

Psychological Contract or Covenant: The Coaching Challenges

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As coaches who work within an organizational context, we are often asked to assist our client in addresses fundamental and challenging issues as motivation, sustained commitment, workplace disappointments and psychological burnout. While many factors are at play in addressing these challenging concerns, I find that Edgar Schein's concept of psychological contract often can provoke rich insights for my clients. I would suggest that the extension of Schein's concept—which I identify as the *psychological covenant* -- often yields even greater insight, especially if there are powerful emotions (especially of anger) underlying the concerns being addressed by my client.

In this essay, I summarize Schein's concept, relate it to several of the more basic notions about workplace motivation, and end with the introduction of psychological covenant as an even deeper (and often unconscious) aspect of a client's lingering concern about the worth assigned to her work and the way in which she justifies her commitment to long hours of labor in her organization.

The Psychological Contract

The psychological contract, according to Schein, is an implicit agreement reached between an employee and her organization. As a psychological event, this agreement holds strong emotional implications (Dunahee and Wrangler, 1974):

. . . it is a psychological agreement between two parties, and it is a much broader concept than the traditional use of the word "contract" in industrial relations. It is a reality that has a great many implications for productivity and individual satisfaction. This contract is concerned with the organization's expectations of the individual employee and the employee's attempts to meet those expectations. It also includes expectations of the employee, and the employer's continuing willingness to satisfy his needs.

The dynamic quality of the psychological contract means that the individual and organization expectations and the individual and organization contributions mutually influence one another. . . This contract is not written into any identifiable formal agreement between employee and organization, yet it operates as powerfully as its legal

counterpart. Furthermore, it is not static; it is an evolving set of expectations. Thus, neither party to the transaction, since the transaction is such a continuing one, fully knows what he wants over the length of the psychological contract, although each acts as if there were a stable frame of reference which defines the relationship.

Every member of an organization, in essence, establishes a tacit (unacknowledged, often unconscious) contract between himself or herself and the organization that the employee has joined. This contract typically has to do with the rewards that the employee expects from the organization and the resources, services and attitudes that the employee will provide the organization in return. The rewards that an employee expects range from seemingly rational and publicly acknowledged expectations regarding salary, benefits and job security to often unacknowledged expectations regarding career advancement, public recognition and meaningful work, and even more highly irrational expectations concerning enhanced self-worth, personal security and friendship. Employees also tacitly expect to provide a variety of services and display certain attitudes. Some of these services and attitudes are publicly established, such as working a solid, eight-hour day. Others are less public, such as the employee's willingness to overlook the incompetence of managers, or their willingness to work overtime without complaining. At a particularly deep level, the employee may be selling his or her soul to the company in exchange for personal self-esteem.

Usually the psychological contract is unacknowledged and non-discussable within organizations. Everyone knows that they exist, but never talks about them—in part because they are very personal and because they are often unrealistic or unfair to either the employee or the organization. Schein suggests that much of the discontent inside many organizations can be traced to the breaking of psychological contracts between the employees and the organization. Governmental agencies, for instance, that have a long history of stable employment, may attract psychological contracts in which employees expect to have lifelong employment in exchange for faithful service and a passive acceptance of authority and even the ineffectiveness of governmental administration. Similarly, mental health workers at a financially strapped human service agency expect to suffer quietly and with dignity in exchange for the waiver of any genuine accountability for the services they provide.

At the heart of the notion of psychological contract is an economic metaphor. Employees are, in essence, exchanging their services, commitments and attitudes for certain benefits, that are to be derived from the organization. This metaphor is certainly appropriate to modern organizations, for work is defined in economic terms by these organizations. Groups of employees become “cost centers” for modern institutions and they produce services and goods that yield “income centers” to offset these costs. The psychological contract, however, also speaks to the limitations of the economic metaphor, for many aspects of the psychological contract relate to issues other than money and economics. Workers are interested in the meaning of their work and in the recognition they receive for their work. Furthermore, the work place has often become the primary neighborhood for many employees and the primary source of friendships. The work place has become the primary neighborhood primarily because workers frequently move, commute long distances to their job, and find little time (as members of a dual career family) to interact with people living in their own local neighbor. Many of us do not even know the names of our neighbors, looking instead to our colleagues at work (along with our spouses and immediate family) as the primary source of meaningful interpersonal relationships. And what happens, therefore, for those of us who work via a computer and the Internet (rarely going physically into an office to meet in-person with other employees).

As coaches working inside organizations, we can help our clients surface their own psychological contract and explore the implications of this contract for their current work and sustained commitment to their organization. We can ask probing (and important) questions: (1) is the psychological contract based on a realistic assessment of your own expectations for the organization (and the organization’s expectations regarding your work)? Was the contract *ever* realistic and will it be realistic in the future? (2) what do you really want from your organization—at many different levels (both realistic and unrealistic, mature and immature)? (3) how and where do you find a safe and supportive place to speak about your expectations and the contract – can you share your own insights with colleagues, your supervisor, leaders of this organization?

Hygiene and Motivating Factors

Building on the need hierarchy of Abraham Maslow, Frederick Herzberg suggested many years ago that workers in the modern era tend to look first toward basic *hygiene factors* when judging the satisfaction of their job: job security, benefits, working conditions (comfort, safety), and clarity of job responsibilities. Once these factors are in place, the worker will look toward what Herzberg calls *motivating* factors, such as

prospects for advancement, interpersonal relationships and the meaningfulness of the work. Salary can be either a hygiene factor (minimum amount of money to meet basic needs) or a motivating factor (sufficient money to buy things that I enjoy and the linkage of salary to personal accomplishments).

This two-factor theory relates directly to the shift that occurred in worker values between the modern and postmodern eras. In essence, the modern era was one in which Herzberg's *hygiene* factors were prevalent. A modern worker is motivated by the receipt of money (or food or shelter) on a regular basis, and by adequate working conditions. Trade unions were originally established at the start of the modern era to secure these hygiene needs, given that employers were no longer beholden to the paternalistic concerns that dominated their relationship with workers during the premodern era. The postmodern era, by contrast, is one in which Herzberg's *motivating* factors have become more prevalent—especially as unions (and government regulations) have more successfully ensured that the hygiene factors are in place.

The modern day psychological contract is built on the assumption that work is performed primarily to meet needs that are external to the work itself. We are paid in money or various forms of psychological capital (e.g. self-esteem) for work that is not inherently worthwhile. We redesign the work environment in order to motivate the worker and bring the worker more fully into the decision-making processes regarding work, without considering whether or not there is an implicit motivating force in the job itself. Mihaly Csikszentmihalyi speaks of the *autotelic* (self-rewarding and self-directing) properties of many jobs and notes that physicians, accountants, rock musicians, and teachers often find their work to be inherently gratifying and need no outside motivator to keep them involved, happily, in what they now do. Such factors are central elements in Herzberg's motivating factor. The notion of psychological contract may seem quite foreign to these autotelically driven men and women who want only to be left alone to do their work, or want nothing more from the organization than the resources that are needed to perform their work.

Csikszentmihalyi further suggests that most of us, whether we are in self-satisfying jobs or not, spend most of our life looking for and attempting to replicate settings in which we find these self-satisfying (*flow*) experiences. We may do our boring job in order to obtain the money to perform our autotelic work (gardening, rock-climbing, dancing) -- in which case, the psychological contract is still an appropriate concept. Yet, even in this situation, we would be foolish to cease our search for ways in which the worker

will find his or her current job autotelic rather than just a means to finding autotelic experiences in other settings.

A recent survey of employee needs at a high tech firm in the San Francisco Bay Area revealed that the number one training need was in the area of rock climbing. Number two was woodwork. Several years before, employees suggested that knowledge about new scientific developments in their field is of highest priority. This no longer seems important. Has the work in this company become less autotelic -- such that workers are looking elsewhere (rock climbing, woodwork) for their gratification? Is it just because the employees are now older and less enthralled with their new technologies or has the company lost some essential drawing power?

The leader of another high tech firm speaks of the currency of his company as “title and money; the only thing we seem to value. The number of people reporting to us is [our] measure of success.” The challenge for the leaders of the first high tech firm is to find ways to reclaim the interests of their employees and to identify future problems and projects that will be as inherently interesting and gratifying as rock-climbing and woodwork. The leader of the second high tech firm must find something that will excite his employees other than position or salary. The employees in both of these organizations do not need a new psychological contract. They need more interesting work. Such a notion about work and about the motivation to work will lead contemporary organizations from the modern perspective to a post-modern perspective that is revolutionary in nature.

When you are coaching a client who works inside an organization how do you explore with this person the nature of their own hygiene and motivating factors? Where do they find “flow” in their own work and how do they discover or create this more often in their daily work life? What is of real interest to your client— does the real motivating force in their life reside inside the organization (or are they looking for the organization to provide them with their own rock-climbing or wood-working experience)? What is the measure of success in their own life? With these questions, we are often effectively blending personal and life coaching with organizational coaching and executive coaching.

Economic Man/Woman and the Psychological Covenant

Whether speaking of hygiene or motivating factors, the modern emphasis on contracted exchange of services and benefits between the organization and employee is built on an economic model of man/woman. Both parties look to the fulfillment of specific needs that they hold independent of the other party. A manufacturing company needs skilled technicians who will remain loyal to the company for at least ten years, and skilled technicians need adequate salaries, decent medical health and retirement plans, and a setting that is conducive to gratifying work. A hospital needs dedicated and highly trained nurses, and nurses need job security, good salaries, decent childcare facilities, and an institutional commitment to continuing education and professional development services. Each party makes an independent assessment of the capacity of the other party to meet his, her or its needs. While the notion of psychological contract may accurately portray modern day organizations, it also contains the flaws that are inherent in the highly secularized, economically driven world of modern organizations.

First, a contract can be broken by either party; thus, there is no commitment (as there was in premodern times) to the ultimate welfare of the employee (on the part of the organization) or the ultimate welfare of the organization (on the part of the employee). Everyone is in it for himself or herself. This leads to the dissolution of community in existing organization and to the absence of community in newly formed organizations. There is no glue. There is no commitment that holds everything together, especially during difficult times. Given the accompanying tendency of modern organizations to become large and complex, it is no wonder that these institutions are now in trouble. These organizations must move away from the secular and economically-driven notions of work to a model of work that is both secular and sacred. Such a model would embrace and more fully explore the notion of a *psychological covenant* rather than psychological contract.

The psychological covenant is not readily broken. It involves deeply felt commitments on the part of both the employee and organization. Furthermore, these commitments are made public and are usually enacted in some ceremonial form. Neither party can break a covenant, without the other party's permission. Thus, men and women in a covenant-based organization must work through their problems, rather than simply giving up and parting company. Covenants are based on sacrifice (as in the Old Testament covenant made between Abraham and Jehovah). Both parties are willing to give up a part of their selves in order for the relationship to work. This flies directly in the face of individualistic concerns. It speaks to the need for

collective responsibility (the more feminine way of knowing) and partnership (the more feminine way of organizing) and to a relative de-emphasis on individual rights (the more masculine way of knowing) and dominance (the more masculine way of organizing).

As coaches, we are moving to a much more profound space when we begin to explore the psychological covenant with our clients. This is a life-long commitment – a deep yearning for purpose in life. Perhaps it should be called a spiritual covenant rather than a psychological covenant. Whether our client comes from a religious or more secular perspective, the kind of exploration we are doing with regard to covenant certainly moves both our client and ourselves into a spiritual realm. We need to be prepared for this passage if we wish to serve our clients as something more than economic man (or woman). When we ignore these deeper issues, our client might be spared some of the anguish – but might also be spared the profound insights that issue from an exploration of the psychological/spiritual covenant they have established (perhaps without much conscious awareness) with their organization.