

## **THE ROLE OF MEDIATOR IN THE BREACH OF THE PSYCHOLOGICAL CONTRACT IN THE RELATIONSHIP BETWEEN THE PSYCHOLOGICAL CAPITAL AND TRUST AMONG EMPLOYEES**

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### **ABSTRACT**

Today, working in organizations has undergone major changes. Breach of the psychological contract is an important factor that affects an employee's psychological condition. Workers in the formal and informal organizations play an important role especially in meeting the organizational goals and the quality of service. Previous studies show that the breach of the psychological contract in these organizations influences on how services are provided by the employees. The employees are also influenced by variables such as breach of the psychological contract, trust, psychological investment and so on are. This article tries to measure the variables and by providing a questionnaires to the employees to achieve a conceptual model. The method used in this research is descriptive and correlational based on the structural equations. Results of the study showed that there was a significant relationship between psychological capital and trust, and also between breach of the psychological capital and trust. The variables examined in this study should be considered for a better understanding of the psychological conditions among the staff. Other researchers also consider these variables important for survival of the organization and better communication with the people in the organization.

**Keywords:** *Psychological Capital, Hope, Resilience, Optimism, Self-Trust and Psychological Contract*

### **INTRODUCTION**

With the current turbulent business environment, of course, the traditional psychological contract, long-term job security in exchange for hard work and loyalty are not effective anymore and having them is not possible (Sims, 1994). In an uncertain environment, organizational change is often space for each both sides, the employee and the employer, is obvious. Since, the employee and employer are interdependent, making it more difficult to fulfill (McLean Park and Kidder, 1994).

The productivity and maintaining workforce are needed to run a successful organization. Psychological contract is a framework that is used to verify between employee and employer relations. The psychological contract is a set of the beliefs that an individual has envisioned about the terms of a contract between themselves and the organization (Rousseau, 2000). If a deal happens, the result is an increase in job performance; on the other hand, if the fulfillment of the conditions of contract is violated by the employer, it will lead to undesirable behavior of the employee (Estragz *et al.*, 2005).

### **Research Background**

This study focuses on identifying the relationship between psychological contract and trust. Psychological contract is a relatively new academic subject. Research in the field of dealing with the concept of psychological contract of the organizational staff is one of the basic requirements for an organization to succeed. Trust is very delicate and fragile (Kramer, 1999), but in some situations, it can be reconstructed again (Farin *et al.*, 2007; Schweitzer *et al.*, 2006). Mayer *et al.*, (1995) argued that trust is an individual's willingness to accept the other person's actions based on the fact that second individual has done an important task and as expected for her. Since the role of psychological contract breach in the relationship trust between psychological capital has been less investigated and the administrative bodies have not done anything except the changes and layoffs, etc., there is a significant lack of studies in this area.

### **Breach of the Psychological Contract**

Simply put, the breach of psychological contract takes place when the employees believe that organization does not comply with one or more of its obligations whether tacit or implicit (Turnley and

## **Research Article**

Feldman, 1998). When it is viewed as an organizational phenomenon, in fact the complexity of the breach of the psychological is because at first it is conceptual. It means that not only may occur when organization do not keep their (short term) or (long-term) promises either deliberately or in circumstances beyond their control, but also when there are various understanding of the content of one or some contracts.

To the extent that psychological contract significantly influences on the individual attitudes and behaviors in the organization's environment. Another study has shown a negative relationship between psychological contract breach and organizational commitment and positive relationship between psychological contract breach and turnover, anti-organizational behavior and negative emotions have (Turnley and Feldman, 1999; Roosevelt *et al.*, 1988).

### **Psychological Capitals**

Psychological capital is the core variable of the positive organizational behavior (Luthans and Joseph, 2004) and is discussed as an important factor to address the human capital issues in organizations. Psychological capital consists of four sources, namely psychological hope, optimism, flexibility and efficacy (Luthans *et al.*, 2004). The psychological capital emphasizes on the positive nature and strengths of employees and its role in the growth of employee performance (Luthans *et al.*, 2005). Psychological aspects of the psychological capital, such as higher job satisfaction, happiness at work and sense of citizenship are related to the employee performance and their general attitude at work (Luthans Joseph and Olivio, 2007) Psychological variables of hope, optimism, flexibility and efficacy are defined below.

#### **Hope**

Snyder (2002) explained that the hope is a multi-dimensional variable that consists of "will" and "perseverance" of a person. Will is the individual agency of determination or decision and perseverance to achieve their objectives and his ability to devise alternative routes and contingency plans in order to achieve the objectives in the face of obstacles (Snyder *et al.*, 1995). Hope, enables one to achieve success on the task at hand is motivated to seek the best way (Oei *et al.*, 2008). Component hoping thereby complement each other (Wake and Quinn, 1999).

Hope has made the substantial contribution to positive psychology and the importance of the work (DeGulbyi *et al.*, 2009; Luthans and Jensen, 2002). For example, the researchers have discovered that hope predicts job performance better than the efficacy of cognitive ability (Peterson *et al.*, 2009). In addition, Joseph and Luthans (2007) showed that hope had some positive effects on employee satisfaction, organizational commitment and joy of labor.

#### **Optimism**

Optimism is associated with greater positive psychology compared to the other variables (Luthans *et al.*, 2004). This variable is a real, flexible and dynamic structure that can be learned and developed (Patterson, 2000). People with an optimistic view consider failure as a challenge and opportunities which can eventually lead to success (Luthans *et al.*, 2005). They can persevere in the face of obstacles and in the workplace, the optimistic employee is able to better evaluate the external evaluation, interim and conditions situation (Joseph and Luthans, 2007). The study has shown that optimism is correlated with employee engagement and performance (Arakawa and Medellin, 2011; Falk and Greenberg, 2007).

#### **Flexibility**

Rutter (1987) has defined flexibility as the people's ability to successfully manipulate their environment in order to protect themselves from negative consequences and its side effects. Luthans (2002) has expanded this definition by adding the ability to "bounce back" from adversity and in this regard, flexible people continue their way in life after experiencing a stressful situation, such as personal problems, conflicts or fail. Thus, the flexibility emphasizes on the individual power or individual coping resources to resolve the problems or management and experiment condition (Crothers and Bam Gardener, 2010). The previous studies have tried to link flexibility with positive performance at work (Luthans *et al.*, 2007).

Studies have shown that when employees experience negative events, people with more psychological capital in the workplace are more likely to adapt positively with the circumstances and events and are

## **Research Article**

trying to bounce back from it. As a result, they prevent from the escalation of the development of a sense of turnover. (Norman *et al.*, 2006) Philip *et al.*, (2008) showed that flexibility is associated with positive emotions, especially when a person is experiencing a tax event.

### **Self-Efficacy**

Jacque and Luthans (1998) defined self-efficacy as the personal beliefs about their ability to mobilize a motivation, cognitive resources necessary actions to accomplish a specific task in a specific environment. Perception and his interpretation of events determine how they define the challenge and experience difficult or stressful situation (Bandura, 2000). Those who have a high level of efficiency challenge given the opportunity to consider the merits required more effort (Oei *et al.*, 2009).

Self-efficacy is a higher-order psychological capital structure (Luthans *et al.*, 2007). This ability is the positive potential source of psychological trust that can be developed. This variable is defined as a longing and independent sense which is in a close relationship of individual performance (Luthans *et al.*, 2004). Self-efficacy has also been demonstrated that it is related to the social relationship and durability of new employees (Bayer *et al.*, 2007) as well as the commitment and the desire to replace the existing job (Harris and Cameron, 2005). Ruthemnan in South Africa (2003) found that positive psychological variables such as self-efficacy can have a moderating effect on job stress, burnout and commitment they have at work.

### **Trust**

Although there is consensus among the researchers about the importance of trust in the organization, but there is not a single definition of it in the hands. Robinson (1996) defined trust these expectations, assumptions, beliefs a person or other person that the future actions would be useful and desirable, or at least not harmful. Research indicates that trust in an organization is essential for successful teamwork and collaboration (Lamas and Pustatia, 2006).

Mayer *et al.*, (1995) argued that trust is an individual's willingness to accept the other person's actions based on the fact that second individual has done an important task and as expected for her. Since the role of psychological contract breach in the relationship trust between psychological capitals has been less investigated and the administrative bodies have not done anything except the changes and layoffs, etc., there is a significant lack of studies in this area.

### **The Breach of Psychological Contract and Psychological Capital**

The breach of psychological contract may be rooted in the inability of the organization to address its obligations on aspects of distributive, procedural and interactive Justice (Anderson, 1996). Distributing breach occurs when results are thought to be unfairly distributed, for example, financial rewards. Procedural breaches refer to understanding the unfair plans, such as professional improvement programs. Finally, interactive breaches related to the perception of trust in senior staff and the organization as a whole occurs and when employees feel that they were treated badly.

Such a conception of fairness leads to assess the psychological contract. Staff by understanding the breach of psychological contract that is not fair in their view would lose much of their hope, optimism, flexibility and their effectiveness.

### **Psychological Capitals and Trust**

The variables of psychological capital and trust have been defined as the mediator variables examined in several studies and their positive relationship is confirmed (Kukhan and Argenly, 2013) have used the psychological capital and trust as the mediating relationship and approved them. In another study Fred *et al.*, (2011) investigated the psychological capital and trust of the group in the relationship between the reliable leadership variables with the results of the citizen groups and their performance. In this study, Fred *et al.*, (2011) predicted the positive relationship between the psychological capital and trust of the group. Psychological capital and trust have been confirmed as the positive and mediating relationship in this study.

### **Breach of the Psychological Contract and Trust**

Breach of the psychological contract has negative effects on the attitudes and behaviors of the staff such as trust, job satisfaction, and commitment, willingness to stay in the organization, organizational

## **Research Article**

citizenship behavior and affect performance (Zhao *et al.*, 2007; de Rey *et al.*, 2006; Robinson and Rousseau, 1994). Also, it is contributing to the increase employee absenteeism distrust of the organization and a negative performance gap and breach of the psychological contract (Chua *et al.*, 2012; Conway, Brainer, 2002; Ng *et al.*, 2012; Pere *et al.*, 2003; Rustenburg *et al.*, 2006; Sutton and Griffin, 2004).

The breach of psychological contract on how to deal with the customer's staff is effective and leads to poor performance. The relationship between the breach of the contract and the trust of others is remarkable. Robinson and Rousseau (1994) trusted mediator between the breach and the consequences regarded and other researchers support this limitation. Studies also have shown conflicting results, so that employees with high trust level in the event of a breach, they said that they were treated with fairness and risk of negative behaviors by them is low (Morrison & Robinson, 1997).

The employees act based on what they believe in. that is, they act in accordance with their psychological contract, So, the psychological contracts have a positive relationship with role behaviors of the employee (staff turnover, commitment and trust) (Johnson and O'leri, Kelly, 2003; Lu and Arie, 2003; Thornley, 2003). Psychological contract can be used to understand a phenomenon like trust (Atkinson, 2007) and commitment (Hapkish and Milvard, 1998).

## **Research Hypotheses**

*Main Hypothesis:* There is a significant relationship between the psychological capital and trust with the mediating relationship in psychological contract

*Secondary Hypotheses:*

- 1.1 there is significant relationship between psychological contract and hope
- 1.2 there is significant relationship between psychological contract and optimism
- 1.3 there is significant relationship between psychological contract and flexibility
- 1.4 there is significant relationship between psychological contract and self-efficacy
- 1.5 there is significant relationship between hope and trust
- 1.6 there is significant relationship between optimism and trust
- 1.7 there is significant relationship between flexibility and trust
- 1.8 there is significant relationship between self-efficacy and trust

## **Research Method**

The method used in this research is descriptive and correlational based on the structural equations.

In the analytical model of the study, the breach of the psychological contract was considered as the mediator, trust and psychological capital is considered as dependent and independent variables. The main tool is a questionnaire: 4 questions were considered for breaches in the psychological contract (Robinson and Morrison 2000).

7 questions for building the trust (McAllister, 1995) and 24 question for psychological capital (Luthans *et al.*, 2007) with a five-point Likert scale. In order to assess reliability, a prototype includes a total of 20 questionnaires were distributed and using the software SPSS, testing the reliability by internal consistency (Cronbach's alpha) was performed and reliability for breach of the psychological contract 90.9 percent, 90.7 percent for trust and psychological capital was 92.4 percent.

The population of the present study included the staffs. Total number of employees was 186 persons that according to research based on selecting the official and full-time employees, 141 participants from among 186 employees responded to the questionnaire. Descriptive statistics of demographic variables showed that 70.24% of them were male, 29.76 percent were female. 6.60 percent had license degree and based on work experience from 1 to 35 years.

## **Results of the Mediator of the Relationship**

In order to test the hypothesis, first the correlation test was conducted and then the research hypotheses were judged. The findings of this study are shown in Table 1. These results have been achieved on the relationship between the elements of the model:

Psychological capital had a negative, direct and significant effect on the breach of the psychological contract and breach of the psychological contract had a negative effect on confidence, direct and

## Research Article

significant on trust. Thus, the mediator role of the breach of the psychological contract in the relationship between trust and psychological capital was also confirmed.

**Table 1: Matrix of Variables Correlation**

Research Variables	Pearson Value	Sig.
Breach of the psychological contract and psychological capital	-0.22	0.05
Psychological Capital and Trust	0.75	0.001
Breach of the psychological contract and trust	-0.52	0.001

### Examining the Structural Model of the Research

To test the main hypothesis of the study, the structural model was used to investigate the mediating role of the breach of psychological contract and trust in the relationship between the breach of the psychological contract and emotional commitment. The result of structural model is obtained using AMOS software. Four indicators were in order to examine the significance and acceptability of the structural model, including; CFI (comparative fit index) and IFI (comparative fit index) and RMSEA (root mean square error of approximation) and Root Mean remaining squares or RMR.

Consequently, the comparative fit index was equal to 0.94 and the relative fit index was equal to 0.945. Due to the fact that the proximity of these two indices showed the suitability of the model, then these two values showed that the model was acceptable. In addition, the root mean square error of approximation is equal to 0.60.

As the value of the index is closer to zero, it represents a perfect fit model and finally the square root mean square of the residual index or rammers was 0.90, which is equal to the index value close to zero showing the proper fit of the model. Overall, the results of four indicators showed the goodness of fit model and acceptability of the results of the model.

**Table 2: Impact Factor and Significant Level Related to the Conduct and Relations**

Paths			Effect Coefficient	Mean Error	Critical Value	Sig.	Label
Trust	<---	Psychological Capital	.833	.121	6.886	***	
Trust	<---	Breach	.421	.128	3.285	.001	
Psychological Capitals	<---	Breach	-.189	.078	-2.829	.015	

Table 2 shows the impact and significance level for the different paths. According to the results of two paths, the breach of psychological contract to trust and trust to the psychological capital were significant at the 0.01 level (significant coefficient was at the 0.01 level that is the significance coefficient greater than 1.96) the impact factor of 0.42 and 0.83, respectively. The critical values of 3.28 and 6.88 were found respectively for the two routes and both numbers were larger than the critical level of 1.96.

So, it can be safely said that this is a significant path. The path of the breach of the psychological contract and psychological capital was at the significant at the 0.05 level (coefficient significant was at the 0.05 level which was the significance ratio of greater than 2.58) and the impact factor were equal to – 0.19 and the absolute value of the critical value observed for this route was 2.82 which was larger than the critical level of 2.58.

So, it can be safely said that this is a significant path. As a result, the relationship between psychological capital and confidence had direct path in the role of mediator in breach of the psychological contract. Other paths of the question related to any of the results showed that the questions were appropriate and significant at the 0.05 level on the factor loadings.



## Research Article

### Conclusion and Suggestions

Balance between the expectations and fulfillment of those expectations in the context of the psychological contract requires a coordinated, sustained and continuous relationship between the employee and the organization (Sims, 1994). This research showed that psychological capitals such as hope, optimism, flexibility and efficiency had negative relationship with the breach of the psychological contract and were negatively correlated with trust. In this research, it was proved that the breach of the psychological contract reduced the variables of psychological capital and trust.

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