9 Excellent, Greater than or equal to .8 is good, greater than or equal to .7 as and .6 questionable. And greater or equal .5 as poor and below .5 as unacceptable. The total reliability coefficient is 0.84 and the questionnaire was valid. Below is the summary of Dimensions and Cronbach's Alpha.

Table 3.2 Reliability Statistics

Dimension	No of Items	Cronbach's Alpha
Transactional Psychological Contract	8	.073

Relational Psychological Contract	16	.873
Task Performance	7	.905
Contextual Performance	10	.882
Total	41	.919

3.7 Ethical Consideration

Participants of the study were first briefed about the purpose of the study and securing they were given the full confidence about the anonymity and confidentiality of the results. Questionnaires were distributed with the guidance and coordination of the human resource department assistance. Samples were selected randomly as per the stratification. All of the data analyzed in the study were directly collected from the questionnaires. And No data was altered or falsified.

CHAPTER FOUR

4. DATA ANALYSIS, PRESENTATION AND INTERPRETATION

The purpose of this chapter is to examine the level of employee’s psychological contract at Nib Insurance Share Company in Addis on employees perceived job performance. In order to achieve this objective the relevant theoretical and empirical literatures were reviewed. The research methodology and approach is described. Both summaries are captured in chapter two and three respectively. This chapter illustrates the result of the data analysis collected from respondents through the questionnaires. The information gathered is analyzed, and the results are presented accordingly in this section.

4.1 Response Rate of Respondents

A total of 190 questionnaires were distributed and 186 questionnaires were correctly filled and returned. The response rate is 96%. This data was used in the process for analysis.

4.2 Demographic Profile of Respondents

In this section a summary of the demographic characteristics of the respondents is presented which includes age of the respondents, marital status, gender, educational attainment, job level and years of experience. The main objective of this demographic analysis is to describe the

characteristics of the sample such as the proportion of female verses male respondents, employment group or job level, years of experience, marital status, range of age and education level. This analysis will give a complete information about the respondents

Table 4.1 Demographic Profile of Respondents

	Category	Frequency	Percentage
1.Age	20-30 Years Old	90	48.4
	31-40 Years Old	88	47.3
	41-50 Years Old	7	3.8
	51 and Above	1	0.5
	Total	186	100%
1. Marital Status	Category	Frequency	Percent
	Single	93	50
	Married	92	49
	Divorced	1	5
	Total	186	100%
2. Gender	Category	Frequency	Percent
	Female	89	48.1
	Male	97	51.9
	Total	186	100%
4. Educational Attainment	Category	Frequency	Percent
	High school Certificate	9	4.8
	College Diploma	25	13.4
	Bachelor Degree	128	68.8
	Master's Degree	24	12.9
	Total	186	100%
5. Job Level	Category	Frequency	Percent
	Management	18	9.7
	Supervisory	39	21.0
	Operational Staff	129	69.4
	Total	186	100%
6. Experience in NIC	Category	Frequency	Percent
	6 months-11 months	20	10.8
	1 Year-5 Years	66	35.5
	6 Years-10 Years	72	38.7
	11 Years & Above	28	15.2
	Total	186	100%

Source- Survey Data, 2019

Table 4.1 above shows the demographic profile of 186 respondents. In terms of the age proportion, 48.4% of the respondents are between the age of 20-30 and 47.3% of them fall in the range of 31-40. This two categories comprises of the largest percentage of the respondents. 3.8% of the respondents are within the age range 41-50. And there is only one respondent who is above 51 years. This age distribution indicates that NIC has highest number of employees who could be productive for the organization.

As far as the Martial status of the respondents is considered, 50% of them are single and 49% are married. This distribution indicates that the organization has almost equal number of employees in this social status category.

The Educational status of the respondent's shows that the largest percentage of the workforce have a Bachelor Degree which is 68.8%. And 13.4% of them have college Diploma. And those who hold Master's Degree are 12.9%. There are also 4.8% who have a high school certificate. This distribution shows that NIC has large number of university educated workforce.

In terms of their roles in the organization, the majority of respondents (69.4%) are operational staff. This is followed by 21% of the respondents who are in supervisory. And 9.7% of the respondents are in managerial role.

The years of service distribution of the respondents show highest number of employees have worked in the organization for more than 1 year. 35.5% have worked between the year 1-5 and 38.7% have worked between the years 5-10. 15.2% of the employees have worked for more than 11 years. 10.8% percent of the respondents have worked between 6-11 months. This distribution indicates that most of the employees have been with the organization for long period and must have experienced the different dimension of psychological contract. And they can describe their responses in the transactional and relational dimensions of psychological contract for the study undertaken very well.

4.3 Descriptive Statistics

Descriptive statistics was employed to assess the mean and standard deviation of the responses from the respondents with regards to the four key indicators of the independent and dependent

variable (Psychological contract transactional dimension, psychological contract relational dimension, task performance and contextual performance)

4.3.1 Descriptive Statistics of Psychological Contract

In order to assess the perception of employees regarding the two dimensions of psychological contract, the researcher has summarized the measures with the respective means and standard deviation. The mean and standard deviation analysis used the rule of thumb developed by Zaidatol (2009). According to Zaidatol (2009), comparison base of mean score for a five point Likert scale instrument where the mean score is below 3.39 is considered as low; the mean score from 3.40 up to 3.79 as moderate and mean score above 3.8 is considered as high. The below table shows the mean value with the corresponding standard deviation and interpretation of the data.

Thus the mean indicates to what extent the sample group averagely agrees or disagrees with the different statements. Standard deviation on the other hand shows the variability of observed responses from a single sample.

Table 4.2 Summary of respondent’s opinion about the Transactional dimension of psychological contract

Variable Indicators		
Transactional Psychological Contract Dimension	Mean	Standard Deviation
I perform only required tasks	2.62	1.216
I fulfill a limited number of responsibilities	3.04	1.290
I only perform specific duties I agreed to when hired	2.34	1.119
I do only what I am paid to do	2.28	1.142
I can stop working for this company whenever I want	3.17	1.256
I have no future obligation to this company	2.52	1.135
I can leave at any time I choose	3.58	1.128
I am under no obligation to remain in this company	3.29	1.177
Transactional Psychological Contract Aggregate	2.85	1.18

Source: Own Survey 2019

Table above describes the mean and standard deviation of transactional psychological contract. The item “I can leave at any time I choose” has the highest mean of 3.58 which falls under a moderate category as per Zaidatol (2009). And the item “I am under no obligation to remain in this company “comes second though it also falls under moderate category. Besides, the item “I only perform specific duties I agreed to when hired “has also low mean (2.34). Items that further clarify the transactional psychological contract concept have lowest mean score; “I do what am paid to do” has a mean score of 2.28.

The aggregate mean for transactional psychological contract is 2.85 which is considered as low as per Zaidatol (2009) classification. This indicates that employees have lower level of feeling for transactional dimension of psychological contract. As per the conceptual framework illustration for the study and description of the variable indicators. The item “I have no future obligation to this company” has a mean score 2.52. And this indicates further that the majority of the employees are not on a transactional and short term contract with their company. It can be indicated from the analyzed data that these respondents don’t work just for salary and credentials in NIC. They have low “I work for pay mindset” and their commitment with the organization is not for a short term employment. Their overall employment relationship with the employer is not governed by “I am working since I am paid attitude”. It goes beyond this.

Table 4.3 Summary of respondent’s opinion about relational dimension of psychological contract

Relational Psychological Contract Dimension	Mean	Standard Deviation
I remain with this organizational indefinitely	2.92	1.910
I plan to stay here a long time	2.80	1.172
I continue to work here	3.15	.964
I make no plans to work anywhere else	2.27	1.021
I seek out developmental opportunities that enhance my value to this employer	3.74	.970
I build skills to increase my value to this organization	4.04	.989

I make myself increasingly valuable to my employer	3.99	.986
I actively seek internal opportunities for training and development	4.11	1.013
I accept increasingly challenging performance standards	3.57	1.094
I adjust to changing performance demands due to business necessity	3.89	.872
I respond positively to dynamic performance requirements	4.00	.964
I accept new and different performance demands	3.98	.927
I make personal sacrifices for this organization	3.80	1.018
I take this organization's concerns personally	3.18	1.170
I protect this organization's image	4.13	.860
I commit myself personally to this organization	3.98	.972
Relational Psychological Contract Aggregate	3.59	1.54

Source: Own Survey Data, 2019

Table 5 describes summary of relational dimension of psychological contract as per the views of the respondents. Hence interpretation of the descriptive statistics was analyzed using Zaidatol (2009) rule of thumb Compared to the transactional psychological contract dimension, the mean values for a number of relational psychological contract dimension are higher. The item: “I protect this company’s image “has highest mean score of 4.13. This indicates that the majority of employees have a sense of ownership to their company. The item “I actively seek internal opportunities for training and development “has also a high mean score of 4.11. Besides, the item “I build skills to increase my value to this organization” has also a high mean score of 4.04. This indicates that the majority of employees have a strong commitment for training and career advancement in the company. This commitment to the company is also expressed through a high mean score of 3.98 under the item” I commit myself personally to this organization”. However, there are three items that have significantly low mean score on the relational dimension of psychological contract; item “I make no plans to work anywhere else” with a mean score of 2.27.

Item “I plan to stay here a long time with a mean score of 2.80. And item “I remain with this organizational indefinitely” with a mean score of 2.92. Given the respondents view of their growth commitment, loyalty and value they have to the organization, their relational psychological contract has moderate value with an aggregate mean of 3.59. We can indicate from this analysis that respondents in NIC have a moderate relational psychological contract with the organization with high loyalty, high commitment for career advancement but relatively lower commitment for a stable long term job. To summarize, the item “I remain with this organizational indefinitely” shows higher variance compared to other items with a standard deviation 1.910.

4.3.2 Descriptive statistics of Employee Job Performance

In the table below the assessment of employee’s job performance as a dependent variable is described from the task performance and contextual performance dimension

Table 4.4 Summary of respondent’s opinion about Employees Job Performance

Variable Indicators-Job Performance		
Task Performance Dimension	Mean	Standard Deviation
I plan my work so that it is done on time	4.13	.899
My planning is best	3.82	.816
I keep in mind the results that I have to achieve at work	4.13	.753
I can separate main issues from side issues at work	4.03	.912
I know how to set priorities for my work	4.15	.886
I can perform my work with little time and effort	3.88	1.081
My collaboration with others is very productive	4.34	.824
Task Performance Aggregate	4.06	.881
Contextual Performance Dimension	Mean	Standard Deviation
I take extra responsibilities at work	3.70	1.038
I start new tasks by myself when my old tasks are finished	3.84	.966
I take challenging work tasks when available	3.77	.904
I work at keeping my knowledge up –to-date	4.08	.828
I work at keeping my job skills up-to-date	4.01	.903
I come up with creative solutions to new problems	3.87	1.016

I keep looking for new challenges in my work	3.82	.910
I do more than what is expected of me	3.70	1.107
I actively participate in work meetings	3.87	.969
I actively look for ways to improve my performance at work	4.24	.893
Contextual Performance Aggregate	3.89	.953

Source: Own Survey, 2019

Table 4.4 describes the opinion of respondents about their job performance from the dimension of task performance and contextual performance. The task performance reflects their key technical job specific or in role performance which is the core of their responsibility in terms of output quantity and quality. Contextual performance assesses their job role as expressed through doing extra task, interpersonal relationship, initiation, cooperation and creativity and taking on challenging tasks.

Descriptive analysis of the mean and standard deviation was analyzed using Zaidatol (2009) interpretation guidelines. Thus, task performance has a higher aggregate mean than contextual performance. Items like “My collaboration with my team is very productive”. “I plan my work so that it is done on time “I know how to set priorities for my work” .And “I keep in mind the results I have to achieve at work have the highest mean of 4.34, 4.13 and 4.15 respectively. This indicates that respondents focus and value to the task performance dimension of their work is high. The contextual dimension have higher mean score for items like “I actively look for ways to improve my performance at work”. “I work at keeping my knowledge up to date.” And I work at keeping my job skills up to date with a respective mean score 4.24, 4.08 and 4.01. Items that measure extra role performance of the employees have moderate mean score. This analysis indicates that the employees have higher focus on performance improvement however their commitment towards doing extra role, taking challenging tasks and doing more than what is expected from is not so strong. And these extra tasks are the core of contextual performance.

4.4 Correlation between Psychological Contract and Employee Job Performance

In the study, correlation analysis was conducted to examine the relationship between the independent variable psychological contract through its two dimensions (Transactional &

Relational with Dependent Variable (Employee job Performance through two indicators which are task and contextual performance)

The following tables describes the summary of the Pearson correlation between the independent variable (psychological contract) and the dependent variable (employee job performance). Each dimension of the independent and dependent variables have been analyzed separately to measure the direction and magnitude of correlation. This study employed the rule of thumb developed by Kothari (2004) to interpret the correlation coefficient analysis. According to Kothari (2004), Pearson’s coefficient of correlation is also known as the product moment correlation coefficient. The value of ‘r’ lies between ± 1 . Positive values of r indicate positive correlation between the two variables (i.e., changes in both variables take place in the statement direction), whereas negative values of ‘r’ indicate negative correlation i.e., changes in the two variables taking place in the opposite directions. A zero value of ‘r’ indicates that there is no association between the two variables. When $r = (+) 1$, it indicates perfect positive correlation and when it is $(-) 1$, it indicates perfect negative correlation, meaning thereby that variations in independent variable (X) explain 100% of the variations in the dependent variable (Y).

Table 4.5 Pearson correlation between of Psychological contract and Employee Performance

		Psychological Contract Transactional Dimension	Psychological Contract Relational Dimension	Psychological Contract	Employee Performance
Psychological Contract Transactional Dimension	Pearson Correlation	1			.075
	Sig. (2-tailed)				.309
Psychological Contract Relational Dimension	Pearson Correlation		1		.731***
	Sig. (2-tailed)				.000
Psychological Contract	Pearson Correlation			1	.681***
	Sig. (2-tailed)				.000
Employee Performance	Pearson Correlation	.075	.731***	.681***	1
	Sig.(2-tailed)	.309	.000	.000	

**Correlation is significant at the 0.01 level(2 tailed)
*Correlation is significant at 0.05 level(2-tailed)

The Pearson correlation displayed on the above table shows that there is In general a positive relationship between psychological contract and employee performance. The correlation between psychological contract and employee performance was observed to be significant ($r=.681^{***}$, p less than 0.01. The stars represent the degree of the significance of the correlation). A significant correlation was also observed between the relational dimension of psychological contract as one independent variable and employee performance ($r =.731^{***}$, p less than .01).And the relationship between the transactional dimension of psychological contract and employee performance was observed to be weak ($r=.075$ and p value greater than 0.01 which indicates no significance as well.)

4.5 Summary of Hypothesis Test Result

Two hypothesis were developed for this study. According to the regression correlation analysis, the below summary is described

H1. The transactional dimension of psychological contract has a positive relationship with employee job performance .In line with the result of the Pearson correlation coefficient observation on table 8, the transactional dimension of psychological contract has a weak correlation with employee job performance ($r=.075$, $p.309$). This indicates that there does not exist a positive relationship between transactional dimension of psychological contract and employee performance. Hence, the Null hypothesis is accepted

H2. The relational dimension of psychological contract has a positive relationship with employee job performance. According to correlation analysis, the relational dimension of psychological contract has a significant relationship with employee performance ($r=.731^{***}$, p less than 0.01). Hence, null hypothesis is rejected.

The outcome of this positive correlation of this study between the two dimensions of psychological matches also with a similar study conducted by Cheng & Xu (2016) in E. Business Company. Two hypothesis was developed. The first hypothesis was; the transaction dimension of the psychological contract between the enterprise and employees has a significant positive effect on the job performance; and the second hypothesis was; the relationship dimension of psychological contract between enterprise and employees has a significant positive impact on the job performance. And Pearson correlation proved the positive relationship between the two variables.

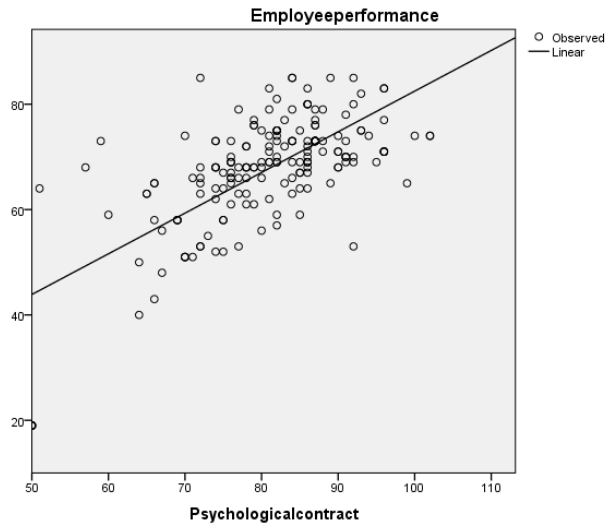
4.6 Diagnosis Test

Before the regression analysis was conducted, some tests were made in order to insure the data the appropriateness of the data assumption of the regression Analysis

4.6.1 Linearity Test

In order to examine the relationship direction between the independent variable (psychological contract through transactional and relational dimension) with employee performance as Dependent variable, a test of linearity was conducted using SPSS software. Linearity shows the degree to which a change in the independent variable is related to a change in the dependent variable.(www.statisticssolutions.com)

Figure. 4.1 Linearity Plot



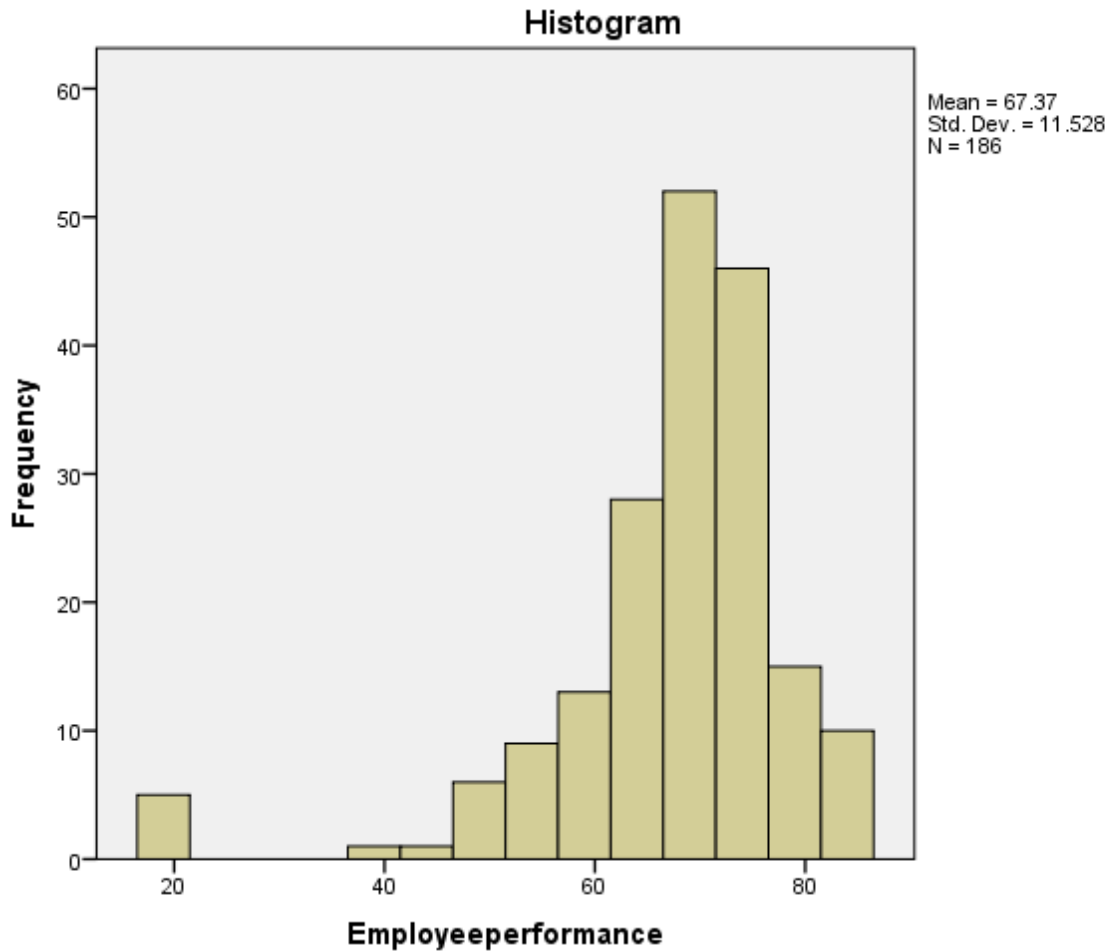
(Source: SPSS output)

The scatter plot of residual shows no large difference in the spread of residual. Hence, this result shows that the relationship to predict is linear.

4.6.2 Normality Test

The figure below shows the frequency distribution of the standardized residuals compared to a normal distribution. Though there is a higher mean in the distribution, the histogram shows a bell shaped graph which moved to the right which somehow affected the normally distribution of residuals

Figure 4.2. Frequency Distribution of the Standardized Residual



Source: SPSS output

4.6.3 Muticollinearity Test

Muticollinearity shows the inter correlations or inter-association among independent variables. Similarity between the independent variables will result in strong correlations. In addition, Muticollinearity tests are employed. Variance inflation factor (VIF) is computed and if the VIF value lies between 1-10, then there is no Muticollinearity and if the VIF is less than 1 or greater than 10 then there is Muticollinearity. (Source .stasticissolution.com)

Table 4.6. Muticollinearity Test

Coefficients

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
1 Psychological Contract	.999	1.001
Transactional Dimension		
Psychological Contract Relational	.999	1.001
Dimension		

a. Dependent Variable: Employee performance

As per the coefficient output of the Collinearity statistics obtained the VIF value of the independent variables of psychological contract; transactional and relational dimension was above 1 and below 10. Therefore it can be summarized that there is a Muticollinearity symptoms between the independent variables and dependent variables.

4.7 Regression Analysis

Regression analysis was conducted to understand by how much the independent variable explains the dependent variable. According to W.Lawerence (2013), multiple regression results tell the overall predictive power of the independent variables on the dependent variable. A statistics, R squared (R²) tells how well a set of variable explains the dependent variable. The higher the value, the larger the effect on the dependent variable. The regression coefficient (Beta) determines the effect on the dependent variable

4.7.1 Regression Model Summary .

Table 4.7 Multiple Regression Result of Psychological Contract and Employee Perceived Job Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.737 ^a	.543	.538	7.833

a. Predictors: (Constant), PC Relational, PC Transactional dimension

The regression model describes how much of the variance in employee job performance is explained by the selected psychological contract. As described in the table 8.1 and as per the interpretation formula for regression the R square value describes that as a symbol of effect size in multiple regression studies addresses the question, “with knowledge of scores on the predictor variables, what proportion (or percentage) of the variability in individual differences on the outcome variable can we predict?” Leily (2017). Hence, 54.3% of the variation in employee job performance is explained by psychological contract transactional and relational dimension (where R square is .543 and adjusted R square is .538. The rest of the variation may be attributed to other factors which are not analyzed in this study.

4.7.2 Regression ANOVA

Table 4.8 ANOVA Analysis Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13356.607	2	6678.303	108.858	.000 ^b
	Residual	11226.796	183	61.349		
	Total	24583.403	185			

a. Dependent Variable: Employee performance

b. Predictors: (Constant), Psychological Contract Relational, Psychological Contract Transactional

The Analysis of Variance (ANOVA) table shows the overall significance of the regression model from a statistical point of view. As the significance value of the F statistics show that a value of which is less than 0.05, hence the regression model is significant. If the significance value of F is larger 0.05 then the independent variables do not explain the variation in the dependent variable this indicates that the variation explained by the regression model is not due to chance. And this model describes the effect of psychological contract (transactional and relational dimension) on employee perceived performance at Nib Insurance Share Company.

4.7.3 Regression Beta Coefficient

Table 4.9 Beta Coefficient Summary

The below table describes the beta coefficient summary

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	8.743	4.606		1.898	.059
Psychological Contract Transactional	.215	.116	.092	1.850	.066
Psychological Contract Relational	.933	.064	.733	14.679	.000

a. Dependent Variable: Employee Performance

As it is described in the first chapter, the aim of this study was to examine the effect of psychological contract as independent variable on employee performance. Hence, the strength of predictor (independent variable) influence on the criterion (dependent variable) can be assessed through Beta coefficient. Hence, the regression coefficient explains the average amount of change in dependent variable that is caused by a unit of change in the independent variable. The summary of the regression equation below explains the difference. These coefficients tell how much the dependent variable (employee performance) is expected to increase when the independent variable increases by one holding the other independent variables (transactional and relational dimension of psychological contract).

In line with the regression equation developed for the study. The effect of the two dimensions of psychological contract on performance is illustrated as follows

$$y = a + b_1x_1 + b_2x_2 + e$$

$$\text{Employee Job Performance} = a + b_1 (\text{transactional psychological contract}) + b_2 (\text{relational psychological contract}) + e(\text{error term})$$

B1 and b2 are the beta regression coefficients that represent the rate of change on one variable as a function change in another variable.

The regression equation model can be computed as following using the output from regression coefficient (weight) and the values for the regression weights are as follows

$$Y=8.743+.251(PCT) +.933(PCR) +e$$

Where; Y= Employee Performance

PCT= Psychological Contract Transactional

PCR=Psychological Contract Relational

From the Beta coefficient analysis we can interpret that the relational dimension of psychological contract has a higher significance on employee job performance (with coefficient of .933) than the transactional dimension of psychological contract with a coefficient (.251). Previous researches also attest this. According to the research conducted by Cheng & Xu (2016) about the effect of the two dimension of psychological contract (transactional and relational) on employee job performance in an E. business company. Employee task performance and contextual performance were the key elements of the dependent variable Job performance used. Their research was developed through a quantitative method using a five score Likert scale on sample of 103 employees. The final result of the study revealed that a positive and significant relationship between psychological contract and employee performance.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATION

This chapter describes the findings gained from the analysis and the discussion of the data collected, conclusions derived from the findings of the study and recommendations proposed to address the identified gaps if any

5.1 Summary of Major Findings

The main objective of the study was to examine whether psychological contract of employees at Nib Insurance Company has an effect on their perceived job performance. The objective of the research was also aimed at assessing the significance and the direction of relationship between

the psychological contracts as expressed through the transactional and relational dimension with employee job performance. Besides the research aimed to assess the perception of employees about psychological contract. Consequently, the research also tried to answer the following basic questions

- How is the relationship between psychological contract and employee perceived job performance?
- What is the level of influence of psychological contract on employee perceived job performance at NIC?
- What is the psychological contract on employee perceived job performance?

Hence, the following major findings were obtained from the data analysis result discussed in the previous chapter

- As per the demographic data of the respondents collected, it is indicated that 35.5% have worked between the year 1-5 and 38.7% have worked between the years 5-10. 15.2% of the employees have worked for more than 11years. This indicates that respondents have had enough time within the organization to experience breaches or fulfillment of the psychological contract. And the study has intentionally focused on gathering data from employees who have worked at least a minimum of six months and above. This research also indicates that there is no significant employee turnover at NIC.
- The result of the descriptive analysis of the transactional dimension of psychological contract was found to be mean 2.85 and standard deviation 1.18 .The highest mean score goes to the item “ I can leave at any time I choose “ which indicates that employees have no future plan to stay very long in the organization . The low mean score for this variable indicates that employees have low perspective towards the transactional psychological contract .They have low attitude towards “I work for pay “description of psychological contract. Besides, the low mean scores for working beyond ones job description further strength the low attitude they have. These employees are not bonded by their role and pay
- The result of the descriptive analysis of the relational dimension of psychological contract indicates an aggregate mean 3.74 with aggregate SD 1.54. This indicates that employees have a relatively moderate and positive perception about accepting

responsibilities beyond their role. It also indicates that they are welcome in taking new performance challenges and requirements. It also explains their moderate readiness to adjust to challenging business performance requirements. And they are committed to develop their knowledge and skills to add better values to the organization.

- The result of the descriptive statistics of employee job performance through indicators in task and contextual performance indicates an aggregate mean =4.06, SD=.881 for task performance and mean=3.89, SD =.953 for contextual performance. This explains that employees have a high devotion in the quality and quantity of their work output for their core technical performance. Besides , the score for contextual performance implies that the employees are much willing to deliver more than what is expected from them , collaborate more with others, come up with new ideas for work ,continuously work to improve their performance
- Result of correlation analysis indicates that there exists a positive and significant relationship between psychological contract and employee job performance mainly a strong correlation between the relational dimension of psychological contract and employee performance with coefficient of .731***. This indicates that employees at NIC are more loyal to organization, protect the company, engage themselves for their career advancement and are committed for the performance of the organization even if they face challenges. A positive and significant correlation is also observed between the relational dimension of psychological contract and employee task performance. And also a positive and significant correlation between the relational dimension of psychological contract and contextual or extra role performance by employees. The result of correlation analysis between the transactional dimension of psychological contract and employee performance is very low. The correlations observed indicate that psychological contract on the relational dimension has a positive and significant relationship with the task performance, the contextual performance and overall job performance of Employees at NIC
- Result of the regression analysis reveals that R square shows 54.3% of the change in employee perceived performance was explained by psychological contract the remaining 45.7% could be due to other factors or variables which are not included in this study

- Result of the regression coefficient beta indicates that the relational dimension of psychological contract has the highest influence in employee performance positively. The influence of transactional psychological contract on employee performance is minimal. This results support the argument by Coyle et al., (2003) that breach of psychological contract has effects in the expected direction on job satisfaction, organizational trust and commitment, in-role and extra-role performance and turnover intentions. Where in role and extra role performance are task performance and contextual performance respectively.

5.2 Conclusion

Based on the study findings it has been observed that psychological contract has a positive influence on employee performance. Researchers on similar studies have also analyzed the effect of psychological contract on employee Performance. A study by Melina (2015) conducted to examine the effect of psychological contract on employee job performance. The study was conducted to assess the effect of the transactional and relational dimension of psychological contract with employee job performance. A study was conducted on a sample of 100 bookstore employees whom 93 of them have filled out the questionnaire developed through the global psychological construct measurement. The result of the study revealed a significant correlation between the relational dimension of psychological contract and less obvious relation between the transactional dimension of psychological contract and employee job performance.

The significance importance of the relational dimension of psychological contract has been revealed in the research findings. This supports the importance of the invisible part of psychological contract in the Guest Model which includes factors such as stability, employee loyalty, initiation and commitment of employees. These factors are often over looked and not analyzed in order to reinforce employee performance.

The study confirmed that the value of social exchange in organizational through expectations created by relational psychological contract have substantial importance to employees performance. Employees could focus only on the transactional psychological dimension of their relationship with their employer. This transactional dimension enforces the employee to deliver what is clearly captured in the job description however it does not support in getting a consistent

performance from employees. Most of the commitments and performance drivers that help organization to achieve sustained performance are embedded in the relational dimension of psychological contract

The study in general indicates the relational dimension of psychological contract on the different areas of employee perceived performance is significant. And this takes the critical component of the employer employee relationship that is not often captured in the formal employment contract which is binding by the law. And its influence on employee performance outweighs the effect of the formal contract that describes expectation of the employer from employees.

The study had an implication for Managers at NIC and particularly to the management that. In particular given the highest number of respondents have stayed in the business for long, the social relationship in the work place has vital importance in maintain and uplifting performance of employees towards the success of the organization.

5.3 Recommendation

Based on the findings of the study the following recommendations have been forwarded to the NIB Insurance Company

- Consider the importance of Psychological Contract on employee performance and embed the key elements of relational psychological contract in the human resource practices of the organization. This can be explained by clarifying expectation of the employer from employees from the very beginning of recruitment. Availing training and career advancement opportunities

- Though employees at the insurance company have low opinion for the transactional dimension of psychological contract, the management needs to create some interventions to enable employees see the future benefit of working in the insurance company. This also requires development of strong people development and succession strategy together with other HR practices

- The Management needs to build a culture well extra role behaviors (extra performances) beyond ones job role (task performance) are recognized, valued and appreciated as a desirable behavior in the company.

-The performance appraisal at NIC employs a role based appraisal which is conducted once annually. However, due to its impact on performance, the system needs to include a mechanism where extra role performance (contextual dimension of performance) commitments by employees are incorporated in the performance management process and recognized accordingly

- The Management needs to also intensify the learning and development platforms and opportunities for the employees internally and externally so that they make the best use of the relational dimension of psychological contract to boost performance mainly from the contextual perspective

- The Management need to create strong awareness about the critical importance of the psychological contract mainly the relational dimension in the work place especially for the middle level management team members so that these supervisory team cultivate it more to reinforce employee performance for the benefit of the organization.

5.4 Areas for Future Research

Results of the study suggest that psychological contract is a meaningful and relevant concept and it is worth exploring in in different industries. And it needs to be studied in a more intensive manner

The scope of the study can be further included to assess the viewpoint of the employer (or Top executive management team) in order to triangulate findings of the research. Both Employers and Employees have expectations and obligations from each other, hence further research need to consider this in their scope. Conducting longitudinal research on organization will provide a solid assessment of psychological contract on employee performance and other human resource practices.

Applying a qualitative approach through interviews will help in substantiating the results. Including interview questions that are pre tested for the particular organization under study will provide a comprehensive findings on the topic

It is also suggested that it is good to set the minimum service year of the respondents for the study in the organization to two years at least so as to get a detailed insight about psychological contract included respondents who have served a minimum of 2 years.

The influence and effect of psychological contract can be also studied from different dimensions such as employee retention and employee engagement,

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Addis Ababa University School of Commerce
MA Program in Human Resource Management

Dear Respective Respondents,

I am a post graduate student in MA in Human Resource Management and I am conducting a survey on the title “**Effects of Psychological Contract on Employees Perceived Performance: A Case Nib Insurance Share Company**” in Addis Abeba Branches.

The objective of this questionnaire is to collect data from Nib Insurance employees which will help to assess the views of employees about psychological contract on performance. The information collected shall be used for research purpose only.

There are two sections of the survey: Demographic Information and Psychological Contract and Performance Opinion Survey.

I assure you that your responses will not be disclosed in any way and utmost confidentiality will be maintained. Hence, I request your sincere corporation for the successful undertaking of the study and your valuable timely response is highly appreciated.

Thank you!

Important Notice

- You are not required to write your name.
- please put a “√” mark in the boxes for your answers

Part I: -Demographic Information

1. Age Category 1. 20-30 2. 31 – 40 3. 41 – 50 4. 51 and Above
2. Marital Status 1. Single 2. Married 3. Divorced 4. Other _____
3. Gender 1. Male 2. Female
4. Educational Attainment
1. High school certificate 2. College Diploma 3. Bachelor’s Degree 4. Master’s Degree
5. Doctorate Degree 6. Other (Please Specify).....
5. Job level 1. Managerial 2. Supervisory 3. Operational 4. Other -----

6. Your experience in Nib Insurance Company

1. 6months-11 Months 2. 1-5Years 3. 6 – 10 Years 4. 11 years and above

Part II

In the following tables you find **two dimensions of psychological contract**. Please give your responses for your causes by putting a tick mark (✓) in the corresponding spaces under each number in front of each situation based on your agreement level. The numbers are decoded in the following manner. 5= Strongly Agree 4= Agree 3= Neutral 2= Disagree 1= Strongly Disagree

#	Description	Strongly Disagree - 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree-5
Psychological Contract : Transactional Dimension						
7	I perform only required tasks					
8	I fulfill a limited number of responsibilities					
9	I only perform specific duties I agreed to when hired					
10	I do only what I am paid to do					
11	I can stop working for this company whenever I want					
12	I have no future obligation to this company					
13	I can leave at any time I choose					
14	I am under no obligation to remain in this company					

Psychological Contract: Relational I Dimension						
15	I remain with this organizational indefinitely					
16	I plan to stay here a long time					
17	I continue to work here					
18	I make no plans to work anywhere else					

19	I seek out developmental opportunities that enhance my value to this employer					
20	I build skills to increase my value to this organization					
21	I make myself increasingly valuable to my employer					
22	I actively seek internal opportunities for training and development					
23	I accept increasingly challenging performance standards					
24	I adjust to changing performance demands due to business necessity					
25	I respond positively to dynamic performance requirements					
26	I accept new and different performance demands					
27	I make personal sacrifices for this organization					
28	I take this organization's concerns personally					
29	I protect this organization's image					
30	I commit myself personally to this organization					

Part III

In the following tables you find **contents of Employee Job Performance**. Please give your responses for your causes by putting a tick mark (√) in the corresponding spaces under each number in front of each situation based on your agreement level. The numbers are decoded in the following manner. 5= strongly agree 4= Agree 3= Neutral 2= Disagree 1= Strongly Disagree

#	Description	Strongly	Disagree	Neutral	Agree	Strongly
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		Disagree 1	2	3	4	Agree 5
Task Performance						
31	I plan my work so that it is done on time					
32	My planning is best					
33	I keep in mind the results that I have to achieve at work					
34	I can separate main issues from side issues at work					
35	I know how to set priorities for my work					
36	I can perform my work with little time and effort					
37	My collaboration with others is very productive					

Contextual Performance						
38	I take extra responsibilities at work					
39	I start new tasks by myself when my old tasks are finished					
40	I take challenging work tasks when available					
41	I work at keeping my knowledge up –to-date					
42	I work at keeping my job skills up-to-date					
43	I come up with creative solutions to new problems					
44	I keep looking for new challenges in my work					
45	I do more than what is expected of me					
46	I actively participate in work meetings					
47	I actively look for ways to improve my performance at work					

Thank you for filling out the questionnaire

Anteneh Gulilat

Appendix 1.

Description of The independent variables and Dependent variables

Variables	Indicators	Measurement
Dependent variable	Indicators	Measurement
Employee performance	<ul style="list-style-type: none"> - Task Performance(In Role Performance)/ Core job performance Technical proficiency, job specific task, work quantity, work quality, job skills, job knowledge, accurate outputs, planning, organizing, decision making, and problem solving - Contextual Performance (Extra Role Performance) Doing extra task, organizational citizenship behavior, interpersonal relationship,initiation, cooperation and creativity, resourcefulness, industriousness, take on challenging tasks 	Questionnaires using the a 5-point Likert Scale ranging from 1(strongly disagree) to 5(strongly agree)
Independent variable	Indicators	Measurement

Psychological Contract	<p>Transactional Dimension</p> <p>-Job Expectation Employee focus on short term employment. Employee performs as per the job description only. Employee focus on narrow duties only. Employee work for credential</p> <p>-Job Compensation Employee performs for pay. work for pay mindset</p>	Questionnaires using the a 5-point Likert Scale ranging from 1(strongly disagree) to 5(strongly agree)
	<p>Relational Dimension</p> <p>Employee Loyalty: -Employee committed to reputation and image of the company</p> <p>-Employee stability: Employee has a long term commitment to stay with the organization. Employee work for career advancement and growth</p>	