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DO CONSTRUCTION COMPANIES NEED TO MATCH EMPLOYEES' EXPECTATIONS?

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Commitment of employees is relatively low in construction. This problem is exacerbated by companies’ inability to attract, motivate, and retain talent that is then often channelled into other more attractive industrial sectors where the prospects, conditions and rewards are perceived to be much higher. The purpose of this study is thus primarily to develop a generic model to maximise employees' engagement, improve their motivation and increase the retention levels. To achieve this aim, the investigation looks into how perceived employment obligations and expectations impact commitment and through that organisational performance. The study is based on the postulations of Luhmann’s theory of social systems with communication viewed as a constitutive element of a social system. Consequently expectations of a particular party in an employment relationship are represented in a communicative space requiring the other party’s understanding in order to align expectations of both sides in the relationship. Explicitly, alignment of by an employee perceived manager’s expectations determines his/her commitment to fulfil obligations towards the manager. The result of this first stage of research is a conceptual model developed following the substantial supporting evidence in the literature and it forms the framework for mitigation of low commitment, motivation and retention of employees. The model particularly focuses on factors affecting employees’ perceived expectations like reneging, incongruence and the process of communication. In the future the model will be validated using empirical data from a combination of observational and enquiry-based research. Once completed, the model will provide a framework for informing Human Resource Management policies with the aim to improve commitment of employees, increase the levels of retention and consequently improve the performance of construction organisations.

Keywords: communication, human resource management, organisation.

INTRODUCTION

Low employees’ commitment and engagement in the construction industry has been a major concern in the past decades. Creating a work environment that enhances the commitment and retention of talent involves the understanding of employees’ expectations (Dainty et al., 2000), which is further linked to their commitment (Drucker et al., 1996), motivation and retention (Dainty et al., 2004; McGraw Hill Construction 2008). Cox et al., (2005) define commitment as the state of being emotionally impelled to a cause. Higher commitment, motivation and the retention of valued employees has been found to translate into valuable business results such as profitability and productivity (Allen and Meyer, 1996). Some identify employees’ commitment as a central concept in understanding work attitudes and behaviours that precede employees’ intention and actual employees’ turnover (Meyer, 1996; Maertz

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and Campion, 2004). Further, Rousseau, (1989); Schein, (1965 reprinted 1980) and Morison and Robinson, (1997) suggest that a set of beliefs held by the employees about obligations between them and employers is at the foundation of the employment relationship. These beliefs encompass employees’ expectations in both written (formal) and unwritten (informal) terms of the relationship (Dainty et al., 2000; Dainty et al., 2004; Herriot and Pemberton 1997). Robinson et al., (1994) found that regardless of whether or not the beliefs are accurate, they have potential negative effects. The consequences of the negative effects include: reduced trust, job dissatisfaction, employee intentions to terminate the employment, reduced sense of obligations, and reduced in-role and extra-role performance. The employees’ consider their expectations as exchange for their obligations towards the employer. Rousseau, (1989) interprets this kind of trade off in employment relationship as psychological contract. Thus employees’ expectations are expressed in form of reciprocal exchange agreement referred to as a psychological contract between the employee and employer (Morrison and Robinson 1997; Levinson et al., 1962; Schein, 1965). Thus the adoption of the concept of psychological contract is appropriate for the investigation of the misunderstanding and persistent misconceptions about what motivate and enable employees to be committed in construction organisations. In order to motivate and retain employees many studies that adopt this concept admit that communication supports the management of psychological contract. However, there is scarcely any work that clearly proves how the process of communication can achieve this.

The aim of this research is to investigate fundamental principles that managers need to adopt in order to maximise commitment and retention of employees. This research is still at an early stage with a conceptual model developed en rout for empirical validation in the future study. The model will be validated using a Delphi method to obtain a deeper insight into how communication shapes expectations and perceived obligations among construction professionals.

Generally construction management researchers accept that the industry needs a deeper understanding of employees’ expectations if they are to be motivated to meet expected performance; and be retained in the long time (Agapiou et al., 1995; Drucker et al., 1996; Dainty et al., 2000)). These various studies also found that most construction organisations have not sufficiently met their employees’ expectations. For instance, Drucker et al., (1996) argue there are limited changes in respect to expectations of training and employees development. Similarly, Dainty et al., (2000) surveyed the opinion of construction managers and professionals on human resource development. In the study, respondents were asked to describe their career histories, and discuss any tensions between the personnel policies of their organisation and their personal career aspirations. The study found, consistent to Drucker et al., (1996) that construction companies require a more in-depth understanding of their employees’ expectations if they are to be retained in the long time. However, this may only be part of the argument since some of the studies have established that the perception of employees’ ‘met’ or ‘unmet' expectations is significantly linked to commitment (Grimmer and Oddy 2007).

EXPECTATIONS AND THE CONCEPT OF PSYCHOLOGICAL CONTRACT

Employees’ expectations are at the foundations of their employment relationship (Robinson and Morrison 2000). These expectations comprise of beliefs about reciprocal obligations in an employment relationship referred to as psychological
contract (Schein 1965; Argyris 1960; Rousseau 1989). Regardless of whether they emanate from explicitly promised or implied obligations, unmet expectations have been found to reduce employees’ trust, job satisfaction, intention to stay with the organisation, sense of obligation, and in-role and extra-role performance (Rousseau 1989). In construction Dainty et al., (2004) found employees’ expectations to extend beyond remunerative rewards to include less formal expectations (e.g. career development). These expectations are dynamic; they change with changes in industrial or organisational trends (Morrison and Robinson 1997). Thus, the dynamic nature of expectations and obligations makes them vulnerable to be easily unfulfilled.

Studies on organisation performance accept that employees have certain expectations which, when fulfilled, motivate them to work. Most of the studies anchored their argument on the work of Maslow’s (1970) hierarchy of needs. The term psychological contract itself can be traced to the work of Argyris, (1960). In the study, Argyris described an explicit understanding between employees and their foremen that arose as a result of a particular leadership style which he describes as “passive” or “understanding” leadership style. He observed that the employees would remain productive as long as the foremen respected the norms of their culture as a psychological work contract. The study claimed that once the foremen were forced to implement changes that invaded the employees’ psychological contract, they were opposed resulting in decrease of overall control. Subsequently, other researchers have also developed their own perspective of psychological contract. Schein (1980) developed the construct further, conceptualising that psychological contracts encompass both written and unwritten contracts. Schein argues that psychological contracts include not only expectations but also “…the whole pattern of rights, privileges, and obligations between worker and organisations … [and] operate powerfully as determiner of behaviour in organisation” (Schein 1980: p 24). Schein, suggest strongly that psychological contract is dynamic, arising from a variety of sources such as employee’s needs, tradition and norms or past experience. This dynamism implies that psychological contract develops over time through interaction between employee and employer from recruitment through early socialisation and/or indoctrinating; and further in-role interactions. Thus according to Schein and Van Maanen, (1979), socialisation is the process of indoctrinating into new employees the beliefs and assumptions appropriate to the organisation.

However, Kotter (1973) conceptualises psychological contract as the matching of employee and employer expectations, where matched expectations lead to higher employee satisfaction and reduced employees' turnover. Further to Argyris, (1960); Schein, (1965) and Kotter, (1973), Rousseau (1989; 2001) perhaps provides today’s understanding of the construct by defining the psychological contract as “individual beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party”. Rousseau, (1989) argues that the construct of a psychological contract evolves from the value people place on reciprocity. Suggesting further that individual beliefs in a psychological contract are more than espousal of a social norm. In other words, “it is an individual’s beliefs that promise of future return has been made, a consideration or contribution has been offered (and accepted), and an obligation to provide future benefit exist”. Contrary to social norms, “…in a psychological contract, consistency between what is promised (or understood) and what is received is an issue” (Rousseau 1995). Understandably, these beliefs can emanate from perceived implicit or explicit promises. However, Rousseau’s work on psychological contract mainly focuses on the contract as
individual’s belief systems in terms of obligations of the organisation. Other researchers on the subject have emphasised the organisation’s agent perspective of the construct (Schein 1980; Harroit 1997; Robinson and Morrison 2000).

**Psychological Contract Fulfilment**

Academic interests in psychological contract are fairly divided between those that emphasised the need to examine what happened when psychological contract is breached and violated; and those that focus on the positive part of contract fulfilment. In a most simplistic term, the underpinning concept of psychological contract is reciprocity. Psychological contract fulfilment occurs when a party to a contract, for example an employee or organisation agent, believes that contribution made by him/her met the terms of the contract. Breaking the terms of psychological contract has been found to produce more than just unmet expectations (Rousseau, 1989). The key element is namely trust in reciprocity that should result from made contributions.

The ability of an employee to make effort in fulfilling obligations that contribute to the overall performance of organisation even when such obligations are not rewarded or form part of his/her job role has been referred as organisation citizenship behaviour (Organ, 1997). The relationships between psychological contract fulfilment and organisational citizenship behaviour have received the attention of some researchers (Coyle-Shapiro 2002; Turnley et al., 2003). Coyle-Shapiro, (2002) examined the contribution of psychological contract construct in understanding organisational citizenship behaviour (OCB) of 480 public sector employees. Among six dimensions of organisational citizenship behaviour (namely: cooperation, loyalty, obedience, advocacy, social participation and functional participations) examined, the study found a positive relationship between fulfilment and loyalty and functional participation. Furthermore, Coyle-Shapiro found employees’ trust in their employer to shape the relationship between perceived employer obligation and functional participation. In the same manner, Turnley et al., (2003) examined the relationship between psychological contract fulfilment and three types of employee behaviour: in-role performance, organisational citizenship behaviour directed at the organisation, and organisational citizenship behaviour directed at individuals within the organisation. Turnley and his colleagues found that the extent of psychological contract fulfilment is positively correlated to the performance of all three types of employee behaviour. But there is no need for organisation striving to fulfil obligations towards employee if there are no potentials for negative implications for doing otherwise. Some of the negative implications for a party not adequately fulfilling owed obligation in a relationship are perceived as breach and/or even violation of the injured party's psychological contract. Morrison and Robinson, (1997) make a significant contribution by identifying and distinguishing two basic factors that may precipitate contract breach: 1) reneging and 2) incongruence. However, their conceptualisation did not include the effect of breach on organisational performance.

**POTENTIAL CAUSES OF BREACH: RENEGING AND INCONGRUENCE**

According to the Morrison and Robinson’s (1997), reneging can be due to inability and unwillingness to fulfil perceived obligations towards another party in an employment relationship. Reneging is when agent(s) of the organisation recognise that obligations exist but knowingly fail to meet that obligation either because the organisation is unable to fulfil a promise or because it is unwilling to do so. Interestingly Morrison and Robinson, (1997); Robinson and Morrison, (2000) posit
that reneging will increase with increase in the number of promises made; where promise has been defined as any communication of future intent. In a sense, employee’s perceived expectations will increase with increase of communication on organisational performance expectations. Therefore even though the organisation circumstances may become unpredictable such that the “organisation agent” is unable to fulfil promise made to an employee, this does not prevent employee’s feeling of betrayal. Furthermore, reneging also may occur because an agent is capable but unwilling to fulfil their obligation.

Whereas reneging refers to many instances of breaching a psychological contract, in some situations, parties in an employment relationship interpret the terms of the contract differently. Incongruence is when an employee perceives a given content of psychological contract that differs from that held by organisation agent(s) responsible for fulfilling that obligation. The perceptual nature of psychological contract gives rise to difference in understanding by employee and organisation agent of whether a given obligation exists and about the nature of the obligation. The idea of incongruence (Morrison and Roninson, 1997) corresponds with Rousseau, (1995) concept of contract violation or inadvertent violation. In this situation both parties are able and willing to fulfil the terms of their obligation, but divergent interpretations lead one or both parties to act in a way at odds with the understanding and interest of the other (Rousseau 1995: 112). Morrison and Robinson, (1997) suggest that these different interpretations may arise from: 1) Divergent schemas. Schemas are generalised cognitive frameworks that represent organised knowledge about a given concept or type of stimulus (Rousseau 2001; Morrison and Robinson 1997). They give form and meaning to: 1) experience and contain general knowledge about a domain, 2) Complexity and ambiguity of obligation, and 3) Communication.

However, Morrison and Robinson, (1997) accept schema entirely on idiosyncratic nature. Arguably two individuals (i.e. an employee and an agent of the organisation) may possess very different schemas for what an employment relationship should entail. While the argument is consistent to early research on schema theory, more recent research have proved that schemas can also be shared among members of groups, organisations, and cultures through processes of social influence and negotiations (Armenakis and Feild, 1993; Labianca et al., 2000; Thompson and Ryan, 2007).

The process of communication is a vital mechanism in employment relationship because schemas can be shared and perceptions managed through the process of social influence or contract (re-)negotiations. In fact, Thompson and Ryan identified three main positions on schema-based organisational change: juxtaposition-relocation, disengagement-learning, and vision-attraction and further suggested four outcomes of the management of these dynamics. The four outcomes of the management include: 1) the pre-existing schema is maintained or reinforced (i.e. there has been no change; 2) organisational members relocate to the new schema (change has occurred); 3) a synthesis of pre-existing and new schema has emerged; and 4) an ongoing, though creating tension between old and new schema, old and new schema coexist). As such shared schema can be viewed as a perpetually evolving network of individual communicative sub-domains in order to reduce the effect of differing histories of communication (Radosavljevic, 2008). Thus, through the process of negotiation and re-negotiations within an employment relationship, one can assume that even complex and ambiguous obligations can be met. Parties in the relationship can have better understanding of their obligations; hence develop more effective performance and
build effective and successful organisation. Espejo, (2000), in a discussion of self-construction of desirable social systems emphasise this point by advocating that an effective organisation offers opportunities for self-reflection and increase flexibility and capacity for appropriate actions. It is therefore clear that communication has been accepted to support management of psychological contract. However, what is still not clear is whether it is the content or process of communication that is vital in the management of psychological contract. For instance, Guest and Conway (2000) surveyed the opinion of 1,306 HR managers on the management of the psychological contract and in particular the role of organisation communication and found that psychological contract offers managers a useful framework within which to consider and manage employment relationship. However, their study is based on employer's perspective, thus as rightfully acknowledge by the authors, the study undermines reciprocity as the basis for psychological contract. The study was based on the research by Smidts et al., (2001) on organisation communication which assumes that the process is more important than the content. This stand supposedly infers that communication is not a transmission of information. The meaning of what is conveyed may not necessarily remain the same at the point of the sender and the receiver. Otherwise, there would be no need for negotiations and renegotiations; and all communication regardless of the content would have produced a desirable outcome. According to Luhmann, (1995), sameness of information is not assured by the content of the information but may result from communication process. The transmission metaphor also undermines the efficacy of difference in schema of the individuals involved in a communication process. It is therefore necessary to mention that scarcely any of the studies on the concept of psychological contract have: i) conceived the process of communication as provided in Luhmann’s system theory; ii) conceptualised that the parties, in the context of organisation and employees, in psychological contract relationship have different spaces of existence. From the foregoing discussion, the study proposed a framework predicting psychological contract violation (Figure 1) and the effect on organisation (company) performance.

COMMUNICATION AND THE DIFFERENT SPACES OF EXISTENCE

Although the concept of psychological contract has been discussed extensively, the interface between companies and employees has not received appropriate attention. For instance, acceptance or rejection of the offer of employment is based on reciprocity between employee's and organisational commitment. But unlike employees a company does not exist in the physical space and as a social entity cannot have its own understanding (Radosavljevic, 2008). Organisation, as a social system lacks the fixed physical structure of biological and other systems that exist in the physical space. Social systems have structure but it is the structure of events [which are communicative] rather than physical parts; a structure inseparable from the functioning of the system (Katz and Kahn 1978). Employees exist in the physical space, have the ability to communicate and through this create communicative domains that then constitute an organisation. Espejo (2000) confirms this by arguing that social systems are constituted by roles and interactions, and not by specific individuals. Employees thus have certain roles within specific communicative sub-domains. A particular company may be constituted by several functions such as marketing, or accounting and these are maintained through participation of employees' individual marketing or accounting sub-domains. As such, individual communicative sub-domains can be viewed as constitutive elements of a company, a social entity that
exists in a communicative space. Individual employees can then interact with a company in the communicative space through specific roles and responsibilities. Accordingly, the alignment of expectations and obligations can only be viewed and be treated as existing in communicative space.

**The Process of Communication and the Maintenance of Organisation**

This study considers the seminal work of Niklas Luhmann which originates from authopoietic theory to investigate the perceptual exchange nature of the psychological contract between employees that may potentially have very different equivalent communicative sub-domains. According to Luhmann, the elementary process constituting the social domain as a special reality is a process of communication (Luhmann 1995). Luhmann argues that self-reference is possible only if at least two processing units that operate with information are present and if they can relate to each other and thereby to themselves. According to this explanation the mechanisms necessary for self-referencing can be neither the elements nor the subsystems constituting the social system, because both the elements and subsystems are produced by this mechanism. Hence, Luhmann conceptualises that the basic process of social system can only be communication. Radosavljevic (2008) takes this further and argues that a social system emerges from interactions of participating organisational-specific communicative sub-domains. As a result a social system will continue to exist as long as participation of communicative sub-domains is continuously maintained and the existence will be enhanced by the improved participation (i.e. commitment, motivation). It is therefore argued here that the more the perceived expectations of individual employees are met, the better will be employees’ participation leading to enhanced overall performance of a company (see figure 1).

The maintenance of an organisation in this manner forms the basis for understanding high employee commitment which leads to better performance, improved employee satisfaction and higher retention, etc. Arguably, these outcomes are difficult to achieve if recruitment process does not involve people who later engage with the employee. The expectation informed by the manager’s own history of communication might be entirely different and conflicting with those expressed at the point of entry between the employee and the recruitment agent. On the other hand expectations and perceived obligations continuously change through the process of communication between employees and their superiors. Thus, the employee may perceive the breach of his/her
psychological contract either very early in the process or at later stages when forming rapport with other employees. The fundamental contribution of the concept in Figure 1 is thus recognition that such a perceived breach may result from the process of communication.

**SOME CONCLUDING THOUGHTS: EXPECTED OUTCOMES**

This study provides a conceptual framework to maximise commitment and retention of employees. This complex issue requires appropriate understanding of what managers and employees perceive as their obligations towards each other. The aim of the future work will therefore be to build on the above and examine how communication affects expectations and perceived obligations, and develop a coherent guide to help companies maintain high levels of commitment and reduce employee turnover. The study will specifically focus on construction organisations and will further look into what impacts construction managers' commitment and intention to stay with their organisation from the perspective of their psychological contract with their immediate superiors (e.g. project managers). The investigation will adopt the Delphi survey technique which is a highly formalised method of communication that is designed to extract maximum amount of unbiased information from a panel of experts. Delphi technique incorporates both qualitative and quantitative approach to capturing data (McKenna 1994; Schmidt 1997). The method uses an iterative feedback technique through a series of structured questionnaires commonly referred to as rounds. In this particular case the panel of experts will constitute employees and their immediate superiors representing reciprocal manifestation of expectations and perceived obligations. Results will be appropriately statistically evaluated and will determine the critical criteria that influence commitment and retention. It is hoped that the developed guide will help construction companies to improve recruitment practices and enhance communication among their employees with the aim to achieve higher commitment and better overall performance.

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Employees’ expectations


