# MBA WINNER
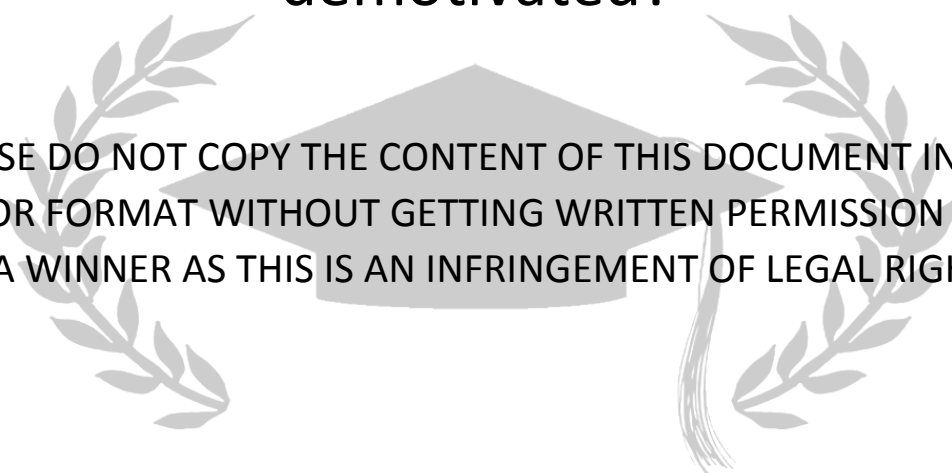
How are justice theories and psychological contract theory useful for understanding how employees may become demotivated?

# Justice theories and the psychological contract theory

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# Introduction

This assignment examines how justice theories (Beugr and Baron, 2001) and the psychological contract theory (Rousseau, 1995) can be useful for understanding how employees become demotivated. The assignment argues that distributive and procedural justice theory explain how employees become demotivated by understanding how employee decisions are based on an exchange relationship underpinned by moral values. Employees engage in conscious and unconscious considerations about norms in the context of their own engagement with management but also with co-workers (Young, 1990, Rosenbaum, William and McCarty, 2017). Demotivation occurs when employees believe that the procedures employed are not fair and just and therefore assume that their efforts will not reflect the desired outcome (Albrecht, 2012). The assignment argues that the psychological contract underlines the invisible and implicit contractual relationship between employees and management (Bowen, Gilliland, and Folger, 1999). Such contract is based on the meeting of mutual expectations and can lead to employee demotivation when perceived expectations are not met from each side. This theory can explain emotional and individual anticipations about work which are not explicitly articulated but generated from the individual's own expectations (Bradley, Sparks, and Weber, 2015). The assignment is divided between two parts. The first part examines justice theory and the psychological contract theory. The second part explains how and

why both theories can be used to explain how employees become demotivated at work. Understanding about demotivation remains important as employees are currently experienced uncertainty because of the increasingly unstable economic environment. The credit crunch continues to carry negative implications for employees because of the growing uncertainty followed by Brexit but also the recent announcement for collection in Great Britain.

## Justice theory

Justice theory suggests that people have an innate need for fairness for regulating their life but also work experience in society (Rawls, 1971, Young, 1990). Justice theory emerged out of the literature on morality and ethics where the access and distribution of moral values/principles is an essential prerequisite for the normal function of organizations but also society. The theory emerged from Rawls (1971). Rawl's theory of Justice is based on two primary principles. First, "each person is to have an equal right to the most extensive basic liberty compatible with similar liberty for others." Second, that "social and economic inequalities are to be arranged so that they are both (a) reasonably expected to be to everyone's advantage, and (b) attached to positions and offices open to all" (Rawls, 1971, p. 61). A society that does not have procedures to uphold justice is subjected to distrust and the creation of an ill-productive culture that affects interpersonal trust but also the employees' commitment to the organization (Heponiemi,

et al., 2011). The application of justice theory in the workplace has gained momentum in recent times mainly because of the ongoing incidence of corruption and bribery with which corporations are seeking to exploit opportunities (Huong, Zheng and Fujimoto, 2016). For example, it is argued that corporations remain instrumental in avoiding tax by manipulating their accounting procedures (Proost, Verboon and van Ruyseeveldt, 2015). However, the added benefits from tax incentives are not distributed back to the employees but they are retained by the stakeholders or/and senior management that have access to sensitive information (Elovainio, et al., 2005). It is argued in the literature by Greenberg, (2004) that the creation and maintenance of justice is important because it promotes fairness and efficiency. This is because people carry a clear set of expectations about their roles and responsibilities as well as their financial or/and non-financial returns. At the same time, Fulford (2005) recognises that the upholding of justice remains often problematic in its implementation. This is because people exert powerful interests onto events like promotion opportunities or access to financial returns with the result of influencing how people benefit. Elovainio, Kivimaki and Helkama (2001) also argue for the subjectivity of justice and how it is dependent on human perception and it is not easy to collectivize within a community. In this literature, authors argue for the importance of bias and misinterpretation suggesting that the creation of a working

environment where justice permeates remains impossible (Elovainio et al., 2003).

## The Psychological contract

The psychological contract is defined as the belief that employee and management will hold to account mutual expectations as part of their working formal relationship (Rousseau, 1995). The psychological contract emerged as a social exchange theory seeking to explain how employees are generating implicit and informal expectations with management but also with other employees about their working inputs and anticipated outputs (Danna and Griffin, 1999). Apart from the formal obligations the employee has to meet, the psychological contract undermines the cognitive and emotional considerations which can exert power effect on human behaviour. For example, an employee who is committed to working longer hours, or exerts the maximum possible effort for completing a task, he/she can expect recognition for the extra effort and in comparison to other people that might not exert such effort (Colquitt, et al., 2001). Hence, reciprocity is the social dynamic that sustains the working relationship outside formal working contract. It is widely agreed between Colquitt, (2001) Colquitt et al (2001) that employee commitment can be either *fostered* or *hindered* according to the extent to which the organization is seeking to keep its obligations towards the employees. Rousseau (1995) outlined the emotional and psychological dimension of the

contract being invisible and subjected to a communicative discourse. Expectations can be satisfied or dissatisfied according to the mutual effort that both parties make for sustaining their mutual responsibilities.

## Use of Justice Theory and psychological contract for understanding employee demotivation

It is widely agreed by Bowen, Gillilan and Folger (1999) Beugre and Baron (2001) that employees become demotivated within the working environment because of three reasons. Firstly, employees feel that there is an unequal exchange between their input and utilisation of skills and knowledge with the expected returns. According to distributive and procedural justice theory it is argued that management remains insensitive to incidents that undermine the employees' rights (Elovainio et al., 2003). For example, employees can be asked to work overtime in order to cover the position and responsibilities of an employee who happens to be off work because of some temporary illness. Apart from the employees' willingness to help the employer he/she can expect financial or non-financial rewards. The employee might be promised to receive such rewards but such disclaimer is not actualised in practice. Hence, the employee is likely to feel demotivated because his/her expectations have not be met as anticipated (Fujishior and Heaney, 2009).

Secondly, employees can feel demotivated when there is not a formal distributive and procedural system in place to account for how employees' *inputs* are recognised/rewarded (Fulford, 2005). According to Cropanzano and Schminke (2001) it is argued that jobs vary according to their generic or specific skills employees are required to demonstrate. Moreover, the intensity of effort can vary within a business project. Employees are likely to feel that there is injustice done when their high level efforts are not recognised when compared with other employees (Greenberg, 2004; Greenberg and Coquitt, 2005). Hence, it is important for management to outline how specific performance outputs are recognised and rewarded by management so that employees know what to expect (Heponiemi et al., 2011). Moreover, it is important for management to have a reporting system in place in order to receive information from employees that will enable her to introduce corrective actions (Greenberg and Coquitt, 2005). For example, in the midst of a project employees can detect an unequal level of information distribution by team members. Even though such information can be biased, nevertheless, the management needs to ensure that there is a procedure in place that filters such information. This can be done by verifying the extent to which claims are true without putting individuals at risk. Taking actions in order to ensure that the organization is proactive for identifying and implementing justice-led

initiatives is argued to remain important for preventing employees from becoming demotivated (Cassar and Buttgieg, 2015).

Thirdly, it is argued that organizations need to deploy a holistic approach for understanding instance of demotivation among employees (Brotheridge, 2003). This is because perceptions of justice are sustained within the institutional and interpersonal contingencies of a community of members. This means that employees engage in the making of cognitive comparisons between themselves and others within the specific organizational situ where organizational procedures are evaluated. A culture that promotes organizational justice but also upholds expectations in the psychological contract has different levels of administration (Bowen, Gilliland and Folger, 1999). For example, the organization need to embed core values that are explicitly articulated and embedded into its formal methods of working. These values need to be championed from the senior management team. Furthermore, appraising employee performance and evaluating their outputs in the organization constitute the operational level of interaction. This is when management is seeking to operationalise how cultural values are translated within methods of working (Beugre and Baron, 2001). For example, in conducting a performance appraisal the management needs to be educated so that they avoid asking discriminatory questions which can be gender oriented. By providing an operational infrastructure that accounts for errors and is seeking to correct them affirms that the management is

actively engaged with promoting a working environment that is sustaining mutual expectations (Albrecht, 2012). This is a key prerequisite for understanding how employees are demotivated and what corrective practices need to be introduced in order to increase their motivation.

## Conclusion

This assignment examined the case of justice theories (Cassar and Buttgieg, 2015) and the psychological contract theory for understanding the case of demotivation in employees. The assignment examined the case of each theory and suggested that both theories place emphasis on the management of cognitive and emotional expectations which are mutually sustained between management and employees (Colquitt, et al., 2001). A lack of procedural and distributive justice can affect the design of formal procedures with which inputs and outputs are formally evaluated. This means that unfairness and discrimination can threaten the quality of interpersonal trust in employees with the result of jeopardizing employee commitment. The psychological contract outlines the meeting of mutual and informal expectations (Rousseau, 1995). In order to avoid incidents of demotivation it is argued that a filter and feedback communication mechanism is in place in order to ensure that employee actions are evaluated and corrective actions are implemented. The psychological contract is based on human belief but

also bias and is subjected to misunderstanding and misinterpretation. This means that employees are more likely to become demotivated if they are not able to share but also receive information about their actions and their intentions. Both theories outline the importance of interpretation with in the working environment and the power of the cognitive and emotional operations for affecting the contractual behaviour and which carries consequences for the performance of the cooperation.

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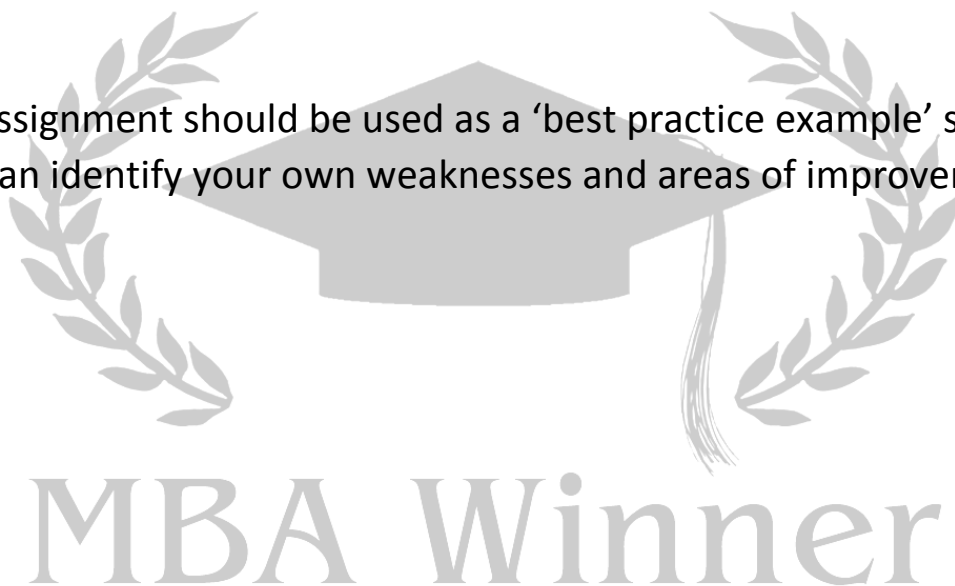
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