

# PSYCHOLOGICAL CONTRACTS & CHANGE

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*The concept of psychological contracts is not new, but its popularity among managers is relatively recent. As with most interpersonal structures, we don't know we need it until it is gone. The massive amount of organizational change that took place in the 1980's left damaged relationships in its wake. Implementing changes while discounting human needs played havoc with psychological contracts. Organizations lost something they had taken for granted. As leaders realized they didn't just need more efficient processes and technology to compete, but also motivated people, psychological contracts became an important topic. Unfortunately the concept was often used as just another technique to try to force people to become what their leaders thought they should be. Psychological contracts aren't very useful for that kind of work. They are much better as a tool for understanding the human needs and problems in an organization—including the needs of the change agents and leaders.*

For organizations to change, people must change. For leaders to help people change they do not need to understand change, they need to understand people. Understanding people is not a strength of most managers. Generally, managerial leaders have been educated in the technical and nonpersonal aspects of organizational life. They need some help with the personal repercussions of their decisions because those repercussions affect the way people work in the new environment.

“It’s no fun anymore!” In the past, as we worked with organizations, we heard that complaint occasionally. In the last couple of years, we have heard it more and more. Most managers and professionals still enjoy their work, but the turmoil of continual and unanticipated changes has tipped the scales in this troublesome direction. A large number of workers are only staying with their organizations because alternative opportunities are so poor elsewhere they have nowhere else to go. “I’m only staying here because the job market is so bad. If I got a job offer this afternoon, I would be out the door by 5 o’clock—no regrets!” One wonders what will happen when the economy gets better. There may be a large exodus of leadership from organizations which chose downsizing as the solution to most or all of their problems.

What is the economic impact on an organization when significant numbers of management are “grinding it out” much of the time instead of feeling wholly involved in tackling new and complex challenges? We know that people get more mixed messages and must spend more time working on relationships when too many of their

members are distressed. Such management teams will not be as focused on productivity and quality as they could be.

Recent concern has been focused on the “out of here” part of the problem, but what about the “no fun” part? Can we do productive work without some fun? If enjoying work is important for being productive, what has interfered with the enjoyment? Not all the fun at work comes from using our skills, it also comes from personal relationships. When relationships with other people go well they add a zest for work. Many relationships at work have been mauled by downsizing or restructuring. There have been significant effects on the relationships with one’s:

- boss, who for many has become less personally involved,
- peers, who have been more competitive for fewer resources,
- customers, who are more demanding,
- organization, which has become less personal.

With the amount and the kind of change people at work have been experiencing there is a need to understand the human responses. Psychological contracts are useful tools that help us understand human responses because they give structure to otherwise ambiguous challenges.

### WHAT ARE PSYCHOLOGICAL CONTRACTS?

In his book, *The Vital Balance*, (1963), Karl Menninger, M. D. discussed the requirements of the patient and doctor which were necessary for both to endure the hard work of therapy. He described a contract that both implicitly accept so they can do that work. It is lived, not defined. It was Harry Levinson, Ph.D., in his study of the Kansas Power and Light Company, published in *Management & Mental Health* (1966), who defined in detail psychological contracts in a work setting. The five qualities he defined are listed in figure (1).

<b>PSYCHOLOGICAL CONTRACTS</b>
1. Unspoken Expectations
2. Expectations From The Past
3. Interdependant
4. Psychological Distance
5. Dynamic

Figure (1)

Psychological contracts deal with the underlying problematic issues between human beings, whether the persons are in dyads or groups. The groups can be as large as organizations. The dynamics are between people, not within individuals, so they are the link between the individual and the group. They address the sometimes confusing processes in the interpersonal world of work. The issues covered by the contract are emotionally laden, thus, when psychological contracts are not working smoothly, strong feelings are provoked.

When contracts exist, expectations exist. Levinson (1966) pointed out that unlike legal contracts in which the expectations are defined, in psychological contracts the (1) **expectations are unspoken** and (2) **antedate** the formation of the contract. A boss and subordinate expect behaviors and attitudes of persons in those two roles before they meet each other. A lack of shared definition doesn't make them any less binding. Expectations are only part of the relevant qualities of the psychological contract, however, the other components make it a more powerful tool. The point is: about what do people have important expectations at work?

The parties in a psychological contract expect they will need each other, or more technically that they will be (3) **interdependent**. Being interdependent is the way of managing dependency in a mature relationship. It answers the question of "Who needs who?" The only tolerable long term answer is that we need each other. Everyone needs to know upon what and upon whom they can depend. Thus, this part of the psychological contract profoundly affects loyalty.

(4) **Psychological distance** deals with the human need and challenge of intimacy. We need to feel close enough to others so we can effectively manage stress, share necessary information, and gain some personal sustenance from our work. At the same time there needs to be enough distance that we don't become distracted because we feel invaded. How close we get to others depends upon what society defines as legitimate, the tasks to be performed, and our own personal requirements.

Psychological contracts are (5) **dynamic** because they change without formal acknowledgment. People at work expect different things of themselves and others over their careers, (when they are sick, during times of stress, etc.). The psychological contract does not just change over time; change itself modifies the contract. Change profoundly affects relationships; it may completely disrupt them. Furthermore, during times of change, new expectations are built and reinforced. The way change is handled creates new or reinforces expectations for future change. Is it, for instance, a stimulating and interesting opportunity or is it an affliction? Change affects people's expectations about stability and security. Change with its instability can leave people feeling insecure and in danger.

Psychological contracts are a way of organizing our social life at work. They keep some of the sand out of the interpersonal gears. Psychological contracts are part of the social contract, but are not the same as the social contract. They deal with how we get

our human needs met as we do our work. What do we get or anticipate that will keep us in the relationship during the tough times? Organizations need such interpersonal structures in order for the human side to function as smoothly as possible. Those mutually respected agreements are particularly important when there is significant uncertainty and risk, as during a corporate restructuring.

The psychological contract helps solve practical human problems by giving a structure to them. Certainly, some of the important issues for people at work have changed since Levinson (1966) did his original study. It is impressive that the fundamentals he described are still so relevant. Nevertheless, more than three decades later we have learned enough to make some modifications. From my experience of working with psychological contracts since 1970, I suggest three modifications:

- organize the components of the psychological contract around the human needs and challenges they address. Dependency, distance, and change already do that in Levinson's schema.
- understand that expectations (whether unspoken and from the past or not) deal with the basic human need for predictability, which is related to organizing our experiences.
- add how people in those relationships deal with danger. Danger is a difficult issue with which groups must cope throughout their existence.

Dealing with danger was not in Levinson's original description of the psychological contract, although it is implied in the issues of dependency, distance, and change. There are different expectations of what is dangerous in different groups of people. The dilemma in *Madam Butterfly* would not have been a problem if Pinkerton, the male lead, was from a society in which polygamy was the norm instead of one in which monogamy was considered the only acceptable behavior. This is not just a matter of reframing everything into an opportunity. There are real dangers in this world, and important questions for any work group are how to recognize and cope with them. For example: In dangerous situations, are we all in it together, or do we get rid of those who temporarily don't pull their weight? Whichever of those is true will determine how dependent, close, and willing to change group members are. Does the group cope by using fight-flight as a defense or become dependent upon a leader with fantasied omnipotence?

All the components are interactive. We need to be able to predict appropriate psychological distance, acceptable dependency, etc. If we get too close within a particular context it is dangerous, as sexual harassment problems show. Change creates new dangers and alters old interdependent relationships, diminishing predictability. Figure 2 outlines this conceptual modification. The remainder of this article addresses these issues.

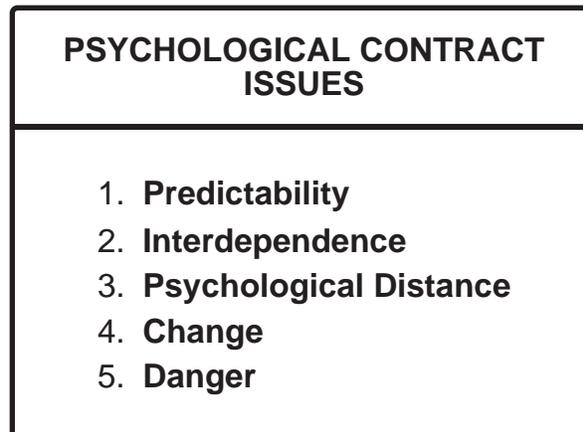


Figure 2

While the components of the psychological contract may be standard, the specifics have to be discovered. All parties to the contract participate in that discovery. It isn't something the leaders define for everyone else. People develop their expectations by perceiving and remembering what happens. Contracts are created from what people do, not from what they say they will do or what someone says they should do. For this reason the psychological contract is more a reality than are the formal policies. In fact, it is the reality as opposed to what someone says reality should be.

### **AN EXAMPLE**

In the following example, expectations certainly changed, but many other principles of the psychological contract contributed to understanding the problem so it could be quickly fixed. In this particular professional organization communications were too managed and sparse. The group underwent a year of significant change and as far as customers were concerned, the changes were a smashing success. Unfortunately, relationships inside the group deteriorated to the point that customer service would soon be severely affected. There was a great deal of anger and distrust throughout the division. One group of managers (Group A) openly expressed contempt for another group of managers (Group B), who were the subordinates of the first group. The contemptuous group (A) was ready to fire the majority of their subordinates (B). Members of Group A didn't help their subordinates develop into the required new jobs and didn't see their own role in the problems. The subordinate managers (B) were fearful, angry, confused, and withdrawn.

Problems with dependency were expressed in pervasive complaints about working too hard, yet, few worked very long hours, and nearly everyone was there for the 15 minute coffee breaks. For that and other reasons many people, at all levels, criticized their colleagues for not acting like professionals, e.g., not taking ownership of problems and taking long coffee breaks.

Senior management had overlooked the fact that all groups are dependent upon their management to:

- inform them about the essentials of their work. Essentials are not just information about subordinates' specific tasks, but how the work fits with the mission of the organization as a whole, so people can take ownership of problems they encounter. Ridiculous rumors increased, because people did their best to define how their own work fit in the organization and its future without the information they needed.
- minimize conflicting messages and establish ways for the inevitable conflicts to be clarified and resolved.
- confront and deal with nonperformers, even if it is just giving a group the skills and authority to deal with those non-performers itself.
- set direction even when a group is a democracy which elects its own leaders.

Those in senior management had their own problems with dependency. They did not realize how their own expectations were no longer being met. As they had trimmed down to be more efficient, they removed people who were performing functions they had come to expect. Without thinking, senior management still demanded the support of those extirpated functions so subordinates had to fill in and do the extra work. Everyone was more irritable because of the losses they experienced, but hadn't articulated in an effective way.

Inadequate communications contributed to excessive psychological distance in an indirect way. With incomplete information about important aspects of the work, people felt and were, vulnerable. They became guarded. Attempting to understand what the new expectations were, they talked more and more to those who had the same old psychological contracts they had. People who were familiar and acted in predictable ways were people you could trust. So an "old vs. new" dynamic developed. Turf became more important, and people were less willing to take risks with others in different groups, even though at times they had to work with them. The larger organization was fragmenting as people became more distant with some groups and closer with those who shared their views. This all happened at a time when customer service was dependent upon a coordinated effort in this organization.

The denial of legitimate dependency needs and inability to effectively manage psychological distance created unfortunate expectations about change. With the almost exclusive focus on satisfying customers while not helping those doing the work to make the personal adjustments, change itself became an affliction instead of something that carried exciting possibilities. It became something to avoid.

The external environment was dangerous as far as its potential destructive affect on the company. The poor job market meant it was dangerous for displaced individuals seeking another job. The changes to improve customer service had been instituted to help the organization survive. What management had missed in its enthusiasm for customer service, however, was that strong feelings of vulnerability in the group caused

a fight-flight stance to develop. Since the organization as a whole did not set the expectation that “we will danger together,” the people in the organization banded together in familiar and exclusive groups which furthered the fragmentation process. Well-meaning plans and work to “empower” people simply added the personal danger of new responsibilities to an already fearful group.

## **PREDICTABILITY**

Psychological contracts add predictability. Predictability is probably the most important issue for human relationships. It is a part of the human need for structure (i.e., organization). Predictability is necessary for trust. When people and events are predictable enough, you can rely on them. Reliability in individuals and organizations makes them credible. Credibility generates loyalty. Predictability, reliability, credibility, loyalty, and trust all reinforce each other.

Because of this human need for structure people want to see their leaders as reliable. People will bend their perceptions of reality to believe that their leaders are acting as expected. When people eventually do accept that the representatives of the organization aren't acting as expected, there is confusion which is usually followed by anger and sometimes by despair. If people begin to believe their expectations were unrealistic (so they were foolish to have them), shame results. Shame leads to anger, even rage, towards any person or group associated with the exposed weakness. Thus anger easily surfaces when the need for predictability is denied. It is not difficult to see the anger just beneath the surface in many organizations today. “If I got an offer today I would be out the door by 5:00 p.m.—no regrets!”

The human environment (including the organization) is made more predictable through communications. Those communications are only partially verbal. To determine predictability, we pay more attention to what is done than to what is said. Even how it is said is often more important than what is said when we are trying to determine reliability. It is impressive how many leaders who carefully study nuance in the behavior and phrasing of others expect those who follow them to “just take me at my word.”

The expectations of the psychological contract are not visible when things run smoothly. Most of the time they operate in the background. Unspoken expectations are part of the definition. In other words, those expectations are often unconscious. If you ask people can't tell you what many of them are, but it is because everyone takes them for granted that they can be relied upon. Expectations are discovered as people work with each other and something goes amiss. We realize we have them when mutual expectations aren't mutual any more.

These unspoken, even unconscious, shared expectations are the weakness and strength of someone moving into a new culture. The weakness results from not knowing what to expect and thus appearing unpredictable to others. The strength stems from not taking those expectations for granted, so h/she will ask questions and

challenge assumptions, until h/she, too, becomes acculturated. For this reason a group often needs the help of an outsider when there are stubborn interpersonal problems. Those in the group—even the experts in interpersonal relationships—aren't aware of their shared unconscious expectations. They may be very aware of others' unconscious expectations, but not of their own part in keeping those expectations alive. (Shapiro and Carr, 1991).

When expectations are changed people become focused upon what they can now expect. They need to know what will really happen, not what is supposed to happen. They need to be able to rely on something. At such times, leaders need to watch their own behavior, more than their words. Leaders need to manage themselves, and not others' expectations. Of course, by managing themselves leaders do manage others' expectations.

Reliable communications are even more important when expectations have changed. All the forms of how we communicate what others can anticipate from us take on more meaning. You can count on the fact that leaders, from first line supervisors to top management, will have some ambivalence about the new order. That ambivalence will show itself in some form of confusing communications. Thus, a crucial form of communications is feedback to the leaders about what they don't want to hear, i.e. how they act in ways inconsistent with what they say they want. The best source of such feedback is subordinates. The second best source is an outsider, particularly if h/she gets information from the subordinates. The poorest source is the supervisors of the leaders, because those supervisors are humans with their own needs, and they feel ambivalent too. So they will miss how their subordinates are passing on the supervisor's own unconscious expectations.

With this need for predictability in all the people in an organization, it's easy to see how there is a pull towards past expectations and a resistance to change.

## **DEPENDENCY**

Humans cannot function without some dependency, particularly if they are to work together in groups. Dependency is required whenever people work together. It is required, for example, in any coaching or teaching relationship. A person who can't be dependent will have a difficult time learning from someone else. But the teacher is also dependent upon the student to reveal where there are difficulties with the material, to endure the frustration of learning, and much more.

Dependency is particularly relevant for all team work. It is easier to see as an issue when a group is doing the work of team building or is addressing problems as a team. We simply cannot be independent in a team. Dependency on other members is required for the team to function. The wish to be independent of the problems of others on a team is often expressed in comments like, "That's your problem, not mine." But, if you are dependent upon somebody, when they have a problem, you have a problem. While you may not have exactly the same problem (e.g., irritation with a boss,

infringement on one's turf, fear of confrontation, etc.) you do have the problem of someone you rely on not functioning at his/her optimum level. To believe otherwise is to deny the dependency needs of the group.

Individuals on teams are also dependent upon each other to fess up to their own role in problems and find solutions. It is not easy to see our own role in problems, particularly when the contribution is indirect. It most often feels like they have the problem, or even are the problem. New problems are like a loose ball in a basketball game. To be a good team member you have to run after and fight for loose balls. One client put it this way: "If you see a problem, you own it."

As much as the need to be dependent is a reality, it is often avoided, degraded, and disguised. We tend to see it in others, but not in ourselves. One group was discussing problems members had in working together. As the group was getting closer to problems with supporting each other, one woman said, "I feel like I am spending all my time mothering adults in this company." That phrase was emotionally loaded. On the surface it was code for women being stereotyped and misused, but the woman who said it had taken more than her share of mothering from others in the group. Indeed, mothering is one of the things we must do for each other when we work in an organization. The mother-infant relationship is the most fundamental model for responding to dependency needs. The woman and the group needed to be told that mothering was their job, no matter what their sex. We all tend to be more aware of how we mother others than how they mother us.

A more subtle and potentially damaging message in her comment related to the shame that was implied for anyone who needed to be mothered. To be dependent is to run the risk of being shamed. Shame and humiliation add special dimensions to the issue of dependency. Since we were very young children we have been taught that dependency is shameful. "You're too big to need help with that anymore!" Some people learned that lesson so well they feel ashamed of any sign they may need someone else. Such people often manage this sense of shame by making others too dependent upon them or by conveying an attitude of disgust for anyone who reveals his/her needs. They then damage the self esteem of those who reveal their dependency. You can see this in the smug attitude of some people who have knowledge others need. They bolster their self esteem at the cost of those they teach. The variations on this theme are endless. Counter dependent people are very difficult to work with, and they don't make good team members.

When we make another person dependent on us, we make him/her uncomfortable for several reasons; the fact that s/he may be shamed is just one. Dependency is the flip side of power. If somebody is dependent upon you, you have power over him/her. The person who introduces new technology, makes others dependent on him/her. S/he knows how the new system works, and they don't. If it breaks down s/he knows how to fix it. S/he may even take control of their data and a piece of their business. All of that requires trust by the dependent person. The more dependent one is the more trust is required.

You also take risk when you make others dependent upon you. For then you have responsibility. This is the challenge for “empowerment” programs. There is no responsibility when one stands on the sidelines and takes pot shots at those who made the decisions. It is very different to be in the spot where others critique your decisions. To use your power is to take personal risk.

Levinson (1966) described the problems of exploiting or denying the dependency needs of others. They can be exploited by becoming irreplaceable, as when managers don't develop their replacements. Managers can make subordinates too dependent upon them by over-supervising. When people are made too dependent they become deskilled.

Management can deny dependency needs in many ways. Members of management may not give enough direction or communications. Leaders can deny normal dependency for many reasons. Some of the most common are:

- a wish to not have to deal with the emotional realities and vulnerabilities which are a part of dependency.
- feelings of guilt and shame when they must fire those who are not performing. You can hear them say, “Those who were fired really aren't as dependent as they seem.” Another manager who can't manage the feelings involved in his/her work may present an attitude of, “They shouldn't have let themselves become so dependent.” That is the same as saying that they shouldn't have trusted the organization and its management as much as they did.
- denial of their own dependency and vulnerability. Some leaders haven't been willing to admit their real dependency on those who work for them.

If we don't acknowledge that we need others as much as they need us, they will find a way to make us acknowledge it - - by not taking ownership, by doing the minimum required, or by sabotaging a project. Things go more smoothly when we genuinely communicate our own dependency and avoid condescending platitudes.

Organizations depend upon people negotiating how their legitimate dependency needs will be appropriately met. Organizational leaders need to appreciate the balance between dependency and power. This balance requires a sensitivity to feelings about being dependent and about how people are dependent. One of the ways we are dependent is in how close we can get to another person, which is the next issue in the psychological contract.

## **PSYCHOLOGICAL DISTANCE**

Psychological distance refers to how close people can get to one another on a psychological level, so it relates to intimacy and loneliness. People have different needs for intimacy and privacy. Some wish to share most of their personal thoughts while others want to keep their thoughts private. Groups working together have to find the

optimum amount of disclosure and withholding for the task at hand. Everyone will have to make some accommodation.

Ideally, how close you get depends upon the task of the group. A therapy group needs to get very close to accomplish its task. A stable and successful technical group can function with everyone remaining personally distant. The problem for the technical group comes when the group needs to work differently as a team or if they need to give personal support to one another. Individuals will then be required to expose more of their personal thoughts and even feelings if the new task (i.e., giving support) is to be accomplished. Such a change in the old relationships will make many members feel uncomfortable. The new behaviors will feel inappropriate and intrusive in their personal lives.

An example of different tasks and their requirements for closeness is diagramed in figure (3).

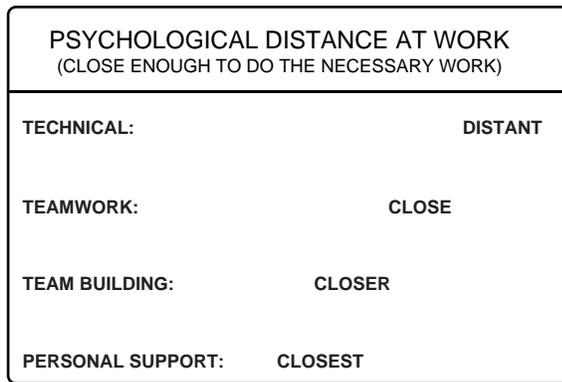


Fig. 3

The predominant tasks change as groups meet new challenges. The leader needs to know what each task is and whether it requires more closeness. S/he needs to help the group adjust its expectations for how close the members must get, and s/he needs to set the example.

One could ask, “Why would healthy mature people have any problems getting close when it is required for the job? All that is required is for them to share their thoughts and feelings,” but moving closer requires personal risk. The dilemma is that if I am close enough to you to help you, I am also close enough to hurt you. As the problems of dependency are shame and giving someone else power over us, the problem with intimacy is aggression. Can we manage our aggression so we don’t hurt each other? Thus, once again, trust becomes an important part of the resolution.

In our example, the leaders wanted their people to be more responsive to customers. Being more customer focused and competitive can have some unanticipated

consequences for psychological distance. Even technical people have been pushed to be more marketing oriented both inside and outside their organization. To be more competitive in selling means you have to be more aggressive. Once people learn not to fear aggression but to use it, they will also be aggressive in their own groups. The dilemma to be resolved becomes how close do you let aggressive people get to you. Do you expose any vulnerability to them, as is required in a well functioning team?

The challenge of managing the psychological distance in a group dealing with increased competition was exposed in team building work I did with some experienced managers. The members of this team grew up in a company that had been successful for decades before they joined. The company dominated its industry. Marketing was polite, since customers were captive. Over time an important value in the psychological contracts became the unwritten agreement to treat all people in a "civil" way. Members of this company had their own codes for what was civil, polite, and acceptable. Aggression was seen as dangerous to working together in a mutually supportive way. Open conflict and direct confrontation was embarrassing because it was a sign of losing control. The members of the team had absorbed those values, and they became unspoken expectations. Now, however, there were intense competitive pressures as many new competitors successfully drew away old customers. There was a new emphasis on aggressive marketing. It was also important to fix the marketing problems quickly. Everyday the competitors made inroads because they were not so caught up in the old polite ways of doing business and of working with each other.

Some team members removed themselves psychologically from work on people problems by saying, "Well I don't have that problem (for numerous morale issues)." Many became very uncomfortable when a few members took the risk of articulating interpersonal conflicts that had been festering for months. There were many complaints about the leader not giving enough direction, plus a partially disguised plea for the leader to make decisions that would resolve all the conflicts. At the same time the group wanted more empowerment so decisions could be made faster.

Most of the group felt very uncomfortable, and a few felt hurt by the team building process. There was too much emphasis on analyzing numbers instead of openly examining interpersonal relationships. The process of openly confronting behaviors which sidetracked problem solving felt too aggressive and out of control. Even though they were all at risk, the sense of urgency presented to them seemed exaggerated. For them, teamwork was a cozy polite activity with indirect approaches to problems, not a rough and tumble search for problems in the relationships in the group. They discovered that they had never been as close as they thought because they always left their aggressive side out of their transactions with one another. They knew they had to get more aggressive as a team, and they needed each other, but they were uncomfortable in moving too quickly. And the clock ticked on.

Even when there are no personal agendas and ambitions, a group can't be cozy and nonconfrontational if the members have their customers best interest at heart for there will be significant controversy about how best to respond to customers. Customers pull

in different directions because they have different needs. Only out of such conflict can new solutions be created. When conflict and aggression are seen as bad, the work of finding solutions takes a back seat to proper form. A significant part of building trust, therefore, is for the members to trust themselves to be competent enough interpersonally to take others' aggression and to skillfully use their own to solve problems.

## CHANGE

The psychological contract relates to change in three ways:

1. The contract is dynamic, which means it changes depending upon the needs of the parties.
2. Change alters the contract.
3. There are unspoken expectations about change.

Change can be predictable; the change of seasons is one example. The predictability comes from how things changed in the past, which allows one to pick out patterns in transitions. Psychological contracts about how change is managed provide some of that predictability.

Psychological contracts which infuse stability and predictability into continuous change are not easy to develop, despite ever present exhortations to accept change as the only constant. Too often the only solution presented is a mechanistic approach related only to the nonpersonal aspects of the task. There is no serious attention to the consequences for interdependence, appropriate psychological closeness, and dealing with danger, (as in the example of the professional group).

It can be very difficult to change a psychological contract because so much is hidden. This is a major part of what makes it difficult to change cultures. When unspoken expectations are brought into the open they can be modified, and there are times when the unspoken expectations are nearer the surface. When there is conflict, however, old automatic expectations are likely to be revealed, and in diagnosing the conflict, hidden psychological contracts surface.

Change causes conflict because it creates new relationships between functions and people. "What can I no longer expect, and do I still need it?" is a common question. Once the question is posed, old expectations can be released and new ones developed. The new ones are not created through pronouncements of what we will expect in the future. Such proactive work can help by giving a structure upon which to build the living day to day expectations, but the real expectations are created as people do their work. Time is required to work on the meaning of the new relationships in both the functional and personal dimensions.

For awhile groups usually resist the notion that the contract can be changed. To accept that change may be too threatening to the individuals' feelings of equilibrium,

they deny the contract has changed and hold on to the old way. They look for clues to see if there really are new expectations and, if so, what they are. "He says he wants things to be different, but he doesn't act that way." Or, "I have information from different sources---." Underneath it all is the desire to find support for the old expectations. New expectations are not yet automatic so people feel awkward and long for a more predictable time. Some of the main human problems with change are dealing with ambiguity and confusion.

The resistance, however, is futile for significant change alters the contract. It may not change as the leaders wanted, but it will not be as it was before. If you change one part of the system you change the whole thing, because the parts are interdependent. Metaphorically, it is like the old children's game of "Cats in the Cradle." When you pull one string you affect all of them in some way. Being changed when others change is one of the consequences of being interdependent.

When the changes (including their personal consequences) are well managed, those who participate become more personally competent. They will be less dependent and more likely to be active when they encounter the next change. The leaders contribute to such active competence not only by setting up and supporting a solid change process, but by delighting in their subordinates' accomplishments—like a good mother delights in the accomplishments of her family.

We are not talking about difficulties on expectations. Unspoken shared attitudes about change boil down to whether it is something potentially useful or something potentially harmful. When change is seen as an affliction, the expectations grow that it is something done to someone by a person in power. When it is seen as something useful, it becomes an opportunity to develop one's competence.

The way change is managed will determine the shared attitudes which come to define a group. Behavior of significant people is vital for building new expectations. Unspoken expectations develop from what people see. Various expectations about change can include that change is something:

- we do well;
- we all do together;
- done to the weak by the strong;
- which starts with a great deal of activity, to be dropped when the novelty wears off and it becomes work;
- that takes forever;
- done only for the business so personal repercussions are simply petty details to be shamed and ignored;
- for which, you go through the motions, but don't become involved personally;

People only learn if leaders are committed to change, and communicate this commitment by their actions. Often they find the leader doesn't mind if others change, just so long as it doesn't mean any real changes for him/her. How much money h/she spends on the process is not an indication of how much h/she wants things to change.

Leaders will spend millions of dollars on programs that catch their fancy, and then just move to the next fad when it is time for them to change. Some signs that a leader doesn't want to change include:

- not getting involved in the process of the changes. S/he gives the task to personnel or an outside consultant and remains aloof.
- getting too many people involved in the planning process, without anyone clearly responsible to move it along.
- becoming defensive when his/her role in the resistances is examined. And s/he will have resistances, since that is part of being human.

All of those responses suggest that change is dangerous.

### **DEALING WITH DANGER**

Danger will mean divergent things to different groups. Some groups will see danger as something to be studied and probed until a solution is found. For them it can be an invigorating challenge to be addressed and from which they expect to become more competent at dealing with problems. Others will see it by definition overwhelming, believing only the naive or foolhardy think about confronting it. They avoid it at all costs. They are risk averse.

What is dangerous even varies for different groups at different times. For some it is challenging old values. It can be a change in the economy, unflattering publicity, taking unpopular stands, group conflict, talking back, or emotions. With some psychological contracts everyone is expected to know danger when they see it. People are educated about it so they can define it. Others see danger only when it threatens their roles or parts of the organization. Anything else is someone else's problem. Still others are expected to just pay attention to what they do and leave the question of dangerous signs to "those who have the responsibility."

There are also the expectations how we manage danger. In some psychological contracts a fight-flight mode is encouraged. If a group can't find an outside enemy members of the group fragment into smaller groups which "we vs. they" binds them together. Everyone looks for people to blame; someone needs to take the fall. The ultimate conclusion to "we vs. they" fragmentation is everyone for himself. The attacks can alternate with times of flight. People retreat from disconcerting data. They avoid discussion of painful topics, which include any hard nosed examination of the danger itself. They try not to see the danger until the last possible minute. This last minute vision affects psychological distance as intimacy becomes more dangerous.

Other groups may tend to become overly dependent when they encounter danger. Members wring their hands and hope someone will solve their problems. They become deskilled, losing their competence and thereby their confidence. Individuals wait to be told what to do. The opposite can also happen when legitimate dependency is denied and people are jettisoned when the organization is in trouble.

Some groups expect that danger is to be faced together. Everyone is to contribute to the solution. They expect to work on the problem in a realistic way, doing whatever it takes. They prepare themselves and learn so they can nip problems in the bud. They expect to take realistic risks and live with the consequences. Everyone, therefore, expects to be supported and to share in the mutual protection of the group.

There are numerous variations as to how danger is addressed. However it is managed will determine what the psychological contracts are after the danger passes.

### **USING THE CONCEPTS IN TODAY'S ENVIRONMENT**

Since the mid 80s there have been multiple changes in most organizations which have altered expectations and made organizational life less predictable. There were good reasons for the changes. "Putting the customer first" has focused employees on what is needed to survive in a more competitive economy. Focusing on quality and, therefore, treating those people you need like customers contributes to morale, innovation, and realistic attitudes about working together. Re-engineering work processes not only cuts out waste, it gives more meaning to work that is done. Empowering individuals and groups who are closest to problems saves time, develops people, and diminishes needless communication.

But problems have risen in the execution of those ideas. How those good ideas are implemented is critical because it is in the execution that new psychological contracts are created. More often than not, the way changes were managed, created undesirable attitudes about change. Cynical attitudes about new changes just being "the flavor of the month" developed when management followed one fad after another. People were confronted with consultants who put the problems into grids and inculcated everyone in the current buzz words. There was lots of activity -- until it was time for the leaders to change. Then a new "silver bullet" was discovered, and the troops went through the motions again. Soon everyone learned to go through the motions without getting personally involved.

For many, the expectation about change has become: It is just used in the short term self interest of the leaders. The current change is a project to give the appearance of working on the most recently defined problem. People get training, slogans, and methodology, but no help with the personal consequences of changing. The only support many have received has been platitudes about the necessity for change. Their leaders seem intimidated by the need for personal support required by the changes they initiate. Their avoidance of the personal aspects (whether they are scared or not) suggests that real change is mysterious and troublesome. That expectation is reinforced even more when leaders avoid making the changes themselves. When leaders are intimidated by personal change their behaviors communicate far more than their verbalizations of what the new psychological contracts are supposed to be.

Serious questions about what legitimate dependency is have been created. For many, the nearly exclusive focus of work has turned outside the organization. Turning attention to the needs of people inside the organization has taken on a connotation of wasteful self indulgence. The customers' and suppliers' needs are all that matter, not the needs of the people dealing with the customers. This subtly degrades both maintenance and managing. If you can't depend upon the organization where you work then it becomes just a place to get paid. It then becomes drudgery—a necessity so you can live your real life elsewhere. At that point, "It's no fun anymore."

Those who don't put down roots to keep from becoming dependent upon an organization will not be invested in solving the organization's problems, nor will they commit to the organization's goals and vision, no matter how enticing a leader makes them. As a matter of fact, it would be even more painful to be excluded if you found the organization's vision exciting. Furthermore, if you are always ready to leave, you don't let others know you very well for then you will also get to know them, and that is too much work for just temporary relationships.

Psychological distance is thus increased which has consequences for loyalty. While you do find loyalty to organizations, it is stronger to people. When loyalty is betrayed, people don't blame the organization as often as they blame individuals or groups in it. If you listen to individuals who have been fired, for example, their anger is usually not at the organization, but at people who didn't support them, give them a second chance, inform them about their dangerous predicament, etc.. When most people leave an organization they find they miss people more than the abstraction called the company.

Concern about expressing the acceptable attitude in the right words also adds to increased psychological distance. When language is politically correct and legalistic, people hide their true selves. Communication deals only with sterile facts so personal attitudes, concerns, and needs are even further disguised. It can be too dangerous to let others know who you really are.

Restructuring has increased the sense of danger. The way the danger has been managed has left many people with a sense of betrayal. They feel betrayed about many things - - being unprepared, colleagues who were used and then discarded, and apparent indifference to old psychological contracts. Realistic people who have been betrayed remember the experience and become more cautious about getting involved the next time and about saying what they really think. Such a guarded environment deleteriously affects creativity and contributes to more destructive group coping devices.

Trust is an element in all of the difficult issues addressed by the psychological contract. For that reason the concept of the psychological contract helps answer the question, "How do we build trust?" You don't do it with trust building exercises. You do it as you manage the components of the psychological contract -- and the changes that affect that contract.

Trust develops from a combination of predictability and appropriate management of dependency, distance, change, and danger. Trust is required for mature dependency. What will you do when you have power over me? Will you also make yourself vulnerable so we can be interdependent? Can I trust you to be sensitive to the issues of shame inherent in someone being dependent when s/he is more than 18 months old? The last question is also related to the requirement for trust when negotiating psychological distance. Are members of management sensitive to the emotional vulnerabilities of those with whom they interact? How sensitive are they to inappropriate intrusion? Sensitive interdependence increases trust.

Obviously, trust is important when managing danger. In the old TV series, *Sledgehammer*, the show began with the hero holding a gun in his hand, he pointed it at the audience, and said, "Trust me I know what I'm doing," then he shot our T.V. set! Similarly, many times people in top management have said, "They should trust us." These managers then callously shot into familiar expectations while giving minimal information about impending changes. Trust doesn't come from commands to give it, it is earned.

### SUMMARY

As the idea of psychological contracts has become more popular some have seen it as a device for manipulating people rather than as a tool for understanding human interactions. This "device" won't work because the new contracts will be created by behavioral patterns, not by clever words. It is better used to define what the new expectations really are. Leaders don't declare the new psychological contracts after consultation with an expert in human resources. They reveal their side of the contracts through their actions. They contribute to healthier psychological contracts by acting in ways consistent with their pronouncements.

The wish to use this tool as a device to manipulate groups of people is a way for the leader (and consultant) to deny their own dependency on the group. Leaders are not aloof or apart from psychological contracts, they are enmeshed in them too. Omnipotence is the opposite of dependency, and while no leader or consultant is omnipotent, grandiose fantasies about manipulating interpersonal relationships from afar are ever tempting for the interpersonally vulnerable.

Many leaders feel vulnerable because there is an emotional component to their work which further complicates their task. Some of the work requires them to move into personal areas, such as when someone must be confronted about a destructive interpersonal style, or when a group needs to do some team building. Sometimes an aspect of the work will make people more dependent, such as when a group is moved to a new location, or when a new technology is introduced. Change provokes emotions and is a central piece of a leader's task.

Getting people to change isn't particularly difficult. The challenge is getting a lot of people to change together and in (generally) the same way. Old expectations get in the way. How things were done in the past is no longer good enough. There are shifts in the qualities of relationships. Dependency and power relationships change. There are shifts in what is private or shared. Cynics appear and talk about "just more window dressing." The uncertainty and fear means everyone has to rebuild trust. Predictability and understanding help trust develop, and psychological contracts add both.

The concept of the psychological contract helps with understanding more than with prediction. It is a particularly good structure to use when things have gone awry. We then ask what have the changes done to dependency and psychological distance? How did the way we managed the change affect people's attitude about change? What are the dangers? It is a useful tool for understanding and managing the human responses to change. It can be used to:

- diagnose where to intervene and help;
- explain to people what is happening to their feelings;
- know where to look for inconsistencies in the strategy or plan;
- help see what everyone has implicitly agreed to ignore.

We can't define what the new expectations should be until we discover what they already are. Then, leaders and followers work together to negotiate what they need them to be. It is a process that is never completely conscious.

### **References**

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