

Project Dissertation

Beyond the Bond: **Psychological Contracts in Indian Startups**

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Certificate from the Institute

This is to certify that the Project Report titled **Beyond the Bond: Psychological Contracts in Indian Startups** is a bonafide work carried out by Mr. Rajat Kumar Sharma of MBA 2014-16 and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfilment of the requirement for the award of the Degree of Masters of Business Administration.

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Declaration

I, Rajat Kumar Sharma, student of MBA 2014-16 of Delhi School of Management, Dehi Technological University, Bawana Road, Delhi-42, declare that the dissertation on **Beyond the Bond: Psychological Contracts in Indian Startups** submitted in partial fulfillment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge.

This dissertation report is not being submitted to any other institute/university for award of any other Degree, Diploma and Fellowship.

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Executive Summary

Purpose: Key purpose of this paper is to explore the difference in the needs of the employees working in the Indian startup industry on the basis of gender, qualification and work experience they have acquired during the course of their career.

Level of mutual understanding, existing between employees and employers in startup industry, is also one of the major findings of this study.

Design/methodology: Exploratory study was done to study the mutual expectations of employees and employers on an ordinal ranking scale. Simple random sampling was used to select the respondents from lower (employees) and top (employers) managerial levels from startup organizations. A total of 165 questionnaires were distributed and 105 valid responses collected.

Findings: It was found that no significant difference exists in the needs of the employees working in the Indian startup industry on the basis of gender, qualification and work experience (on the basis of Kendall's coefficient of concordance and Wilcoxon test). Moreover it was found that employees are better able to understand employer's expectations (92.86%) as compared to employers understanding their expectations (77.78%).

Practical Implications: Special focus is required on behalf of top management of Indian startups to ensure provision of opportunities of promotion and career growth, fair and equitable salary as per the industry standards, and safe and healthy work environment, as these have been identified as top 3 factors rated by the employees working across startup organizations.

Similarly employees should also take care of factors like flexibility in accepting variety of roles and responsibilities, honesty and up-to-mark performance (in terms of quality and quantity), as they have been rated highest by the startup employers.

Social Implications: In order to create a coherent working environment in one of the country's biggest industry, both employers and employees need to be aware of their mutual expectations. This would ultimately lead to optimal employee performance and job satisfaction, leading to high profitability of such ventures.

Keywords: Psychological Contracts, Employee Expectations, Indian Startups, Mutual Obligations

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1. Introduction

There has always been some difference in the expectations of the employees and employers across all kinds of organizations and industries in this entire world. Amidst the day to day hectic tasks of any job, an employer and employee hardly find any time to understand these mutual expectations, which keep on changing with the course of time. There are a lot of instances when both these parties are not even aware about the existence of such expectations or obligations from the other side and both parties feel that they are fulfilling their part of responsibilities with complete dedication, but in reality they are hardly accomplishing any of the unsaid or 'hidden' expectations of the other side. To reveal those unsaid and 'hidden' expectations of one party to other, a detailed study needs to be carried out to specify what are those mutual obligations which exist between an employer and employees, and how do they change with the course of time.

Since India is emerging as one of the major start-up hubs on the globe, there is a crucial need to identify the psychological contracts that exist between the employer and employees in such setups. Entities such as VP Funding, Angel Investors, and Seed Funding and so on, have revolutionized the startup industry to make it third largest startup ecosystem on the globe. Any startup, you consider in a global context, is a result of enthusiasm and innovation of some likeminded brains. After some time that association of a very few people germinates into a bigger unit with various technical, sales and administrative staff coming into the picture. And if startup is good enough to serve the customer needs and strong enough to sustain the competitive pressure over a sustained period of time, it blossoms into a larger establishment having a specialized functional unit for all its processes. So from an enthusiastic association, it moves towards becoming a customer serving unit and from there a profit-making venture.

But the big question that arises here is: What after this? Is profit making the only aim of a startup, for which it uses its human resources like machines. What is the fate of those employees who get associated with a startup in its initial phase? Are there any values, commitments and citizenship that exist across startups or are they just a part time earning source for the jobless youth of our country, who just expects a good enough paycheck and nothing more from these startups. The current study focuses upon the factors, both from employee and employer perspective, which help in shaping the work-relation between these two irreplaceable entities at

work. Through this study we aim at illustrating the most critical employee needs, which should be catered by the employers in order to fetch the maximum productivity from their employees. Similarly we also aim to provide the factors that should be kept in mind by the employees in order to serve their employers effectively.

This study intends to explore the difference in the needs of the employees working in the Indian startup industry on the basis of gender, qualification and work experience they have acquired in the course of their career. Level of mutual understanding, existing between employees and employers in startup industry, is also one of the major findings of this study.

2. Literature Review

Early Studies

Though Argyris (1960) is believed to be the originator of the concept of Psychological Contract, but the earlier works from various researchers such as Barnard (1938), and March and Simon (1958) can be considered as initial writings on the concept of employment relationship. Barnard's (1938) theory of equilibrium clearly cited the significance of organizational rewards in continued and sustainable employee relationship with his/her organization. March and Simon's (1958) inducement-contribution model illustrated this idea of exchange relationship further as they said that a greater inducement on behalf of the organization, motivates employees for better contribution. The same theory puts forward the organization's perspective by illustrating that a considerable amount of employee's contribution is a pre-requisite for any inducement from organization's part.

Argyris (1960) conceptualization of Psychological Contract made it appear like an exchange of tangible and primarily economic resources, where it focused on higher productivity and lower grievances from employees in return of sufficient wages and job security from their employers. Argyris (1960) model focused mainly on the mutual needs of the employees and their foreman, who represented the organization. Later Levinson et al. (1962) expanded the horizon of Psychological Contract by introducing intangibles into it, which was more or less inspired from the work of Menninger (1958). Menninger (1958) advocated the exchange of intangibles in an employee-employer relationship, and cited mutual satisfaction as one of the key ingredients of a sustainable work relationship.

Levinson et al (1962) focused on the significance of reciprocity in an employee-employer relationship, where employees would feel motivated to serve the needs of organization, if organization fulfills their needs in turn. In Levinson et al's (1962) study, organization was represented by its managers who would set the expectations to employees, where expectations can range from being very specific to very generic in nature. These expectations are bound to be modified along with the course of time, which in turn would bring a change in the psychological contract between two parties.

Later on Schein (1965) further elaborated Levinson et al's (1962) viewpoint of reciprocity, as he laid considerable emphasis on matching of expectations between employees and organizations. Unlike previous studies on Psychological Contract, Schein (1965) laid considerable emphasis on organizational perspective in terms of expectations from their employees, which might be illustrated through organizational culture. Schein (1980, p.99) has later emphasized on the fact that psychological contract cannot be understood by keeping a single perspective in frame, for which he says' "We cannot understand the psychological dynamics if we look only to the individual's motivations or only to the organizational conditions and practices. The two interact in a complex fashion that demands a systems approach, capable of handling interdependent phenomena".

Re-conceptualization

Denise Rousseau (1989) is credited with the re-conceptualization of psychological contract with her seminal article, which laid the foundation of further contemporary researches on the topic. Rousseau's (1989) work differs from her former counterparts as she defined psychological contract in terms of mutual obligations, while Levinson et al (1962) and Schein (1965) expressed psychological contract as a function of mutual expectations, which arise out of needs. Rousseau's (1989) emphasis on 'obligations' seems to be greatly inspired from Blau's (1964) social exchange theory. Though there are significant differences between the conventional and contemporary works on the subject of psychological contract, but researchers have always discovered the nature of exchange as the core foundation of the subject.

Rousseau's (1989) work stands apart in one more sense from the early researchers of the topic as it describes psychological contract from the beholder's point of view. Whereas Schein (1965) focused on matching of expectations between employees and his/her organization, Rousseau (1989) laid significant emphasis on individual's perception of agreement. This shifted the focus of psychological contract from being a bipartite to a unilateral entity, which was a result of individual's perception of the obligations existing between two parties viz. employee and employer.

While Levinson (1962) and Schein (1965) viewed expectations as a result of needs, Rousseau (1989) replaced those needs with promises. Rousseau (1989) highlighted perceived promises,

where she talks about the impact of organization's implicit and explicit signals that play a crucial role in shaping an individual's psychological contract. Most distinguishing feature of Rousseau's (1989) re-conceptualization of the topic is her focus on the individual level of perception, where an individual's psychological contract is a result of how he/she perceives the set of obligations existing between him/her and organization.

Conceptualizing the Psychological Contract

The origins of the psychological contract construct date back to the early 1960s. Argyris (1960) used the term *psychological work contract* to describe the mutual respect he observed between foremen and workers and that he gathered from interview conversations. The foremen supported their employees' informal culture norms that they too had experienced before being promoted to their foremen positions. Around the same time, but independently, Levinson, Price, Munden, Mandl, and Solley (1962) also used the term *psychological contract* to describe the observed relationship between employers and employees. Levinson and colleagues reported that employees perceived a number of implied and unspoken expectations from their employer. They defined psychological contracts as "a series of mutual expectations of which the parties to the relationship may not themselves be even dimly aware but which nonetheless govern their relationship to each other".

Although possessing similar characteristics, there were differences between Argyris' (1960) and Levinson et al.'s (1962) conceptualization of psychological contracts (Roehling, 1997). For example, Argyris viewed the contract as an employee group-level phenomenon (i.e., culture) but Levinson and colleagues felt that each employee had separate belief sets regarding the psychological contract. Throughout the next few decades, little attention would be given to the conceptualization of psychological contracts (for two exceptions see Kotter, 1973, and Schein, 1965).

In the late 1980s, Denise Rousseau (1989) described the psychological contract construct as underdeveloped and misunderstood. As a result, she attempted to provide clarity to the construct. A revitalized interest in psychological contracts at the time was also being credited to new people-focused management practices and an economy that was facing increased international

competition (Anderson & Schalk, 1998; Cullinane & Dundon, 2006). In response, Rousseau offered a refined conceptualization of the psychological contract, indicating what it was and was not (Anderson & Schalk, 1998; Conway & Briner, 2009; DelCampo, 2007). First, she emphasized that the psychological contract was a subjective perception held by one individual (Rousseau 1989, 1995). As noted earlier, there was inconsistency up to this point as to whether the psychological contract was an individual- or group-level phenomenon. Rousseau viewed the psychological contract as beliefs and perceptions about the relationship, as each employer and employee viewed it.

Secondly, Rousseau (1989) defined the psychological contract as promissory in nature. She also distinguished this promissory nature of psychological contracts from *expectations* and *obligations*. She argued that although psychological contracts do entail expectations, not all expectations are contractual (Robinson & Rousseau, 1994; Rousseau & Tijoriwala, 1998). For example, a new employee may expect to receive a pay raise after one year of work because this occurred at his/her last job. However, because this expectation was not contractually implied by the current employer, it is not part of the psychological contract (Robinson, 1996). Similarly, obligations do not necessarily possess the same contractual commitment as promises (Roehling, 2008; Rousseau, 1989).

For example, an employee may believe that his/her employer is obligated to provide flexible work hours because the practice is common in his/her particular industry. However, if the employer did not implicitly or explicitly make that promise to the employee directly, Rousseau argued that the obligation is not part of that particular psychological contract.

Conway and Briner (2005, 2009) reported that promises should be the preferred conceptualization of psychological contracts, compared to expectations and obligations, because of the strong contractual nature and precise elements of promises. Cassar and Briner (2009) noted however, that the binding connotation in the term promises is only applicable in North American cultures, and may convey less of a commitment orientation in other cultures. After conducting interviews of Maltese workers, Cassar and Briner concluded that the term obligation

represented a more binding relationship between the employer and employee, compared to promises.

Only one study has empirically examined the differences between all three conceptualizations (i.e., expectations, obligations, and promises). Specifically, Roehling (2008) examined whether or not meaningful differences existed between conceptualizing psychological contracts as expectations, obligations, or promises in measures.

Participants were randomly assigned to complete one of three psychological contract surveys which included the same list of psychological contract terms but each version had a different scale, reflecting the term that it was intended to measure. For example, for the expectation-based version, the scale ranged from 1 (*not at all expected*) to 5 (*very highly expected*). Each survey also included a fulfillment item, such as 1 (*much less than expected*) to 5 (*much more than expected*).

Overall, confirmatory factor analysis results illustrated that the three measures elicited a similar conceptualization and mental framework among the participants. However, Roehling (2008) concluded that the different survey versions, and subsequently different conceptualizations, resulted in different relationships with work variables. For example, trust related significantly with employees' perceived expectations and promises, but not obligations. With respect to fulfillment, the obligation-based version explained significantly more variance in the workplace variables (e.g., trust and job satisfaction), compared to the expectation- and promise-based versions. Although informative, Roehling's work does not provide a clear indication of which conceptualization is the "right" one, academically speaking. And if there is indeed a correct way to conceptualize psychological contracts academically, does that conceptualization adequately capture how employees speak about their psychological contracts?

Despite researchers' attempts to provide definitional clarity (e.g., Roehling, 2008; Rousseau, 1989), different psychological contract conceptualizations remain prevalent today (Conway & Briner, 2009). Typically, each researcher defines psychological contracts in a way that best suits

his/her study and measure, which results in as many different operational definitions as there are studies (DeCampo, 2007; Roehling, 1997).

For example, some researchers use expectations terminology (e.g., Herriot, Manning, & Kidd, 1997; Sparrow, 1996; Thomas & Anderson, 1998), promise terminology (Guest & Conway, 2002; Rousseau, 2000), and obligation terminology (e.g., Coyle-Shapiro & Neuman, 2004; Lester, Kickul, & Bergmann, 2007; Shore & Barksdale, 1998). One researcher even used a perceived organizational support measure to assess psychological contracts (i.e., Guzzo, Noonan, & Elron, 1994). For a more comprehensive review of the various measures and response scales used in the psychological contract literature see Freese and Schalk (2008). Rousseau (2010) recently defined psychological contracts as “an individual’s system of beliefs, based on commitments expressed or implied, regarding the exchange agreement with another” (p.191). This definition excludes the term promises, obligations, or expectations all together. A primary goal of Study 1 is to identify what terms employees naturally use when speaking about their psychological contract experiences, and to compare this language to that used by psychological contract researchers.

Conceptualizing the Explicitness and Implicitness of Psychological Contracts

The key distinguishing feature between psychological contracts and legal contracts is that psychological contracts are communicated both explicitly and implicitly among the parties (Conway & Briner, 2009; Rousseau, 1989). A psychological contract term may be perceived to be explicit if communicated through verbal conversations, emails, or the formal contract. A psychological contract term may be perceived as implicit if communicated through observations of others, such as coworkers, or signals from the company’s website and recruitment materials (e.g., information about health care and training). Some of the earliest psychological contract researchers defined psychological contracts as only containing implicit terms (e.g., Kotter, 1973; Levinson et al., 1962); however, current researchers acknowledge both explicit and implicit terms (Conway & Briner, 2005).

To my knowledge, only one psychological contract measure addresses the implicitness of psychological contract terms, and it measures employers', not employees', perceptions. Guest and Conway (2002) asked employers to rate how implicitly they made each promise to their employees using the following scale: 1 (*no promise made*), 2 (*suggestion of a promise, nothing actually said or written down*), 3 (*strong suggestion of a promise, nothing actually said or written down*), and 4 (*written or verbal promises have been made*). Ratings of 2 and 3 suggest that an implicit term has been communicated, while ratings of 4 suggest that an explicit term has been communicated. Results illustrated that employers were more likely to rate interesting work and pleasant work environment promises as being implicitly communicated to their employees. They were also more likely to rate training and development opportunities and feedback as being explicitly communicated. To my knowledge, however, no studies have directly asked employees to identify the explicitness/implicitness of psychological contract terms.

Conway and Briner (2005) argued that because the explicitness/implicitness nature of the psychological contract is largely ignored in the literature, it is difficult to empirically differentiate psychological contract perceptions from terms in the legal contract. Guest (1998) also questioned whether employees actually see a difference between the two contracts.

Conceptualizing the Other Psychological Contract Party

Recall that the psychological contract is defined in the academic literature as the exchange relationship between an employee and employer/organization (i.e., the "other party", Rousseau, 1989). What is unclear, particularly in large organizations, is who the employee perceives as the other party in this relationship. It was originally suggested that employees personify the organization as a whole to possess human qualities (Eisenberger, Huntington, Hutchinson, & Sowa, 1986; Levinson, 1965), and thus could perceive the organization as the other party in the psychological contract relationship (Guest, 1998).

Many disagree by counter arguing that the organization as a collective cannot communicate or negotiate with individuals (e.g., Herriot & Pemberton, 1997; Rousseau, 1995). Others argue that this debate is unnecessary if we are to conceptualize psychological contracts as employee

perceptions (Marks, 2001). Nevertheless, the employee still needs some type of entity to form perceptions of, regardless of whether that entity also has perceptions (Guest, 1998).

An assumption in the literature is that if employees cannot perceive the organization as a whole as the other party, they must then perceive organizational representatives as the other party; however, this has yet to be empirically examined (Conway & Briner, 2009; Coyle-Shapiro & Shore, 2007). Other than “employer” or “organization”, the most common terminology found in surveys is the immediate manager or supervisor (e.g., Bordia, Restubog, Bordia, and Tang, 2010; Dabos & Rousseau, 2004; Tekleab & Taylor, 2003). Other suggested parties include executives, middle managers, coworkers, human resource managers, and even administrative structural agents such as organizational documents and human resource practices (e.g., Arnold, 1996; Herriot & Pemberton, 1997; Rousseau, 1995; Rousseau & Greller, 1994; Sims, 1994).

It is also conceivable that employees may think of more than one individual as party to their psychological contract at any given time (e.g., a group of coworkers; Marks, 2001; Millward & Hopkins, 1998). If more than one person is considered as the other party, conflicting messages may occur (Conway & Briner, 2009; Coyle-Shapiro & Shore, 2007; Dabos & Rousseau, 2004; Shore & Tetrick, 1994; Rousseau, 1995; Rousseau & Greller, 1994). For example, an employee’s supervisor may promise him four weeks paid vacation but upper management may have reported only three weeks. No empirical studies have explored the consequences of this conflict on work attitudes, behaviors, or contract perceptions (Conway & Briner, 2005).

From a measurement perspective, the variety of other party representatives can pose problems. For example, the other party may be defined in a psychological contract survey as the employee’s supervisor, but the employee may perceive someone else as the other party (e.g., team leader). The present study aims to provide a realistic perspective of how employees define the other party in their psychological contracts. This information can then be used as guidelines in how best to design measures of psychological contracts and how to define both parties in theory.

As mentioned earlier that the psychological contract needs to be better distinguished from the legal contract. With that in mind, Study 1 also addresses whether or not employees conceptualize their psychological contract party similarly to that of the legal contract employer. For example, an employee may perceive the business owner as the employer in the legal contract, but then define his/her supervisor as the other party in the psychological contract. Millward and Cropley (2003) proposed this as well, suggesting that the team leader, or someone who interacts with the employee on a daily basis, is most likely to be perceived as the other party in the psychological contract, but someone else of higher status is most likely to be viewed as the employer in the legal contract.

If researchers truly want to understand work attitudes and behaviors of employees, it is important that psychological contract theory addresses who the parties are in the psychological contract (Coyle-Shapiro & Shore, 2007; Millward & Brewerton, 2000). Conway and Briner (2005) add that the issue of who the employee perceives as the other party in the psychological contract is not minor, but “represents fundamental confusions in the foundations of the concept [of psychological contracts]”.

Conceptualizing the Nature of the Social Exchange

According to psychological contract theory, psychological contracts are “predicated on the perception that a promise has been made (e.g., of employment or career opportunities) and a consideration offered in exchange for it (e.g., accepting a position, foregoing other job offers” (Rousseau, 1998, p. 659). Through continuous interactions, numerous exchanges will take place, with both parties giving and receiving (Blau, 1964; Cropanzano & Mitchell, 2005; Herriot & Pemberton, 1997). With the general consensus that psychological contracts are individually held beliefs/perceptions, there does not necessarily need to be an agreement between the two parties about what the exchange terms include (Dabos & Rousseau, 2004; Rousseau, 1990; Robinson & Rousseau, 1994), but there does need to be recognition that such an exchange exists (Arnold, 1996).

What remains unanswered, however, is whether employees perceive this exchange as being mutually beneficial. In other words, do employees perceive that the relationship includes a balance of giving and receiving? What is of interest in the present study is how employees truly perceive the reciprocity in the relationship.

Some researchers argued that many employees experience a power imbalance that prohibits them from experiencing the relationship as being mutually beneficial (Conway & Briner, 2009; Cullinane & Dundon, 2006; Nadin & Cassell, 2007). Because psychological contracts are often studied within the framework of social exchange theory (Rousseau, 1995), more research is needed to understand how employees experience the exchange nature of the relationship. Millward and Brewerton (2000) stated; “To facilitate the analysis of the ‘exchange relationship’ it is perhaps useful to think in terms of the process of contracting”. What is relevant to Study 1 is how employees experience this process in terms of it being mutually beneficial and containing balanced power.

Conceptualizing the Origins of Psychological Contract Perceptions

Many psychological contract researchers are interested in identifying what leads an employee to believe that something is part of the psychological contract (Conway & Briner, 2009; Rousseau, 2010). Conway and Briner (2009) stated; “Employee psychological contract beliefs must be grounded in the behavior of the employee’s current organization; beliefs arising from elsewhere are not part of the psychological contract”. However, Rousseau and Greller (1994) noted that quite often employees are “left to fill in the blanks” and consult sources external to the employer employee relationship. There are a variety of sources that researchers have identified from inside the organization, including statements made by management, human resource practices, and observations of colleagues (Conway & Briner, 2005; Rousseau & Greller, 1994). Sources that researchers have identified as external to the specific psychological contract parties include individual predispositions (e.g., past work experiences), personality (e.g., equity sensitivity), social cues (e.g., work relationships of relatives and friends), and national culture (e.g., power distance; Rousseau, 1995; Rousseau & Schalk, 2000; Suazo, Martinez, & Sandoval, 2009).

Knowing that a variety of sources can potentially shape employees' psychological contract perceptions, it becomes challenging to dissect which sources are fairly categorized as part of the psychological contract. Study 1 will be the first to ask employees specifically about the source of their psychological contract perceptions. Although researchers such as Conway and Briner (2009) are quite clear which beliefs should be considered part of the psychological contract, we do not know whether employees truly perceive it that way.

Conceptualizing Psychological Contract Perceptions over Time

There has been a general consensus since its inception that psychological contracts evolve over time and must be considered as ongoing between the two parties (De Vos, De Stobbeleir, & Meganck, 2009; Levinson et al., 1962). In longitudinal research, researchers typically evaluate changes in the content of the psychological contract across time and subsequent perceptions of breach (e.g., De Vos, Buyens, & Schalk, 2003; Montes & Irving, 2008; Payne, Culbertson, Boswell, & Barger, 2008; Robinson et al., 1994; Thomas & Anderson, 1998). Of interest to the present study, however, is how employees perceive the ongoing nature of the psychological contract in general, as opposed to specific content changes.

A number of similar issues related to the ongoing nature of the psychological contract also remain unanswered in the current literature. First, assuming the relationship is ongoing, do employees perceive the other party/parties as remaining constant? This relates to the previous section on how employees define the other psychological contract party. For example, Shore and Tetrick (1994) proposed that an employee may perceive the recruiter as the other party, prior to entry, but then the supervisor could be perceived as the other party once on the job. In other words, researchers should examine not only how employees define the other party in terms of the psychological contract at any given time, but also perceived changes over time.

The implicit and explicit nature of the relationship was also mentioned earlier. Viewing the relationship as ongoing, does the explicit/implicit nature of the relationship also change? Rousseau (2001) noted that explicit promises are more common at the beginning of the employment relationship when both parties have less information about each other, compared to

later on. Conway and Briner (2005) further support this claim suggesting that implicit terms such as organization loyalty are not only highly subjective for a newly hired employee to report them, but also unlikely to be present given such terms require time to develop. Millward and Cropley (2003) found that experienced live-in nannies (i.e., employees) and parents (i.e., employers) were more likely to discuss implicit terms during interviews, compared to inexperienced nanny-parent dyads, providing some empirical insight into Rousseau's (2001) and Conway and Briner's (2005) claim that implicit terms become more common with increased tenure. However, Millward and Cropley defined psychological contracts as expectations, so their results should be interpreted with caution.

Overall, it will be explored how employees conceptualize the evolving nature of their psychological contract perceptions, including changes in the (i) other party/parties and (ii) implicitness and explicitness of the terms, by asking them to talk about their retrospective experiences across their tenure.

Framework for Determinants of Psychological Contracts

As Conway & Briner (2005) draw upon the findings of the survey held by Herriot, Manning and Kidd (1997), where they interviewed UK employees and managers, and tried to reveal the mutual expectations existing between employees and their organizations. The study clearly states factors such as safe environment, fair salary, adequate training, and job security and so on, as, have a crucial significance on drafting an individual’s psychological contract.

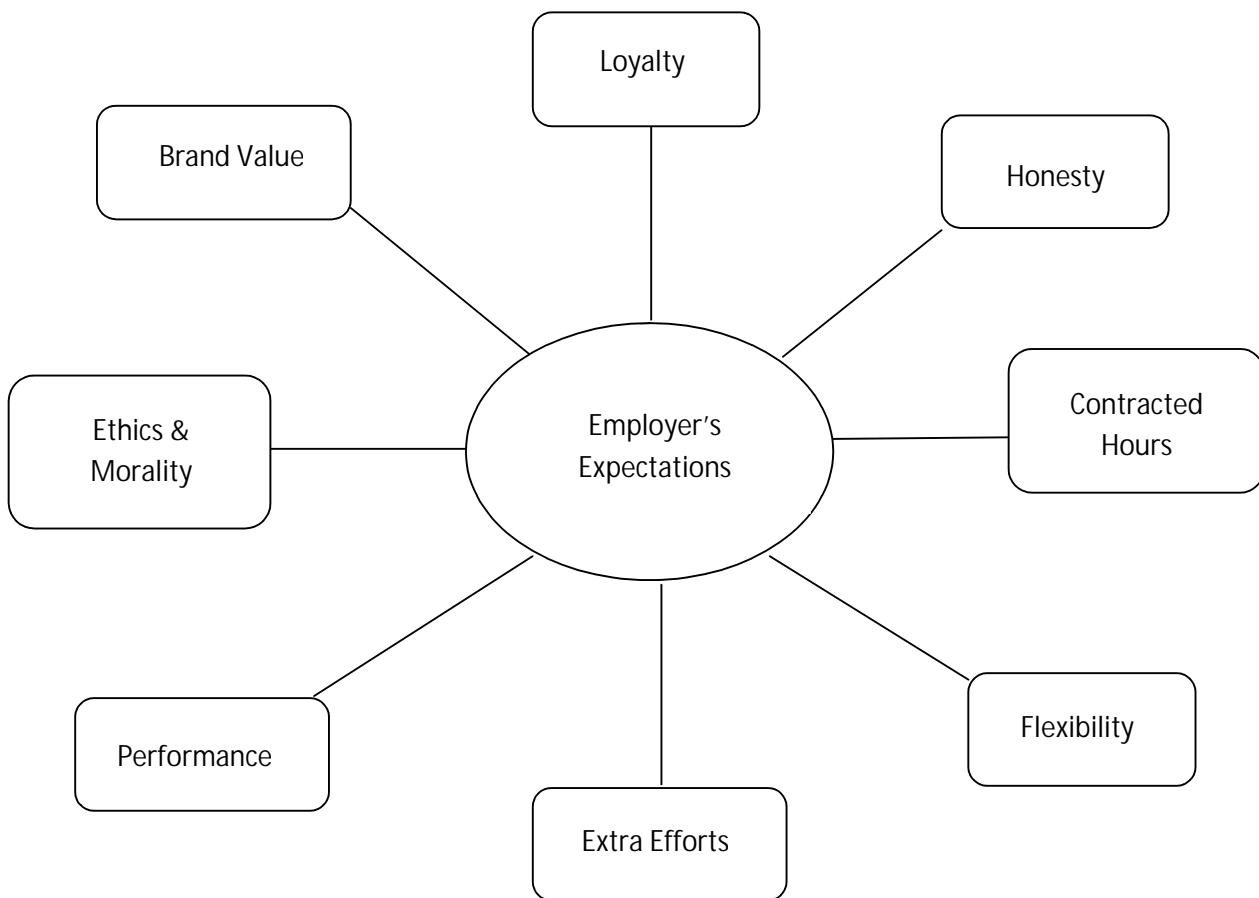
As clear from their research, they not only laid stress on the factors related to employees' psychological contract, but also gave equal significance to the expectations of employers, which mainly constituted top-level managers and organization’s board of directors.



Framework for Employee’s Psychological Contract

Factors undertaken for the employers' psychological contract included honesty, loyalty, flexibility, working for contracted hours and so on, which were expected from the employees.

This study gave a new turn to the field of psychological contract, by bringing both employees' and employers' expectations on same canvas. It depicted the value of each attribute (in percentage), as per the importance given to it by the survey takers.



Framework for Employer's Psychological Contract

3. Objectives

- a) To identify the difference in the expectations of employees joining a startup venture on the basis of their highest level of educational qualification

Though it is usually perceived that startup ventures attract their employee workforce from a cadre of undergraduate/graduate youth, but if any employee with a higher qualification joins the venture, so is there any difference in the expectations of the workers with different level of educational qualifications.

H0: There is no difference in the expectation level of people joining start ups on the basis of their educational qualification

H1: There is a difference in the expectation level of people joining start ups on the basis of their educational qualification

- b) To identify the difference in the expectations of male and female employees working in a startup venture

As males, in Indian social context, are considered to be more career oriented as compared to their female counterparts, due to the personal responsibilities they need to cater, so does it imply a different set of expectations or priorities as compared to their female colleagues working in the startup ventures.

H0: There is no difference in the expectation level of people joining start ups on the basis of their gender.

H1: There is a difference in the expectation level of people joining start ups on the basis of their gender.

- c) To identify the relationship between the work experience and salary (monetary) expectations of an employee working in a startup venture.

As it is widely known that with the increase in job tenure or experience, incumbent's monetary expectations tend to take an upward turn as compared to other perks and benefits. But the

primary question is whether it is only the monetary expectations that increase with the time or non-monetary expectations also take the same direction.

H0: There is a negative correlation between work experience and the relative importance that individual attaches to the salary component.

H1: There is a positive correlation between work experience and the relative importance that individual attaches to the salary component.

4. Methodology

a) Instrument Development

Two survey questionnaires were designed, where first one intended to identify the expectations of employees from their employers through parameters such as safe and healthy work environment, proper work-life balance, fair and equitable salary as per the industry standards, opportunities of promotion and career growth, feedback for performance at regular intervals, adequate training as per professional needs, rewards and recognition for special contributions, challenging and quality tasks that frame career in a positive manner, job security even during the distressed times of economic depression or recession and opportunity to get involved in organizational decision making.

The instrument also aimed to measure what employees think about their employer's expectations from them. The parameters used for measuring such expectations are loyalty, honesty, flexibility, extra efforts during the hour of need or organizational distress, up to mark performance in terms of quality and quantity, moral values and ethical behavior, uplift organization's brand value through work and code of conduct.

Respondents (employees) were asked to rank each item from 1 to 10 in first questionnaire and 1 to 8 in second questionnaire (vice versa for employers). The instrument was validated using pilot data from 30 respondents. Reliability of the various factors through the instrument was found to be statistically significant.

b) Sampling and Data Collection

As the reliability coefficients were statistically significant, the instrument was used for the main data collection. Simple random sampling was used to select the employees from start-up organizations, which were registered on or after 2008. Since the research required responses from both employees and employers of start-up organizations, so every care was taken in recording the responses only from those organizations from which both employees' and employers' data was collected. A total of 200 questionnaires were distributed and mailed, and 105 valid responses were collected, resulting in a 52 per cent response rate.

5. Analysis

Data analysis was carried out using the correlation analysis technique to identify the correlation between experience and the influence of salary on an employee. Non-parametric tests, such as Wilcoxon signed rank test and Kendals test, were also used to identify the difference in expectations of two dissimilar groups.

a) Test for Normality

A Shapiro – Wilk’s test (Shapiro & Wilk, 1965; Razali & Wah, 2011) and a visual inspection of their histograms, normal q-q plots and box plots showed that the data for the various factors is not normally distributed for both males and females.

- Test 1:

H0: Distribution of sample data is normal

H1: Distribution of sample data is not normal

We found that Kolmogorov-Smirnov test of normality had the significance value for all the variables under consideration less than 0.05 at 5% level of significance. Thus we failed to accept the null hypothesis so we went ahead for non-parametric tests. Hence we got the result that the data gathered from both the genders is not normal.

b) Non-parametric tests

Here we have tried to find out whether the expectations of employees change with respect to the following parameters:

- **Gender**

H0: There is no difference in the expectation level of people joining start ups on the basis of their gender.

H1: There is a difference in the expectation level of people joining start ups on the basis of their gender.

To test this hypothesis two tests were performed which showed that expectations of employees do not change with respect to gender.

Kendall's coefficient of concordance and Wilcoxon test gave the result that there is no difference in the expectation level of employees from their employers on the basis of gender i.e. the parameters identified in the research are free from gender bias. The significance value for Wilcoxon comes out to be .811 while for Kendall's coefficient of concordance comes out to be 1, which clearly indicates that there is no difference in the distribution of data of males and females.

Result: Null hypothesis is to be retained.

- **Educational Qualification**

Similar tests were conducted to check whether educational qualification has an impact on the expectation level of employees. Test for checking the normality of the data gives the following results.

H0: There is no difference in the expectation level of people joining start ups on the basis of their qualification.

H1: There is a difference in the expectation level of people joining start ups on the basis of their qualification

Kendall's coefficient of concordance and Wilcoxon test gave the result that there is no difference in the expectation level of employees from their employers on the basis of gender i.e. the parameters identified in the research remain unaffected from educational qualification. The significance value for Wilcoxon comes out to be .679 while for Kendall's coefficient of concordance comes out to be .637, which clearly indicates that there is no difference in the distribution of data among employees with different educational backgrounds.

Result: Null hypothesis is to be retained.

- **Experience and Monetary Expectations**

Correlation analysis was performed to study relation between the work experience of employees working in start-up industry and their monetary expectations.

H0: There is a negative correlation between experience and the relative importance that individual attaches to the salary component

H1: There is a positive correlation between experience and the relative importance that individual attaches to the salary component

Work experience and salary expectations are negatively correlated which states that as work experience increases employees consider salary as a secondary factor and begin focusing on other parameters which provide them satisfaction.

Result: Null hypothesis is to be retained.

- **Employer-Employee Relationship**

Study reveals that there is considerable gap in the understanding level of employees and employers towards each other. Analysis of the sample taken shows that employees understand the employer needs regarding work and culture, to a better extent, as compared to employers understanding employees' needs.

Extent to which employees understand employer's expectations (percentage)	92.86%
Extent to which employers understand employees' expectations (percentage)	77.78%

This difference in level of understanding exists because employees give more importance to rewards and recognition as compared to the employers. There is a clear mismatch in the thinking of employer and employees on this parameter. Hence employers should focus on improving the level of rewards and recognition given to employees as compared to current industry norms.

- **Other findings**

Furthermore we were interested to know the parameters that employees expect the most. That is provided by the following table.

<u>Items</u>	<u>Ranking</u>
Opportunities of promotion and career growth	1
Fair and equitable salary as per the industry standards	2
Safe and healthy work environment	3
Proper work-life balance	4
Adequate training as per my professional needs	5
Challenging and quality tasks that frame my career in a positive manner	6
Feedback for my performance at regular intervals	7
Rewards and recognition for my special contributions	8
Job security even during the distressed times of economic depression or recession	9
Opportunity to get involved in organizational decision making	10

Result:

Employees keep opportunities of promotion and career growth as their first and topmost priority expectation from the employers which are followed by fair and equitable salary as per the industry standards.

A very interesting point discovered here was, employees working in start-up organizations ranked job security at ninth position (cumulative), which means that unlike previous baby boomers and generation-x, they do not consider job security to be a crucial parameter in their work life.

Data regarding the expectation of organization from the employees was also analyzed which revealed the following results.

<u>Items</u>	<u>Rank</u>
Be flexible in accepting variety of roles and responsibilities	1

<u>Items</u>	<u>Rank</u>
Remain honest in all my transactions, internal or external to the organization	2
Perform up to mark in terms of quality and quantity	3
Put in extra efforts during the hour of need or organizational distress	4
Be loyal, in terms of my tenure with the organization	5
Understand moral and ethical responsibilities as an organizational citizen	6
Uplift organization's brand value through work and code of conduct	7
Work for contracted hours	8

Result:

Employees think that their employers want them to take up a wide variety of roles and responsibilities because generally start ups have lesser number of positions and thus responsibilities are high on those positions.

6. Recommendations

Though we started with 10 parameters viz. safe and healthy work environment, proper work-life balance, fair and equitable salary as per the industry standards, opportunities of promotion and career growth, feedback for performance at regular intervals, adequate training as per professional needs, rewards and recognition for special contributions, challenging and quality tasks that frame career in a positive manner, job security even during the distressed times of economic depression or recession and opportunity to get involved in organizational decision making, which seemed to be affecting employees' performance working in start-up industry but after analyzing the feedback collected from employees currently working in the industry we found that most critical factors affecting employees' performance are: *opportunities of promotion and career growth, fair and equitable salary as per the industry standards, and safe and healthy work environment.*

Therefore employers and top management of start-up organizations must work towards facilitating these afore mentioned factors to their employees, in order to fetch the most optimal performance out of them.

As seen from the analysis, there is no significant difference in the expectations of male and female employees working in the Indian startups, which signifies that employers do not need to craft some special policies for enhancing the employee's productivity on the basis of gender. Rather they should try to focus upon the top three critical factors viz. opportunities for career growth, salary and safe & healthy work environment, without discriminating between male and female employees.

Moreover, no difference has been observed in the expectations of employees on the basis of highest level of educational qualification acquired by them. It shows that though startup industry is characterized by a significant number of undergraduates and recently graduated young professionals, but there hardly seems to be any difference in the expectations of a postgraduate and an undergraduate employee working in the industry. Thus startup industry should focus upon catering to the employee needs uniformly, irrespective of the highest degree attained by the incumbent.

Most critical aspect of this study, which intended to determine the relation between work experience of the employees and their monetary expectations from their employers, revealed a noticeable and distinguishing observation. It has been observed that with an increase in the number of years of work experience, non-monetary expectations of the employees increase rather than the monetary counterpart. So instead of just providing only the salary increments, with an increase in employees' experience, employers should also try to focus upon ensuring improved non-monetary aspects such as healthy and safe work environment, work-life balance and so on. Thus employee dissatisfaction or decreased productivity should not always be countered through monetary pumping rather other non-monetary aspects should also be considered as per respective work style and settings.

A significant difference has also been observed in the level of understanding of mutual expectations between employees and employers, which is mainly due to employers' ignorance towards providing appropriate rewards and recognition for their special contribution on required occasions. Thus employers should not just focus on timely monthly salary and periodic salary increments, but should also put in a little bit extra effort in giving them due recognition for their above the line contributions towards the organization.

7. Limitations

Sample size for this study can be considered a critical limitation, as a sample of 105 is not a big number for this kind of extensive study on an emerging industry in Indian business context. Moreover such study can be conducted across different states or regions of the country, to get a better hold of the employee and employer expectations, and thus derive a nation-wide perception on psychological contracts in Indian startups.

8. Future Scope

This study can be extended to a larger set of sample, in order to obtain a better view of the scenario of employee-employer mutual understanding in the startup industry. Such kind of studies can also be carried out across other industries present in the country, to get further understanding of psychological contracts persistent amidst them.

Since the sample for this study were mainly collected from startups in North Indian region, this study can be extended to the rest of the country and across the globe as well, to obtain clear insight of employee-employer relations in startup organizations.

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Annexure

1. Instrument for recording employee's responses

a) I want my organization to provide me:

<u>Items</u>	<u>Ranking</u>
Safe and healthy work environment	
Proper work-life balance	
Fair and equitable salary as per the industry standards	
Opportunities of promotion and career growth	
Feedback for my performance at regular intervals	
Adequate training as per my professional needs	
Rewards and recognition for my special contributions	
Challenging and quality tasks that frame my career in a positive manner	
Job security even during the distressed times of economic depression or recession	
Opportunity to get involved in organizational decision making	

b) I think my organization expects me to:

<u>Items</u>	<u>Ranking</u>
Be loyal , in terms of my tenure with the organization	
Remain honest in all my transactions, internal or external to the organization	
Work for contracted hours	
Be flexible in accepting variety of roles and responsibilities	
Put in extra efforts during the hour of need or organizational distress	
Perform up to mark in terms of quality and quantity	
Understand moral and ethical responsibilities as an organizational citizen	
Uplift organization's brand value through work and code of conduct	

2. Instrument for recording employer's responses

a) I expect my employees to:

<u>Items</u>	<u>Ranking</u>
Be loyal , in terms of tenure with the organization	
Remain honest in all their transactions, internal or external to the organization	
Work for contracted hours	
Be flexible in accepting variety of roles and responsibilities	
Put in extra efforts during the hour of need or organizational distress	

<u>Items</u>	<u>Ranking</u>
Perform up to mark in terms of quality and quantity	
Understand moral and ethical responsibilities as an organizational citizen	
Uplift organization's brand value through work and code of conduct	

b) I think my employees expect me to provide:

<u>Items</u>	<u>Ranking</u>
Safe and healthy work environment	
Proper work-life balance	
Fair and equitable salary as per the industry standards	
Opportunities of promotion and career growth	
Feedback for their performance at regular intervals	
Adequate training as per their professional needs	
Rewards and recognition for their special contributions	
Challenging and quality tasks that frame their career in a positive manner	
Job security even during the distressed times of economic depression or recession	
Opportunity to get involved in organizational decision making	