

Psychological Contract in Improving Human Resources Strategy With Organizational Culture as Mediating Variable

Sry Rosita^{1*}, Edward Edward¹, Fitri Widiastuti¹

¹*Fakultas Ekonomi dan Bisnis Universitas Jambi, Jambi*

^{*}*Corresponding author. Email: sry_rosita@unja.ac.id*

ABSTRACT

The minimum criteria regarding the qualifications and competencies of lecturers in conducting education require psychological contracts, organizational culture and the strategy of Human Resources (HR) that are used as the basis for work relationships. The main objective of this research is to examine psychological contracts in improving HR strategies with organizational culture as mediating variable. The method used in this research is kind of descriptive with quantitative approach and uses explanatory surveys. The research target was lecturers at several universities in Jambi Province. The data collection method used is by providing a structured questionnaire aimed at the sample respondents. The analysis tool used in this study is Partial Least Square (PLS) and the software is smart-PLS. The research hypothesis provides strong support towards the view of psychological contracts that have a positive and significant influence in improving HR strategies, as well as it has also a positive and significant influence in improving HR strategies through organizational culture as mediating variable.

Keywords: *Psychological contract, organizational culture, HR strategy*

1. INTRODUCTION

Lecturers must have standards in accordance with the Republic of Indonesia Minister of Research, Technology and Higher Education Regulation Number 44 Year 2015; about the minimum criteria on qualifications and competencies for lecturers and education staff to organize education in order to fulfill graduate learning achievements. In implementing the standard set, lecturers need psychological contracts, which is the hope and obligation in carrying out their work relations.

Peng, Wong, & Song (2016) stated that the basis of work relations is a binding contract which determines the obligations and rights among employers and employees, other than in written form obligations and rights that are said to be valid. Although those are not stated in a written contract, employees will form psychological contracts which includes written provisions and perceived and assumed from exchange agreements between individuals and organizations. Lecturers who have psychological contracts will have qualifications and competencies in providing qualified education, which is in accordance with university standards, in which this is expected to shape organizational culture. Organizational culture has a very important role in supporting the creation of an effective organization. Specifically, organizational culture can play a role in presenting guidelines about work behavior for members in the organization. The creation of effective organizations through organizational culture must be supported by the Human Resources (HR) strategy. HR

Strategy has a strong relationship with organizational culture, because the implementation of the right strategy will support the creation of a strong culture.

According to Armstrong (2011), the HR strategy is an approach to managing people which relates to how organizational goals will be achieved through human resources with integrated HR strategies, policies and practices. Job as a lecturer with psychological contract will improve HR strategy through organizational culture, which supports the research conducted by Richard, McMillan-Capehart, Bhuian, & Taylor (2009) which reveals that organizational culture plays an important role in forming psychological contracts. Research conducted by Klein (2011) about the alignment between the right HR strategy and organizational culture can help organizations create value and generate income. Silva & Weerasinghe (2016) showed the results that HR strategy has an effect on psychological contracts, in which it acts as the main component of psychological contracts starting from the recruitment and selection process to the creation of performance management, work termination, and retirement. Research by Suazo, Martínez, & Sandoval (2009) showed the condition that basically the HR strategy is an antecedent of psychological contracts or it can be said that the HR strategy is a factor that influences psychological contracts.

Previous research generally reviews psychological contracts that are influenced by organizational culture, and organizational culture affects HR strategy, and HR strategies becomes the antecedents of psychological contracts, but there has never been a study that tried to

examine psychological contract in improving HR strategy with organizational culture as mediating variable. The purpose of this study is formulated for; reviewing psychological contracts in improving HR strategies in higher education and review psychological contracts in improving HR strategies with organizational culture as mediating variable.

2. THEORETICAL FRAMEWORK

2.1. Psychological Contract

Psychological contracts are conceptualized as the construct of organizational behavior with implicit agreements. Joseph (2011) identified the missing aspects of psychological contracts as follows: the role of identity in contract construction, psychological contracts are agreements that are built by employees or organizations, and the importance of psychological contract management for organizational effectiveness and success in change management. Wu & Chen (2015) said that psychological contract theory is a perceived mutual obligation and the extent to which the obligation is fulfilled in the exchange relationship between the employee and the leader. Rosita (2018) stated the psychological contracts as unwritten hopes that are formed from promises which is not clearly explained in a work relationship by the company's leadership to employees at the beginning of recruitment.

Smissen (2015) explains that psychological contracts cover the aspects of work relationships nicely done by the company to employees and employees to the company. Psychological contracts is related to social exchange relations. Haggard (2012) stated that support from a mentor will reduce psychology contract violations. The organization will provide support to mentors to manage relationships in psychological contracts. Psychological contracts according to Rosita (2018) are measured through organizational promises to employees; career development is by offering career development and promotion in organizations; job offers are the contents of the work offered that are challenging, interesting, and use good work capacity; social environment is a work environment, such as communication between colleagues, collaboration in groups including both the leaders and fellow colleagues; finance is the right compensation; and the last is the balance with the employee's personal, which is the respect and understanding for employees' personal situations, for example; flexibility in working hours, understanding of personal position. Psychological contracts are first believed by employees sourced from the promised agreements by the company, that includes the aspects of good work relationships that the company does to employees, as well as employees do to the company.

2.2. Organizational Culture

Kinicki & Fugate (2011) presents organizational culture as a set of assumptions taken to obtain implicit assumptions that group holds and determines how to perceive, ways of thinking, and how to react in the face of various conditions and different environments. The function of organizational culture consists of giving members an organizational identity, facilitate joint commitments, improve social system stability and shape behavior by helping members to understand their environment. Culture is a general framework of organizational strategy in relation to knowledge management, such as work autonomy, motivation and decision making systems.

Donate & Guadamillas (2010) stated that culture develops with aspects contained in the organizational structure, knowledge management practices, managing styles, and HR policies. Existing research according to Jackson (2011) tends to look at integrated culture and ignore the pluralistic and ambiguous nature of the culture. Culture is often studied superficially, often seen as static, but actually from time to time it will be dynamic if it can be socially integrated continuously.

Robbins & Judge (2016) defines organizational culture as the meaning of a shared system that is run or held by members as a differentiator between one organization and another. The dimensions of organizational culture are measured based on; innovation and risk taking, which are the extent of the organization members or employees encouraged to be innovative and dare to take the risks; attention to detailed matters, which is related to the extent to which members of the organization or employees are expected to want to show accuracy, analysis and attention to details; results orientation, which is the extent to which management focuses on the results, not on the techniques and processes used to get the results; individual orientation, which is the extent of management decisions takes into account about the effect of the results on people in the organization; team orientation, which is related to the extent to which the organization's work activities are carried out in working teams not on individuals; aggressive, which is the extent to which people in organizations show aggressiveness and competitiveness instead of relaxing; stability, which is the extent to which an organization's activities emphasize the status quo as opposed to growth or innovation.

2.3. Human Resource Strategy

Malik (2018) explained that the HR strategy is a sub-sector of HR that adopts an integrated and holistic approach to develop different HR policy, choices and practices, that can provide companies with a source of sustainable competitive advantage. Human resource strategy according to Buller & Mcevoy (2012) showed that humans are capital in the elements of achieving long-term success. Human resource management strategies are organizational drivers with strategic goals in creating culture, norms, motivation and opportunities to engage in actions that contribute to the achievement of goals.

According to Armstrong (2011), HR strategy is an approach to managing people related to how organizational goals will be achieved through human resources with strategy, policy, and integrated HR practices. The three perspectives of HR strategy according to Armstrong are; universalistic perspective namely the universal relationship between individual best practices and HR strategies; contingency perspective to assume that in order to increase effectiveness of HR management practice policy, the organization must be consistent with other aspects of the organization; configurational perspective to develop the reason that there is a conformity of the configurational approach that appears in organizational theory and strategic management literature.

2.4 Development and Hypothesis

Development. Consider previous findings regarding psychological contracts, organizational culture, and HR strategies which has not been conclusive due to the limitations of empirical research, this research estimates that psychological contracts are capable of influencing towards HR strategies and organizational culture as mediating variables, so that it can contribute its results to the university. Pictographically, the basic theoretical model for this research is presented in the following figure 1;

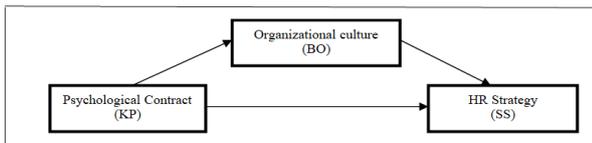


Figure 1 Research Framework Model

Hypothesis. From the formulation of the problem observed with the theory presented, the conceptual model of this research can be described and the hypothesis can be formulated as follows:

- H1: Psychological contracts have a positive and significant influence in improving HR strategies.
- H2: Psychological contracts have a positive and significant influence in improving HR strategies with organizational culture as mediating variable.

3. METHODOLOGY

The method used in this research is the descriptive method by using an explanatory survey. Data sources in this research were obtained from the secondary sources, which are from the official documents or reports, books and journals, and the primary data sources are obtained from respondents by using a set of structured questionnaires distributed online at universities targeted by researcher, the number of samples is 95 lecturers taken by using probability sampling techniques. Data analysis tool is used in form of SEM (Structural Equation Modeling) with a variance based SEM approach or better known as PLS (Partial Least Square), and the software used is smart-PLS. Assessing the identification of structural models in PLS is done in three

stages: analysis of the outer model, analysis of the inner model and the test of hypothesis.

4 RESULTS AND DISCUSSION

Results. The initial stage of this research is testing the validity through loading values in each item statement, through correlation or the relationship between the score of the question-item and that of the construct. The indicator used is assumed valid, because it has loading value greater than 0.5. Based on the answers of respondents from 95 lecturers, which is a representative of lecturers who are working in 6 universities in Jambi Province, this research is considered to have sufficient reliability. It has been shown that the loading values for each statement-item, which are psychological contracts, organizational culture, and HR strategies, are valid.

In order to make sure if there is a problem with the measurement, unidimensionality testing is carried out. Unidimensionality testing uses composite reliability testing and Cronbach's Alpha. Constructs can be assumed satisfying the requirement if the value of composite reliability is greater than 0.7. In this research, it can be seen that the value of composite reliability for each construct can meet the requirement. Besides the value of composite reliability, the dimensionality test is also supported from the Cronbach's Alpha. The Cronbach's Alpha in this study is greater than 0.6. This shows that the constructs of psychological contract, organizational culture, and HR strategies have Cronbach's Alpha that have met the requirements, so it can be said that this measurements are reliable.

The HR strategy construct has a R-square value of 0.640, so this figure shows that the influence of psychological contracts on the HR strategy has a percentage of 64%, thus this can be assumed moderate. Organizational culture has an R-square value of 0.517, hence this figure shows that the influence of psychological contracts on organizational culture has a percentage of 51.7% thus this can be considered moderate. Predictive relevance with the symbol Q^2 is measured by the value of observations generated from the model and to find out the estimated parameters. The value category in Q^2 has the same meaning as R^2 in the regression analysis with the criteria the higher the R^2 value, the model will be more in accordance with the data used, then the value of its predictive relevance can be calculated by using the following formula:

$$\text{Value of } Q^2 = 1 - (1 - R^2_1) \times (1 - R^2_2)$$

$$\text{Value of } Q^2 = 1 - (1 - 0.517) \times (1 - 0.640) = 0.82612 \quad (1)$$

Predictive relevance (Q^2) has a value of 0.82612 or 82.61%. It can be interpreted that Q^2 is a model of strong predictive relevance. After calculating the value of predictive relevance, then the next step is to calculate the Goodness of Fit index (GoF). GoF is useful for evaluating structural measurements and models. Other than that, GoF also provides simple measurements which can be used for overall model predictions with the provision that it uses the following formula:

$$\begin{aligned} \text{GoF} &= \sqrt{\text{AVE}} \times R^2 \\ &= \sqrt{0.619} \times 0.5785 = 0.598 \quad (2) \end{aligned}$$

Based on the results of the GoF calculation of 0.598 then the research structural model shows a large GoF value, then it can be interpreted that the evaluation of structural measurements and models in this research is able to reflect the reality and phenomena that occur in the field. Coefficient of psychological contract, HR strategy, and organizational culture through the testing on smart-PLS program can be shown in the following figure 2:

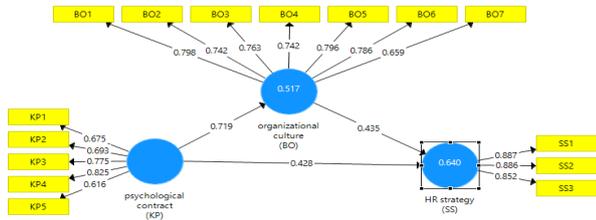


Figure 2 Path coefficients psychological contract, HR strategy, and organizational culture

Research model 1. $SS = 0.428 KP + e1$ (3)

Parameter coefficient psychological contract (KP) towards HR strategy (SS) that is equal to 0.428 can be interpreted that the psychological contracts of the lecturer make a positive contribution on the HR strategy, or in other words by increasing psychological contracts, it will further improve the HR strategy in universities.

Research model 2.
 $SS = 0.719 KP BO * 0.435 BO SSI + e3$ (4)

The parameter coefficient of psychological contracts (KP) towards HR strategy (SS) through organizational culture (BO) is based on such coefficient for psychological contracts (KP) towards organizational culture (BO), that is equal to 0.719 and the parameter coefficient of organizational culture (BO) towards HR strategy (SS) is 0.435. Based on the results of data processing through PLS software, psychological contract (KP) towards HR strategy (SS) through organizational culture (BO) has specific indirect effects of 0.313, which means that the coefficient between psychological contracts (KP) towards HR strategy (SS) through organizational culture (BO) can be interpreted that psychological contract (KP) owned by the lecturer has a positive effect on the HR strategy (SS) through organizational culture (BO) as mediator in universities.

Hypothesis 1: Psychological contracts (KP) have a positive and significant influence in improving HR strategies (SS). Psychological contracts have a significant influence in improving HR strategies in universities. Based on the total effects t-statistic values obtained (> 1.96) that is equal to 14.443, it can be said that psychological contracts have a significant influence on the HR strategies. This means that the hypothesis which states that psychological contracts have a significant influence on HR strategies in universities has a strong evidence (Hypothesis is acceptable). This result

is in accordance with the initial prediction (hypothesis) mentioning that psychological contracts have a significant influence on HR strategies.

Hypothesis 2: Psychological contracts (KP) have a positive and significant influence in improving HR strategies (SS) with organizational culture (BO) as mediating variable.

Psychological contracts have a significant influence in improving HR strategies with organizational culture as mediating variable, in order to analyze whether organizational culture (BO) can become a mediator between psychological contracts (KP) and HR strategies (SS), which can be seen through the significance value t-count = 15.050 and t-table = 1.96 It means that t-count is greater than t-table (or sig.level = 0,000 which is less than 0.05), so that it rejects H_0 and accepts H_a and organizational culture (BO) against the HR strategy (SS) with t-count = 5.993 and t-table = 1.96 means that t-count is greater than t-table (or sig. Level = 0,000 which is less than 0.05), so that it rejects H_0 and accepts H_a . It can be seen that both of these models have a positive and significant influence, so that organizational culture (BO) is a mediator between psychological contracts (KP) and HR strategy (SS). The hypothesis mentioning that psychological contracts have a positive and significant influence on HR strategies through organizational culture in universities has a strong evidence (hypothesis is acceptable). This result is in accordance with the initial prediction (hypothesis).

Discussion. This research shows that measuring HR strategy consists of; universalistic perspective where the participation and empowerment of lecturers is in line with the HR strategy in Higher Education; a contingency perspective where the effectiveness increases, policies, HR management practices are consistent with other aspects in universities and configurational perspectives where universities apply certain strategies in order to achieve predetermined targets are the effects of psychological contracts which indicate that there are career development and promotion for lecturers, job offers with very challenging types of work with interesting job content and the use of good work capacity, social environment with a pleasant work-related environment, such as good communication between colleagues, good cooperation in groups, finance with compensation that is commensurate with work and balance with personal employees, respect to the personal rights of the lecturer, and flexibility in working hours.

This research is in line with the one conducted by Rosita (2019) concluding that psychological contracts is believed to be derived from agreements promised at the beginning of recruitment, which are the relationship between the employer and the recipient of the job. According to Peng et al., (2016) the basis of work relations is a binding contract that determines the obligations and rights of employers and employees. Psychological contracts in improving HR strategies are more directly related to than mediated by organizational culture. However, overall organizational culture is a mediator between psychological contracts and HR strategy or, in other words, psychological contracts have a positive and significant influence on HR strategies through organizational culture. Psychological contracts that

indicate career development, job offers, social environment, financial and respect for personal rights has a higher influence on the HR strategy, that can be seen from a universalistic perspective, is the empowerment of lecturers in line with the HR strategy. Meanwhile, contingency perspective that can be seen from increasing effectiveness, policy, HR management practices are consistent with other aspects in universities and configurational perspectives that apply certain strategies in order to achieve the predetermined targets rather than mediated by organizational culture through innovation and risk taking can be done by encouraging lecturers to be innovative and courageous in taking risks in the interests of universities. On the other side, paying attention to detailed matters related to accuracy, analysis and details, results orientation can be done by Higher Education with providing upholding facilities for those lecturers in order to achieve optimization seriously and always coordinate with the team. Lecturers' aggressiveness in carrying out work occurs because it becomes their responsibility and those lecturers will recommend universities as a good place to build a career.

5. CONCLUSIONS

Based on the results and discussion in this research, it can be concluded that:

1. Psychological contracts have a positive and significant influence on the HR strategy or in other words the HR strategy is the effect of psychological contracts. The better the psychological contract of the lecturer, the better the HR strategy applied in the university.
2. Direct psychological contracts have a greater influence in improving the HR strategy rather than mediated by organizational culture. However, overall psychological contracts have a positive and significant influence on HR strategies through organizational culture, or in other words organizational culture becomes a mediator between contract psychology and HR strategies.

Psychological contracts have a greater influence on HR strategies directly than mediated by organizational culture, so it should be a concern to create an HR strategy in more competitive way, so that the psychological contract of employees will increase, hence organizational culture will be increasingly strong in mediating psychological contracts in intensive HR strategies implementation in universities.

REFERENCES

- [1] Armstrong, M., *Armstrong's handbook of strategic human resource management*. Kogan Page, 2011.
- [2] Buller, P. F., & Mcevoy, G. M., Strategy, human resource management and performance : Sharpening line of sight. *Human Resource Management Review*, 22(1), 2012, pp. 43–56. DOI: <https://doi.org/10.1016/j.hrmr.2011.11.002>
- [3] Donate, M. J., & Guadamillas, F., The Effect of Organizational Culture on Knowledge Management Practices and Innovation. *Knowledge and Process Management*, 17(2), 2010, pp. 82–94. DOI: <https://doi.org/10.1002/kpm>
- [4] Ghozal, Ii., *SMART PLS (Partial Least Squares) 3.0*. (2nd ed.). Semarang: Badan Penerbit Universitas Diponegoro, 2015.
- [5] Haggard, D. L., Mentoring and Psychological Contract Breach. *J Bus Psychol*, (June 2011), 2012, pp. 161–175. DOI: <https://doi.org/10.1007/s10869-011-9237-2>
- [6] Jackson, S., Organizational culture and information systems adoption: A three-perspective approach. *Information and Organization*, 21(2), 2011, pp. 57–83. DOI: <https://doi.org/10.1016/j.infoandorg.2011.03.003>
- [7] Joseph, T. M., The psychological contract: What is missing? What is next? *Journal of Psychological Issues in Organizational Culture*, 2(1), 2011, pp. 67–75. DOI: <https://doi.org/10.1002/jpoc>
- [8] Kinicki, A., & Fugate, M., [Pdf] *Organizational Behavior : Key Concepts , Skills & Best Practices by*. New York: McGraw-Hill Education; 5 edition, 2011.
- [9] Klein, A., Corporate culture: its value as a resource for competitive advantage. *Journal of Business Strategy*, Vol. 32, 2011, pp. 21–28. DOI: <https://doi.org/10.1108/02756661111109743>
- [10] Malik, A., *Strategic Human Resource Management and Employment Relations*, 2018. <https://doi.org/10.1007/978-981-13-0399-9>
- [11] Peng, K. Z., Wong, C. S., & Song, J. L., How do Chinese employees react to psychological contract violation? *Journal of World Business*, 51(5), 2016, pp. 815–825. DOI: <https://doi.org/10.1016/j.jwb.2016.07.012>
- [12] Richard, O. C., McMillan-Capehart, A., Bhuian, S. N., & Taylor, E. C., Antecedents and consequences of psychological contracts: Does organizational culture really matter? *Journal of Business Research*, 62(8), 2009, pp. 818–825. DOI: <https://doi.org/10.1016/J.JBUSRES.2008.04.001>
- [13] Robbins, S., & Judge, T., *Organizational Behavior* (17th editi). London: Pearson Education, 2016.

[14] Rosita, S., *Kontrak Psikologis Karyawan Badan Usaha Milik Negara (BUMN)* (1st ed.). Jambi: Salim Media Indonesia, 2018.

[15] Rosita, S., Kontrak psikologis dalam meningkatkan perilaku warga organisasi dengan sikap kerja sebagai mediator. *DeReMa Jurnal Manajemen*, 14(1), 2019, pp. 105–122. DOI: <https://ojs.uph.edu/index.php/DJM/issue/view/113/showToc>

[16] Silva, S. A. I., & Weerasinghe, T. D., Determinants of Retention of Psychological Contract of Information Technology Professionals in Sri Lanka. *IOSR Journal of Humanities and Social Science*, 21(09), 2016, pp. 04–12. DOI: <https://doi.org/10.9790/0837-2109030412>

[17] Smissen, S., *Contemporary psychological contracts: How organizational change and generational differences affect employer employee relationships* (Vol. 2), 2015. DOI: <https://research.tilburguniversity.edu/en/publications/contemporary-psychological-contracts-how-organizational-change-an>

[18] Suazo, M. M., Martínez, P. G., & Sandoval, R., Creating psychological and legal contracts through human resource practices: A signaling theory perspective. *Human Resource Management Review*, 19(2), 2009, pp. 154–166. DOI: <https://doi.org/10.1016/j.hrmr.2008.11.002>

[19] Wu, C. M., & Chen, T. J., Psychological contract fulfillment in the hotel workplace: Empowering leadership, knowledge exchange, and service performance. *International Journal of Hospitality Management*, 48, 2015, pp. 27–38. DOI: <https://doi.org/10.1016/j.ijhm.2015.04.008>