

Psychological Contracts in Managerial Decision-Making: How Implicit Expectations Shape Organizational Behavior

Wei Wang

Old Royal Naval College, University of Greenwich, London, SE10 9LS, United Kingdom

Abstract: Psychological contract - The implicit understanding held by employees concerning the rights and responsibilities they believe they are entitled to under their employer, which forms an indispensable yet invisible part of organizational behaviour. Based on Rousseau's foundational contract theory, Eisenberger et al.'s research on perceived organisational support frameworks and Vroom's expectancy theory to explore how implicit expectations within psychological contracts affect employees' behaviour, managers' choices of plans, and the consequences for organisations. The three mutually related arguments presented below: psychological contract violations do not fit into the traditional model of dissatisfaction but constitute an independent cognitive-attitudinal event with more severe effects and longer durations on work behaviour; In terms of decision-making process, managers' responses serve as key sites for creating or breaking psychological contracts, making effective managerial communication and anticipation crucial factors affecting organisational health; The different ways across cultures that employees perceive their rights under contractual arrangements, interpret them differently, and subsequently react differ from what existing international management theories pay insufficient attention to addressing. The following are recommendations for top management, organizational policies, and future studies on contractual Dynamics during organisational Transformation driven by digitalisation.

Keywords: Psychological contract; organizational behavior; managerial decision-making; contract breach; perceived organizational support; organizational citizenship behavior; expectancy theory.

1. Introduction

Organisations have two separate responsibility systems; firstly, there are the formal obligations outlined in employment agreements; Secondly, they have a psychological contract to bear - unwritten norms for rewards such as feedback, promotion opportunities, and treatment justice that workers take with them every day at work. The official contract is tangible, negotiable and lawful; the mental contract is intangible, imposed by one party, and only effective when carried out or violated behaviorally. Over a period of more than ten years of organisation-based studies, it is evident that the psychological contract plays a role as significant or even greater in influencing people's behaviour at work compared with those formally bound by contracts can motivate.

According to Gallup's state of the global workplace report, only 23 per cent of employees globally were found to be highly engaged; that is, they showed a high degree of interest and involvement in their work. Most workers have no engagement or an active lack thereof – a situation which persists year after year and organisationally does not change based on data supporting psychological contract theory [10]. If employees think that there have been explicit or hidden unfulfilled commitments from their companies during past interactions, including lack of future development prospects, unreasonable job stress, managers' disrespect and coldness towards them, organizational climate is unsatisfactory – They are likely to respond negatively either individually or together among others in similar groups; Under extreme conditions, such negative reaction may lead to substantial organisational expenditures far exceeding an exact economic prediction.

Also related to managers' decisions making situations is the

psychology behind contract issues; They have responsibility for delivering organizational commitments through interpretation errors made by lower-level workers when handling matters daily, and thus misinterpreted them as breaches. Assign tasks flexibly; Whether or not the skill matches the position has been evaluated correctly through work evaluation; Allocate limited resources for projects beneficial to the company's overall interests decided by senior management; Based on an assessment of personal abilities, develop career paths. Through the theories that have been shown to be highly effective in explaining them, this paper explores their impacts on managers; Also consider under what circumstances modern works, including digitalisation, Remote Work and an increase in Non-standard labour, will change the psychological contract environment not fully addressed by existing frameworks.

2. Theoretical Foundations

The above-mentioned three theories constitute a theoretical support for the analysis presented below. The first and most basic is Rousseau's theory of psychological contracts; in 1989, it was introduced as a description of the implicit, subjective beliefs that people have regarding the reciprocal obligations that form their relationship with the employer organisation[1]. Rousseau subsequently developed this theory to distinguish two kinds: Transaction Contracts, which have clear boundaries on both sides; Relational contracts are broader than that, longer lasting and organize mutual investments through an organizational mechanism of long-lasting relationship[2]. The above division is theoretically important for reasons of analytical relevance; Specifically, under different circumstances after the breaching party violates various obligations in the contract, there will be quite

different consequences ranging from relatively strict punitive measures within a certain range to significantly intensified emotional reactions as well as broad-spectrum behavioural adaptation. The shift towards relational contract is long-term organisation tenure and has invested much in the training of employees, which helps manage implicit expectations over extended working relationships.

Eisenberger et al. have proposed the framework of perceived organisational support that examines whether employees build an overall belief regarding how much their organisations value them as contributors and caring for them personally [3]. Organised Support is identified both as an antecedent and a mediator of the process by which workers respond emotionally to their perceived discrepancies between organisational practices (i.e., what is currently expected) and their own perceptions or expectations about these conditions ((3))). To clarify this phenomenon through theory building for empirical investigation. Based on the reciprocity norm at the heart of POST theory, which suggests that people are motivated to match the degree of commitment they feel from an organisation with the same extent of commitment in themselves; it provides such motivation that connects psychological contract realization with organisational citizenship behavior and discretionary work.

Vroom's Expectancy Theory provides the third theoretical basis to offer an incentive mechanism that is complementary to the relational account based on psychological contracts with a cognitive approach for motivating people in workgroups[4]. According to Vroom's Expectancy Theory components have been explicitly mapped through the three subcomponents of employees' expected relationship with work performance and material rewards, and their perceptions of instrumental value (i.e., tasks outcomes affect satisfaction) and importance that others place on it (valence). Therefore, we can collectively understand that under any of these three conditions, it is necessary to manage employees' psychological contracts in an overall way at once.

3. Psychological Contract Breach and Organizational Behavior

The consequences of a psychological contract breach for organisational behaviour are the most studied part of contract theory; much evidence has been collected on it that is both abundant in amount and relatively stable in terms of main conclusions. The core model of contract violation development put forward by Morrison and Robinson divides it into two stages: breach—cognitive judgment that the organisation has not fulfilled its obligation; Violation — strong emotion such as betrayal, resentment caused by a serious or frequent breach[5]. There is a difference in the specific behavioural reactions to breaches and violations, as well as how managers intervene differently; hence, it can be concluded that there are differences between them at this stage of research on breach handling mechanisms.

Zhao and others' meta-analysis of psychological contract violation studies summarised the outcomes from several organisational environments and different measurement standards to identify a direct negative link with employees' job satisfaction, organizational loyalty, and other external behaviours such as organisational citizenship; Also found that there was an indirect positive association through these factors[6]. The effects presented in the present meta-analysis are relatively large according to the standardised value of

organisational behaviour studies; thus, it can be inferred that an individual's perceived violation of their psychological contract will directly affect the motivation levels and consequently impact organisational outcomes. In particular, it should be noted that the relationship between breach and organisational citizenship behaviour—the discretionary cooperation behavior required for organisational performance but not mandated by formal agreements—was found to have one of the highest levels of evidence in the literature as a result; That is, under the influence of improper management of contractual violations, the most difficult-to-monitor and beneficial-behavioral-costs are absorbed directly from this aspect.

Restubog et al. found through their study on the mediating effect of equity sensitivity that individuals have a certain degree of interpretation and reaction when dealing with contract breaches; Those who perceive themselves as having higher fairness tend to be more resistant or even resentful about the changes brought by contracts[9]. Above is the corresponding guidance for management based on this result: An organisational decision that seems like only minor adjustments to some people but not noticeable to others; thus, managers need to strengthen their perception recognition abilities of different individuals' varied reactions towards contract terms and changes in behaviour boundaries rather than using a universal standardization expectation method. Organisations' accounts of organisational citizenship behaviour as a manifestation of employees' sense of contentment with the organisation provide an ideological basis for linking contract performance with discretionary contributions representing the peak level of employees' organisational identification [7].

4. Managerial Decision-Making and Implicit Expectation Management

Managerial decision-making is the main place where psychological contracts form, confirm and break; however, the implications of management decisions on people's minds are seldom communicated to managers through their own education or in organisational policies. In terms of how the psychological contract is formed as a result of these decisions includes: Task allocation and workload distribution; Performance appraisal and feedback; Career development opportunities, etc., and the information on organisational changes affecting employees' roles and future prospects fails to be communicated sufficiently transparently according to the theory of psychological contracts.

Managers' frequent transmission of contract-related information implicitly forms the basis for employees to make predictions, which is called implicit expectation in this paper. Pledges regarding future career paths in casual talks, displays of organisational culture via resource distribution choices, and warnings about working conditions or criteria for recognising good performance all play a role in forming employees' psychological contracts based on their own organizational experiences. According to Morrison and Robinson's explanation of the process by which employees monitor organisational behaviour in order to ascertain whether there has been a breach of the contract or otherwise shows their understanding that this monitoring is continuous but often carried out without conscious intention on part of management [5]. An indispensable reason for unfulfilled contract implementation lies in the disparity among managers'

intended outcomes and employees' comprehension thereof; thus, enhancing managers' expectation-management capability needs to be given full attention in training schemes.

Cultural differences in the contents and structures of psychological contracts also fall within the scope of research on international management. Based on Hofstede's analysis of cultural Dimensions, taking into account that the Power-Distance Index reflects whether and at what level less powerful people in organisations will be willing to tolerate or expect an imbalanced distribution of power; this also affects how psychological contracts are formed and perceived across various Cultures [8] . High Power Distance Culture: Employees will have implicit Expectations regarding the management's authority and their responsibilities towards them that are quite different from those under Low Power Distance Culture; Multinational organisations with diverse backgrounds, such as a large number of Western companies operating in Asia, face frequent communication barriers due to these discrepancies. The Digitalisation of the working environment adds another level of difficulty to cross-cultural contract interactions; in particular, remote-working Arrangements Change The Channels Through Which Implicit Expectations Are Formed And Behaviours Cues Through Which Contract Enforcement Or Breach Is Supervised.

5. Discussion

Based on this analysis, several results have been drawn from two perspectives of theory building and practical application that are applicable in organisation management. Invisible governance organisations - System of implicit expectation, reciprocal obligation and relational commitment represented by psychological contracts - Is more crucial than the visible Governance organisation based on formal Policies, Procedures or incentive systems; It has been consistently paid less attention to Psychological Contract Management in organisational Practice and Managerial Training reflects an important but incorrect source of Organizational Underperforming.

According to Gallup's engagement data mentioned in the introduction - that is, the persistent presence of employee disengagement among organisations all over the world - it has been more productive to interpret this phenomenon as systemic evidence of psychological contract management failures at organisational levels. [10] In a large sample worldwide, when most employees report lack of engagement or passively disengagement, it is more likely due to the organisational environment rather than individual attributes; The main reasons are poor manager's ability to set expectations properly, low trust from organizations on their commitments, weak sensitivity to fairness in the evaluation mechanism for employees' work, etc., according to Psychological Contract Theory.

Specific Management actions have been proposed based on them. Managers who are able to identify the implied expectations conveyed through their communication; monitor whether the organisation's promises align with actual delivery in daily management work; consider performance discussions as an opportunity for re-negotiating the psychological contract instead of merely evaluating it; these managers' preparation is more comprehensive in ensuring that the conditions required for employees to engage positively exist. At the organisational level, The development of systematic strategies for expectation Communication during On-Boarding Organizational Change and Career Transition can

be considered a significant investment in the Quality of Psychological Contract whose Returns Reduced Turnover Increased Organisation Citizenship Behaviour Employees Engagement Are Huge Evidence-Based.

Through the conversion of work by means of digitalisation technologies and the spread of gig/remote jobs, one major challenge to existing psychological contracts is currently at hand. Research into various new forms of work documents how non-standardised employment patterns reshape an employee's sense of expectation when joining a company; therefore, these workers' behaviour fails to match fully with what standard frameworks expect. Research frameworks that can provide both theoretical support and practical guidance on the psychology of digital transformation within organisational contexts are urgently needed by organisation-behaviour scholars at present.

6. Conclusion

Psychological Contracts Are Among the Most Effective but Least Managed Antecedents of Organizational Behaviour That Can Neither Compel Discretionary Effort, Cooperative Orientation Nor Organizational Commitment Through Formal Employment Arrangements And Which Ultimately Determine Organisational Performance. According to this paper's analysis, acquiring and managing implicit expectations in psychological contracts has become a core ability for enlightened management; It is no longer seen as an aid but directly causes significant negative impacts on organisational Vitality if lacking.

Theoretical basis for contracts, organisational support perception, expectancy theories jointly explain the psychology of the contract as a relationship-based, motivation-driven and cognition-related phenomenon; Its management involves paying equal attention to the specific content of implicit expectations, organizational environments shaping these expectations' realization paths, and variations in individuals and cultures affecting individual perceptions and expressions of breach. Management decision-making constitutes the most basic place where these changes occur; therefore, improving explicit expectations management ability should be regarded as an important task with wide-ranging benefits for individual managers' work and organisational performance under certain circumstances.

In the future, there can be more longitudinal investigations into the psychology contract development at a distance; The communication channels by which implied expectations are formed and supervised are quite different from those in conventional co-location. Comprehensive comparative cross-cultural studies of the contents of contracts and measures for breaches in multi-national organisational environments can provide essential references that enrich theories concerning international organization within Organizational Theory which, as a result of its foundation in Western organisational Studies, has typically ignored these normative differences.

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