The role of the psychological contract in knowledge management

1. Introduction

The transition from an industrial era to the era of new economy brought about fundamental changes in socio-economic structures that make organizations increasingly attentive towards the issue of knowledge (Strojny 2000).

Organizations realized that, as one of the ways leading to the expansion of organizational capacity, knowledge management is a major determinant to their competitiveness (Little et al. 2002; Stankiewicz 2006).

However, an organization’s success depends not on the amount of knowledge it has amassed, but on how skilful it is in utilizing its resources. G. Probst, S. Raub, and K. Romhardt observed that, because of skepticism towards or disregard of knowledge management, most firms “become aware of their strategic knowledge resources only when they have sold part of the assets, outsourced some of their competencies to other firms, or when they have lost some of their knowledge with departing key staff, etc.” Probst et al. describe knowledge management as a sum of “all initiatives and tools supporting processes which are necessary to locate, acquire, develop, share, and disseminate, measure, and define the appropriate knowledge resources in the firm” (Probst et al. 2004).

This article analyzes the relationship between the psychological contract and the propensity to create, share, and use organizational knowledge; i.e., to develop an organizational capability. It starts with an overview of the literature dealing with the pertinence of the psychological contract towards knowledge management.

The relationship between the psychological contract, which is understood as mutual obligations of employer and employee, and knowledge management are explained through pilot case studies involving three selected banks. The article ends with preliminary and general conclusions from the conducted pilot
survey, which will indicate the direction of a future survey on the importance of the psychological contract in the creation and adoption of knowledge in organizations.

2. Literature review

The notion of the psychological contract was first realized by Argyris in 1960. He defined it as the implicit and mutual obligations of employer and employee to respect the rules of employment relationships and working conditions (Argyris 1960). The psychological contract is concluded when one party decides that it has been made a promise of future payoffs and clearly understands what the promise and contracts of exchange are about (Bellou 2007). The nature of the psychological contract and who its participants are have been analyzed from many perspectives. N. Cullinane and T. Dundon indicate that some authors stress the importance of the implicit obligations of one or both parties to the contract, while others point to the necessity that the mutual expectations be understood. Others still assert that the psychological contract is founded on the norm of reciprocality (Cullinane and Dundon 2006). In all of these cases, in conceptualizing work expectations and responsibilities as well as the ways of handling them, either the employee or the employer follows a mental model or schema of employment relationships (Rousseau 2001, Bellou 2007). The psychological contract, therefore, determines the propensity and opportunities to create and share knowledge, as well as plotting a course of knowledge development.

D.A. Blackman and K. Hindle stress that the psychological contract and knowledge management are related to each other, and they also indicate that knowledge creation and sharing has an effect on the feelings of the process participants (Blackman and Hindle 2008). Mutual needs are accompanied by three aspects of knowledge management (Table 1).

Employees with transactional contracts trade their short-term commitment to organizational needs for an opportunity to develop their careers and professional reputations; their rewards explicitly depend on the contract’s formal terms and conditions, and are easy to predict (D’Annunzio-Green and Francis 2005).

The career aspect has to do with employee career development in the organization, regardless of whether the engagement is short term or long term (Maguire 2002). For long-term cooperation to be possible, employees must be convinced that their jobs are stable and secure, and must feel respected and treated as necessary components of their organization. Cooperation with employees becomes more relational when the organization starts perceiving the specific requirements of careers.
Employees concluding a relational contract exchange their loyalty to the organization as well as their commitment to its needs and interests for the security of employment (which arises from an indefinite employment contract) and the possibility of developing their careers within the organization. Relational employment relationships in the organization may stimulate aspirations toward knowledge and innovation that cannot be attained, which means that their capability will also not increase.

Organizational capability is understood as a special state and configuration of resources in the organization. It consists of leadership, strategy and planning, employees, partnership and resources, as well as processes (Honandle 1981).

Organizations that plan to increase their capabilities must consider all elements that could enable the improvement of their development and efficiency. The elements are related to both institutional and human infrastructure and have an effect on organizational learning (Senge et al. 1999). To enable the creation of new ideas and innovations, an organization should pay attention to aspects of organizational relationships (such as common values and trust) as well as processes and systems that make its employees feel secure, protected, and respected (Senge et al. 1999). The implication is that all companies seeking a competitive advantage...
must appreciate the significance of knowledge management and incorporate it into their development strategies (Maqsood et al. 2007). The psychological contract is part of this process, not only as a factor contributing to knowledge creation, but also as an element which increases the likelihood that employees will eagerly share their ideas and innovative solutions with their employers.

3. Research methods

The pilot survey presented below was carried out among the employees of three commercial banks in the Lodz and Mazowieckie regions in Poland. It was set up to generally and preliminarily establish how the psychological contract is related to effective knowledge management. The technique chosen for the survey utilized focused group interviews (FGI).

The FGIs were conducted among three groups consisting of 5–8 respondents each. The content of the psychological contract was identified by analyzing metaphors that the participants used during job interviews to describe their feelings about their organization. The metaphors were compared in order to determine the general content of the psychological contract at each bank (Schmitt 2005, Leedy and Ormrod 2005).

The survey was carried out during the last quarter of 2012 on the premises of the selected banks, and the FGIs were overseen by the author of this article.

Group I consisted of eight people (one man and seven women) between the ages of 22 and 34. These respondents differed in educational attainment: eight respondents holding a secondary education were also tertiary students at the time of the survey, three held undergraduate or ‘certified economist’ diplomas, and the other three had completed their tertiary studies. Most of them had relatively-short work experience at the bank (up to five years); only one person had work experience longer than 10 years. The front-office employees (those interacting with customers on a daily basis) accounted for more than half of the respondents, three people worked in the back-office (employees ensuring an efficient flow of business processes), and one in the private-banking section (employees who provide wealthy customers with comprehensive personalized financial and non-financial services).

Group II consisted of five members (three men and two women), all with at least a secondary education. The age of these respondents varied from 24 to 56 years. Two respondents had work experience of only 12 months, but one had worked as long as 34 years. Three people worked in the front office, one in the private-banking section and one in the back-office.

Group III consisted of six respondents (two men and four women). Two of them were slightly older than 20 years old, and the others were older than 40.
These respondents varied in work experience too; two had worked only two years, and the others more than 15. One respondent worked in the front office, one in the private-banking section, and the others in the back-office.

The banks employing the respondents were relatively similar regarding their levels of employment as well as the range of services and products they offered. All respondents participating in the study generally knew each other beforehand because they worked in the same place. The interviews hold as non-mixed interviews because each of the three groups represents one bank.

4. Discussion

Respondents identified four major factors determining the transfer of knowledge in relationship to the present psychological contract: the prevalence and opportunities for sharing knowledge, the character of interpersonal relations, the cultural aspects for knowledge management, and a sense of safety. Each factor that researchers extracted from the transcripts (similar repeated sentences) will be characterized more in detail later.

4.1. Prevalence and opportunities of knowledge sharing

Knowledge Sharing is an activity through which knowledge (i.e., information, skills, or expertise) is exchanged among people, friends, families, communities, or organizations (Serban and Jing 2002).

Discussing knowledge sharing in the context of the psychological contract, respondents frequently referred to the aspects of employees and employers opportunities and prevalence.

Measurable benefits for the holders of specialist knowledge: according to respondents, the knowledge sharing behavior is mainly encouraged by benefits for those who have specialist knowledge. High qualifications, perfection in action, working hard to become an expert at one’s job, as well as a passion for activity, energy, and ambition were indicated as highly rewarded by their organizations. The main advantages of having knowledge valued by the organization included the certainty of a better future (not merely having a good job), access to customized training (that the bank offers as an expression of its care for the development of individual employees), and comprehensive compensation (rather than high pay alone).

Perceived usefulness of knowledge: this should be no surprise, but the next major factor that respondents usually indicated as encouraging knowledge sharing behavior was the perceived usefulness of having some knowledge. Respondents
believed that employees who knew their value for the organization performed better. “Knowledge had allowed to reflect on my own and other employees’ behaviour, enabled conscious management of my own and co-workers’ development, showed different options for solving difficult life situations and interpersonal conflicts, allowed to match aspirations and life plans to their intellectual powers and health abilities, and to be self-critical and tolerant towards others”.

What was slightly more surprising was that the perceived usefulness of knowledge to the manager was a major element of the respondent’s consideration: “when we would like to share our knowledge with the manager, first we should think about whether the knowledge we have is enough for us to share with our manager competently”.

**Operational standards and procedures**: respondents indicated that practical reasons for creating and sharing knowledge in their banks were few. “My role in this process is very limited, because we are obliged to use extensive systems of operational models and standards applying to various situations in the bank”. “It is not so much my role, it’s just like a set of patterns for tasks, and over time I use them, but with experience you come to the solution of better ways in which it might be done”. This shows that the surveyed banks were evidently in breach of some transactional elements of the psychological contract.

**Organizational structure**: the effectiveness of knowledge sharing processes largely depends on the organization’s structure. Respondents raised the issue of rivalry among employees, caused by strong competition in the market and the banks’ emphasis on improved performance. “If there’s a competition I wouldn’t share”; “If you have a colleague or manager who takes credit for something you’ve done then you wouldn’t share”. There are frequent cases when the relations between employees have an element of competition. Winning a competition means that the others have lost. Respondents agreed that knowledge sharing, cooperation, and mutual help are more difficult in an environment characterized by internal rivalry. “When rivalry is too intense, then little time we spend on sharing information and helping each other”. Some respondents observed that helping younger colleagues and supporting them with advice was risky: “Younger colleagues with deleted new innovative knowledge could become our rivals”. The author of this article concluded that, for these respondents, sharing knowledge amounted to losing their advantages over co-workers.

**Time**: answering the question “what hinders knowledge sharing behavior in the organization?”, most respondents pointed mainly to the lack of time that frequently disturbed the flow of information in the organization. Knowledge-sharing processes were, on many occasions, hampered by an overflow of information and having insufficient time to handle it. For respondents “knowledge sharing is more difficult when ‘organizational memory’ is not available”. Another interesting
statement was: “[…] instead of learning from past lessons and external information, our bank kept making the same mistakes, and the situation was aggravated by the fact that formal solutions for information recording, storing, and sharing were not available”. Many respondents pointed out that systems supporting group work, expert systems, etc., were rarely used.

**Training:** Another problem was a lack of training in knowledge-sharing skills. The surveyed banks apparently need this type of training. “I have doubts about whether I am competent enough to share my knowledge with co-workers”, “I do not have the necessary skills at all.” Another interesting statement was: “[…] the higher-ranking staff tend to discuss and exchange opinions with their peers”. In other words, managers were not willing to discuss business matters with their personnel on equal terms. As a result, the employees may be reluctant to share their knowledge and observations with their managers.

### 4.2. The character of interpersonal relationships

Interpersonal relationships in the selected banks will be analyzed with respect to the mutual expectations and obligations of the employers and employees; i.e., in terms of the agreement governing their cooperation. The way the employer and employee perceive their reciprocal expectations and obligations has a major effect on their readiness to create new ideas and to share them with others in the bank. The surveyed respondents valued interpersonal relations based on trust, respect, and openness.

**The level of trust in the organization:** the importance of trust in the knowledge workers is unquestionable. Even so, there is less and less trust in the banking community. “[…] a likely cause of conflicts and hostility in my bank is the widespread rivalry that damages relations and makes people reluctant to share their knowledge with others, likewise employees’ concerns about the safety of their jobs”.

The survey revealed that even allowing employees to expand their knowledge (for instance, through training, courses, or post-graduate studies) was very important to them. It increased their trust in managers and made them more willing to share their new knowledge with co-workers. Regardless of their position, respondents felt then as “an elements of knowledge in an expert organization”.

**Open exchange of information:** how freely information is exchanged depends on the results of transactional analysis undertaken to answer the following question: “What can I gain, what can I lose?”. “People who think that sharing knowledge openly amounts to a loss perceive those who ask questions as actually admitting that there is something they do not know. From then on, they cannot
pass for omniscient and infallible”. In their positive opinions on the advantages of being open in knowledge sharing, respondents pointed to access to information on the proven variants of solutions and on the mistakes to avoid. Respondents noticed that such interactions with co-workers provided “[...] an opportunity for the team members to strengthen their relationships”.

4.3. Cultural aspects for knowledge management

The third identified factor was related to cultural aspects. This factor has a major impact on relationships between the psychological contract and the propensity for knowledge creating, storing, and sharing within the organization.

**Organizational culture**: according to most of the respondents, creating a true culture of learning in the workplace is not easy. Not only do managers have to change their attitudes, but all employees must also take responsibility for their organization. According to respondents, “creation of culture is directly influenced by managers, who should promote norms, attitudes, and values facilitating knowledge sharing in the organization”. Respondents observed that “[...] a culture conducive to knowledge sharing is one based on openness, trust, and the promotion of group action”, “[...] in this case, relationships among employees and between employees and managers are also important”. The way employees are treated, the acknowledgment of their contributions and efforts, the respect they are shown, and the attention given to their opinions and ideas were enumerated as the elements that underpin the sharing of knowledge. In an organization, the culture of which is perceived as counterproductive (i.e., characterized by distrust, avoidance of risk, a narrow understanding of productivity and efficiency, or offering few opportunities to gain specialist knowledge), employees do not feel like sharing their knowledge with others. According to respondents, “[...] in a culture that fails to respect universal values, the relationship between an employee and the bank is perceived as of the win-lose type, so we as employees try to avoid more demanding tasks, particularly those aimed to create and share knowledge”. In their opinion, “[...] banks should depart from feudal relationships with employees towards strategic partnerships, and to invest in the development of organizational culture and employees to make it possible for us to feel long-term satisfaction with our jobs, to be efficient and to develop”. The management system of old does not appreciate an employee’s ability to create new solutions, to take initiative and responsibility.

**Manager’s attitude to employees**: it was generally stated by the respondents that the main role of bank managers should consist of setting out the overall scope of tasks and making the organizational environment conducive to knowledge creation and exchange. A doubt was expressed, however, “[...] whether knowledge
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is exclusively creating, sharing, and using by managers, or whether employees also play some part in these processes?”. According to respondents, they were actually expected to say “what the director would like to hear”. While all reports pointing to the precise fulfilment of “our tasks were welcome”, the situation was somewhat different when “we crossed the line” coming forward with new ideas and organizational improvements.

**Personal professional values**: for the respondents, increased knowledge sharing was directly related to the long-term gains perceived from the perspective of their personal plans and career objectives. Some of them “[…] use the knowledge acquired while working for the bank to expand my own expertise”. In their opinion, “[…] this made us more attractive as employees, also for outside organizations”. Employees who know exactly what they would like to do in the future make the bank improve the management of employee knowledge, and as a result, provide more career opportunities.

**Management style**: respondents observed “[…] a gradual change in the managers’ attitudes to employees that are increasingly perceived as a force driving the organization”. This process is additionally enhanced by the implementation of the coaching management style that allows employees to improve their competencies. According to respondents, “managers’ authority comes from high competencies, ethical conduct, and independence in evaluation, […] as well as from the ability to encourage employees to be creative and effective”. Where the managers avoid direct engagement, most respondents “are not willing to develop professionally”. In the respondents’ opinions, “top managers were directly responsible for creating the organization’s culture (including a culture of knowledge sharing), the vision of the organization, training policy, IT, and the motivation system”. Others said “They should also promote attitudes, norms, and values conducive to knowledge sharing, […] explain to us why this behavior is important for the efficient functioning of organisation, […] create “atmosphere” facilitating knowledge sharing processes, and demonstrate our personal readiness to share knowledge with others”.

**Fear and a sense of guilt**: these factors lead to the emergence of transactional psychological contracts. Most respondents proved to be unable or unwilling to learn from their mistakes. Mistakes were associated with ”[…] guilt, low self-evaluation, rejection”. They tried to: “[…] it is better to leave them behind rather than consider causes and alternative solutions”. Discussing mistakes with colleagues was considered difficult, even if this could protect them from making similar mistakes. Respondents pointed to “[…] organizational culture as one of the reasons for this attitude”. In several situations where the respondents evidently acted out of fear and sense of guilt, they pointed out that, ”[…] I would admit to have made a mistake and I would try to correct but it is very low in
such situations”. All of the energy will be used to “[...] cover up the mistake and find a scapegoat rather than making the mistake good and learning from it”. As a result, knowledge that might be gained in the process is irrevocably lost. According to respondents, “[...] employees must feel safe and know that they have the managers’ support to be ready to discuss not only their successes but also their failures”.

4.4. A sense of safety

The last of the identified factors was the sense of safety and security in the organization. This factor has to do with the relational aspect of the psychological contract under which employees trade their loyalty or job security represented by an indefinite employment contract.

**Security of employment**: for respondents, stability in work and the certainty of further employment guaranteed by the employer were most important. “I want to be sure that I do not become unemployed overnight”. Many respondents valued stability of employment that the company would still be there when they come the next morning, because it allowed them to enjoy life and not to worry beforehand. “Without the job security I cannot create and share knowledge in a workplace where solid employment contracts are not guaranteed”.

**Errors and mistakes at work**: most respondents associated mistakes with guilt, incompetence, rejection, and low self-evaluation. “Instead of analyzing why a mistake was made and what alternative solutions can be implemented, I usually try to forget about it as fast as I can”. “It is difficult for me to discuss my mistakes with colleagues, even if this could protect me from making the same mistakes”. When an employee’s actions are motivated by fear and a sense of guilt, it is rather improbable that they will admit to having made a mistake or try to fix it. The knowledge of the event will then be irreversibly lost. The responsible employee will not share the lesson with his/her colleagues unless he/she feels safe and has his/her manager’s support.

**Self-confidence**: this interesting factor mentioned by respondents leads to the development of the relational aspects of the psychological contract. According to respondents: “[...] who wants to be more self-confident must, above all, confront various job-related fears and concerns, for instance, the widespread fear of criticism that frequently prevents people from attaining their goals”. “The fear appears whenever we feel someone may ridicule and criticize us – whether during a public speech, when we meet someone for the first time, or when we talk to the supervisor or co-workers”.

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5. Conclusion

This article shows possible relationships that have been identified between the psychological contract and knowledge management during pilot focus group interviews. As the survey only presents the respondents’ intuitive opinions, its conclusions should not be treated as fully representative.

During the provided survey, it has been confirmed that the knowledge sharing behavior is mainly encouraged by benefits for those who have specialist knowledge. The next major factor for affecting the propensity to share was, for most respondents, the perceived usefulness of the outcome for the individual. What was slightly more surprising was that the perceived usefulness of manager knowledge was a major element of all considerations.

Surveyed banks were evidently in breach of some transactional elements of the psychological contract because of deleted that practical reasons for creating and sharing knowledge in banks were few and far between. Respondents observed that employees frequently worked out better ways of handling things as they gained experience at their jobs. But despite their readiness to share their ideas with colleagues, they could not do so because they were obliged to follow strict operational rules and standards.

It has been found that an organization’s structure should enable the development of transactional aspects of the psychological contract. Respondents agreed that knowledge sharing, cooperation, and mutual help are more difficult in an environment characterized by internal rivalry.

Another problem was a lack of training in knowledge-sharing skills. It was a very interesting statement that the higher-ranking staff tended to discuss and exchange opinions with their peers. As a result, the employees may be reluctant to share their knowledge and observations with managers.

The surveyed respondents valued interpersonal relations based on trust and respect. Some of them pointed to cases of toxic or pathological one-way relationships, where the terms were set by the manager. All respondents agreed that such negative relationships not only discourage employees from sharing their knowledge, but also prevent them from acquiring new knowledge.

Cultural aspects were a major impact of relationships between the psychological contract and the propensity for sharing within the organization. It turns out that creating a culture of knowledge sharing fluctuates around values such as cooperation, openness, trust, and learning from mistakes. Relationships among employees and between employees and managers are also important. The influence of culture on aspects of knowledge sharing may be either positive or negative. According to respondents, the relationship between an employee and the bank is perceived as win-lose in a culture that fails to respect universal
values, so employees try to avoid more-demanding tasks, particularly those aimed at creating, storing, and transferring knowledge. In their opinions, banks should focus on the individual components of organizational culture so that their combination creates an environment in which knowledge is actually created and shared. At the starting point of the creation of such an organizational culture are two main issues: whether the organization is focused on people or tasks, and whether people in their behavior are guided by the need for security or self-realization.

As regards the sense of safety, respondents showed three types of attitudes. Firstly, they were found to be more eager to take risks and talk about difficult and ambitious ideas with others when they strongly believed that their jobs were safe. Secondly, when they felt safe, they were more inclined to come up with new solutions, take the initiative, and accept responsibility for their actions. Thirdly, the probability that new ideas and innovations would be created was higher when employees were encouraged by their managers. These attitudes are particularly important from the perspective of the psychological contract.

It has been found that banks that want to increase their organizational capacity should look at the psychological contract through the prism of relationships and transactions. The results of the survey indicate that an organization that uses the psychological contract to augment its knowledge can also increase its capabilities.

Acknowledging the fact that the psychological contract has a role in knowledge management may have a direct effect on whether or not an organization will increase its capabilities. Because international (specifically Polish) literature on the subject suffers from a serious deficit of knowledge about the relationship between the psychological contract Leedy, Ormrod, (2005) and effective knowledge management, a future representative study seems to be an appropriate approach to learning more about this relationship and all interesting correlations.

References


