

# **UNIVERSITY OF KWAZULU-NATAL**

**Evaluating the management of the psychological contract between the employer and  
employees at Umgeni Water**

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Master of Business Administration**

**Graduate School of Business & Leadership  
College of Law and Management Studies**

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**21 February 2017**

## DECLARATION

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## ABSTRACT

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The purpose of this study is to evaluate the management of the psychological contract that exists between the employer and employees at Umgeni Water and the alignment of the psychological contract. The study further aims at determining the significance of properly managing psychological contract in ensuring that the workforce of Umgeni Water has high level of organizational commitment, job satisfaction, motivation and engagement. Furthermore this study will also determine and propose existing contemporary management strategy to effectively manage the psychological contract at Umgeni Water. This study will ensure highly motivated workforce hence increase organizational performance, effectiveness and efficiency. This study was conducted at Umgeni Water where a sample of population of employees was selected. The study used a mixed method research approach where survey questionnaire was used to gather data from the sample of employees. The study has also used group interview with Umgeni Water Human Resource Managers. The psychological contract held by the majority of employees at Umgeni Water is a relational contract which indicates that employees are interested at long-term employment at Umgeni Water. The perception in the majority of employees is that the employer has not breach their psychological contract obligations hence there is an appreciable alignment in the psychological contract. The existing Human Resource management policies and practices have sufficiently and adequately managed the psychological contract between the employer and employee hence the majority of the work force has high level of organizational commitment, job satisfaction, motivation and engagement employees . There is a considerable minority fraction of employees that perceive that their psychological contract obligations have been breached. It therefore recommended that Umgeni Water device strategies to further reduce the number of unsatisfied employees by fostering a covenant psychological contract where employees are interested in increasing their employability, boundaryless, protean type employment instead of a relational psychological contract. This could be achieved by ensuring flexible policies to enable Skills and Knowledge Development Support in the organization.

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## **CHAPTER 1: Introduction**

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### **1.1 Introduction**

This study will evaluate the management of the psychological contract between the employer and employees at Umgeni Water, with the aim to determine the significance of properly managing psychological contract in order to ensure that the workforce of Umgeni Water has high level of organizational commitment, job satisfaction, motivated and engaged.

Properly managing psychological contract is reported by many researchers to have a positive contribution to organizational and job commitment, job satisfaction, employee engagement and motivation. In the recent years Umgeni Water conducted an employee survey that showed that a significant fraction of employees were disengaging. This indicated that there were issues or challenges in the management of the psychological contract that exist between employees and Umgeni Water. Therefore this study is aimed at determining if the current management of psychological contract at Umgeni Water is sufficient and adequate in ensuring optimized workforce (i.e. highly committed, satisfied, engaged and motivated) for optimum organizational effectiveness and efficiency. Furthermore the study aims at determining contemporary Human Resource Management (HRM) practices that promote an optimum management of psychological contracts.

This study will determine the type and nature of the psychological contract that exists at Umgeni Water and the alignment of the psychological contract that exist between the employer and employees. The study will further review existing contemporary strategies for management of psychological contracts from recruitment to end of employment in the work-environment.

The study is aimed at optimising the management of the psychological contract that exist between the employer and employee at Umgeni water. An optimised management of psychological contract at Umgeni Water will result in a highly efficient and effective work force, since psychological contract are directly related organizational commitment, job satisfaction, motivation and job engagement.

## **1.2 Background**

Umgeni Water is a state-owned entity that provides water management services and supply of bulk water in the province of KwaZulu Natal, South Africa. Umgeni Water was established in 1974 and has grown over the years to become an entity of strategic importance in the Province of KwaZulu-Natal, serving the eThekweni Metropolitan Municipality, Ilembe District Municipality, Harry Gwala District Municipality, Ugu District Municipality, UMgungundlovu District Municipality and Umsunduzi Local Municipality. (Umgeni Water-Amanzi Annual Report 2014/2015, 2015)

The existence of the psychological contract between employer and employees is eminent in organizations. The psychological contract being the unwritten expectations that employees have about their employer, vice versa, the expectations that the employer has of the employee. The psychological contract can take either a transactional form or a relational form. Many authors have reported a relationship between psychological contract and organizational commitment and work satisfaction (Rousseau, et al., 2004; Jose, 2008; Zhou, et al., 2014). Likewise, Umgeni Water and employees of Umgeni Water have their set of psychological expectations and obligations that surround their employment relationship.

There are many factors that contribute to the creation of psychological contracts between the employer and employees in an organization. These factors could be from micro-environment or macro-environment in origin. The micro-environmental factors include recruitment and orientation; organizational rules, policies and procedures; performance reviews, training and development, communication with managers, colleagues etc. The macro-environmental factors could include amongst other things recruitment agencies, legislation, politics, laws. Jose, (2008); Wocke & Sunderland,( 2008) and Rodwell & Gulyas, (2013) further identified typical promises in psychological contracts as pay for performance, promotion opportunities, training and level of responsibility (Rodwell & Gulyas, 2013).



In many instances there is a lack of symmetry or parity between the expectation of employee and the employer as these beliefs or expectations evolve and change with changes in the organizational environment. For example, Umgeni Water is a typical South African state owned enterprise that has operated in the two distinctive regimes of the South African politics that is the apartheid era and democratic era. Umgeni Water has a firsthand experience in the paradigm shift from the old apartheid labour laws to new South African labour laws under democratic regime. The introduction of the new labour laws under the democratic era was aimed at correcting the injustices of the apartheid regime, however scholars argue that such laws have also created a new type of set of beliefs to employees and altered employee behavior in terms of organizational commitment (Wocke & Sutherland, 2008).

Umgeni water employs a diversified population of employees totaling to at least 890 employees, these employees vary from unskilled to professional expects. In such a large organization it is essential to properly manage an organizational culture and climate that will keep employees committed, motivated and engaged in order to obtain best value in human asset. Effective management of the psychological contract at Umgeni water is essential in order to ensure that employees remain committee to the organization so as to create and increase organizational efficiency and effectiveness.

Highly organizationally committed, motivated and engaged employees in the organization will ensure that Umgeni Water operate in a cost effective manner thereby increasing the Return on Equity (ROE). Furthermore, cost effective operation will ensure that Umgeni Water services are affordable to the customers and end users.

### **1.3 Problem Statement**

In the recent years dating from year 2010 to year 2013, Umgeni Water was faced with a challenge of poor workmanship, demotivated employees. This prompted management to appoint an external consultant to conduct a climate survey in the organization. The result of this survey confirmed that Umgeni Water employees were disengaged.

The impact of disengaged workforce was not quantified in monetary value however it is known that the organization suffered in terms of efficiency and effectiveness i.e. speed, agility and relevance in many of organizational activities. Therefore it is necessary that Umgeni Water optimises its workforce and work environment to avoid disengaged, less committed or unsatisfied workforce.

The management challenge at Umgeni Water has always been to identify the factors and causes of disengaged, less committed and unsatisfied workforce at Umgeni Water. A number of surveys have been conducted by the Human Resource department in the whole organization and some by divisions on their own through their General Managers. As an effort to encourage high performance Umgeni Water has in 2014 changed its performance management policy with a significant change in the performance bonus payable that is seen by many employees as a lucrative offer. However, such a financial employee motivation tool cannot alone increase employee motivation, engagement and satisfaction.

After identifying the causes of disengaged, less committed and unsatisfied workforce at Umgeni Water, management has to develop and implement strategies to increase employee engagement, commitment and satisfaction. The challenge to management is that there are many factors that contribute to disengaged less committed and unsatisfied workforce in the workplace. Hence this study aims at establishing the role of properly effectively managing the psychological contract at Umgeni water in maintaining a committed, engaged and motivated personnel thus ensuring organizational efficiency and effectiveness.

#### **1.4 Purpose of the study**

The purposes of this study is to determine the significance and the contributions of properly managing psychological contract in ensuring that the workforce of Umgeni Water has high level of organizational commitment, job satisfaction, motivated and engaged. The study will evaluate the current management practices in managing the psychological contract from recruitment to end of employment of employees, and recommendations of the best available will be made to Umgeni Water.

## **1.5 Objectives of the study**

The objectives of this study are:

- To determine the type and nature (i.e. transitional or transactional) obligations, expectations or belief that form the psychological contracts that exist at Umgeni Water between all levels of employees and management.
- To evaluate the alignment of the psychological contract that exists between employer and employee.
- To determine the extent to which management understands the psychological expectations and obligations held by employees.
- To assess the potential contributions of properly and effectively managing psychological contract in increasing employee satisfaction, commitment, engagement and motivation at Umgeni Water.
- To determine and recommend the available contemporary management strategies or practises to effectively manage the psychological contract from recruitment to end of employment in the workplace at Umgeni Water.

## **1.6 Research Questions**

There are five (5) hypotheses in this study:

- Is the nature of the psychological contract that exist at Umgeni Water transitional or transactional?
- Is the psychological contract expectations and obligations that are held by employees of Umgeni Water aligned to the psychological expectations held by management?
- Does Umgeni Water management understand the psychological expectations and obligations held by employees?
- Can the proper management of psychological contract between employer and employee contribute to an employee satisfaction, commitment, engagement and motivation at Umgeni Water?
- Is Umgeni Water adequately managing psychological contracts through relevant contemporary management strategies?

## **1.7 Significance of the study**

This study will benefit the Umgeni Water by providing the following:

- Ensure that the management of Umgeni Water understands the set of beliefs, perceptions, unwritten obligations that employees have develop thus can effectively managed those beliefs.
- Keep and retain workforce that is organizationally committed, motivated and engaged.
- Ensure that the work climate and organizational culture at Umgeni Water employees is suitable for maximum worker output and commitment.
- Furthermore the study will propose the contemporary management approach to managing the psychological contract in the work environment.

## **1.8 Delimitations of the Study**

The delimitations in this study are:

- The study focuses on Umgeni Water employees and management.
- A sample of an appropriate size will be selected as participants in this study from which inferences will be made.
- The study will focus on the employer-employee relationship.

## **1.9 Assumptions**

The following are the assumptions made in this study:

- The nature and type of psychological contract between the employer and employees at Umgeni Water can be quantified by conducting statistical survey using adequate sufficient representative sample.
- The sample will provide a reliable accurate inference of the entire population of Umgeni Water.

### **1.10 Limitations of the Study**

The following are the limitations of this study:

- The project has a limited time frame of six months.
- The survey in this study will be done through a questionnaire. The experiments will not be conducted due to time frames therefore results will be deducted from the questionnaire survey.
- The implementation of the findings and recommendations of this study will not form part of this study.

### **1.11 Definition of Key Terms**

- Psychological contract: unwritten expectations or beliefs that employees have about their employer, vice versa, the expectations that the employer has of the employee. The psychological contract can take either a transactional form or a relational form (Rousseau, et al., 2004). Furthermore, the parties in the psychological contract may not be cautiously aware of their expectations that govern their relationship (Sherman & Morley, 2015).
- Organizational Commitment: there are three broader definitions to organizational commitment as define by Mayer (1991). The first one is defined as affective commitment, reflects a desire to maintain organizational membership that develop largely as a results of work experiences that create feeling of comfort and personal competence. Second definition, is continuance commitment, reflects a need to remain, and results from recognition of the costs associated with leaving for example existence of side bets, or lack of alternatives. The third definition, is normative commitment, reflects an obligation to remain resulting from internalization of a loyalty norm and or the receipt of favours that require repayment (Meyer & Allen, 1991).
- Work satisfaction: This comprise of two aspects that is overall satisfaction and specific satisfaction. Overall satisfaction reflects employees love for work, or overall attitude toward work. Specific satisfaction reflects employees feelings in certain aspect of work (Yamaguchi, 2013)

- Work Engagement: is best defined by the three characteristics i.e. first, is a psychological connections with the performance of work tasks. Secondly, is the self-investment of personal resources in work. Thirdly, is a state rather than a trait. (Saks & Gruman, 2014)

## **1.12 Structure of this study**

The remaining chapters of this project report include the following concepts.

Chapter 2: This chapter presents literature review which gives background information on the following:

- The existing research and knowledge on concept of psychological contract in the work environment.
- Description of how psychological contracts affect the employee work motivation, organizational commitment, engagement, satisfaction.
- The contemporary nature of employment relationship between the employer and employees.
- Present the baseline information of Umgeni water which indicates organizational performance and employee turnover.

Chapter 3: This chapter presents the study methodology. The following are presented in this chapter:

- Method used to select the appropriate sample, collect data, analyse data and present the results.
- A description of instruments and variables that were measured in this study
- Limitations of the method used to achieve the objectives of this research.

Chapter 4: This chapter presents the research results from the employee survey and also presents the results of the interview with management. The analysis of results using statistical tools is presented in this chapter.

Chapter 5: This chapter presents a comprehensive discussion of results. Important findings are reported in this chapter.

Chapter 6: This chapter presents the conclusion and recommendations emanating from this study.

References of literature data used in this study and the appendix will be presented at the end of the chapters.

### **1.10 Summary**

This chapter has presented an introduction and background theory which are relevant to the problem statement. The chapter has provided the objective and the research question that this study seeks to provide answers to. The chapter has also provided the significance of the study and highlighted the limitations and assumptions that were made in this study. This chapter has provided a breakdown of the research report. The next chapter is the literature review and it will provide a chronological review of the background theory that has been presented in this introduction.

## **CHAPTER 2: Literature Review**

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### **2.1 Introduction**

This section presents the literature review. The section presents the concepts of psychological contract in a work environment and identifies factors that contribute to the creation of psychological contract. The section also explains the relationship between psychological contract and work environment culture, trait and characteristics. This chapter provide an illustration of the impact of effectively managing psychological contract on the employee performance, motivation, commitment and satisfaction at work.

### **2.2 International and local experience of psychological contracts**

Research of psychological contract in workplace has mainly focused in the highly industrialised, developed countries like United State, United Kingdom and other Europe-Asia countries. There is less research focus in developing countries. The apparent difference between developed and developing countries is that most of the developing countries operate in a communist and others in socio-economical manner as oppose to the capitalist nature of the developed countries (Rousseau, et al., 2004). Furthermore the distinction also lies in the fact that most of developing countries are in transition state, which constantly changes the social economic conditions in developing countries. These changes in the business environment in the developing countries results in organizational changes that have a profound impact on the type and nature of employment relationships between organizations and employees. These changes include psychological contracts i.e. employee expectations and beliefs. Therefore, it is evident that there is a need for organizations in the developing country to be on a constant assessment of psychological contract.

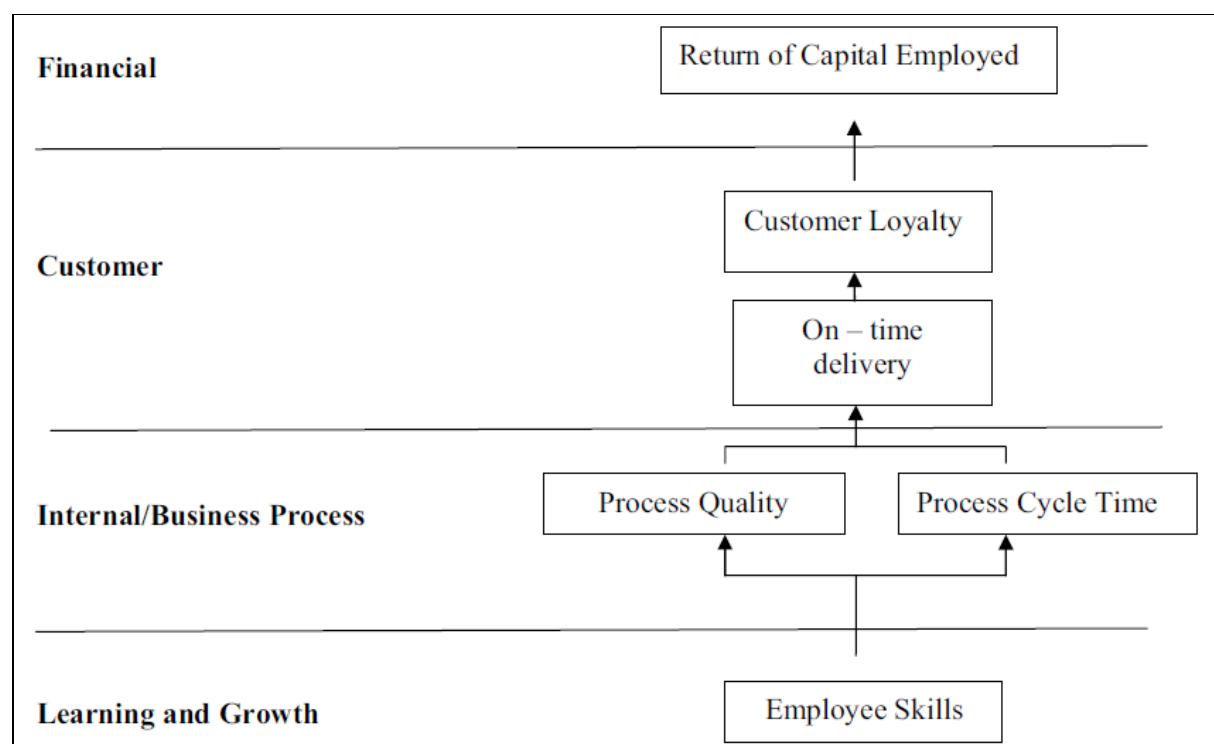
Umgeni Water is a South African state owned entity organization and is to a certain degree like any other organization susceptible to changes in the macro and micro environment. Atypical example is the changes in the South African labour laws post 1994. Many researchers have indicated that such changes had a profound impact on the employees regarding expectations, belief and obligation that they perceived as due to them from the employer. Furthermore, it is evident that the psychological contract is dynamic in nature, that



is, it will change with time, depending on the internal and external driving factors (Shore & Tetrick, 1994). Therefore, it is essential to assess and evaluate the psychological contracts that exist between the employer and employees at Umgeni Water, in the context of the current status quo of Umgeni Water's business environment.

### 2.3 Importance of efficient and effective employees

Employees are one of the assets of the organization that create a competitive advantage for organizations. The importance of human capital in the organization could be demonstrated by the Balance Scorecard Model that was introduced by Kaplan & Norton (1996) in Iveta, (2012), as illustrated in Figure 2.1. The Balance Scorecard amongst other things shows the contribution of human capital to the financial success of the firm, refer to Figure 2.1 which illustrates the value creation. This indicates the importance and the contributions of efficient and effective employees in an organization.



**Figure 2.1:** Human Resource value creation

**Source:** Iveta, G., 2012. Human resources key performance indicators. *Journal of Competitiveness*, 4(1), pp. 117 -128.

Part of the organizational responsibility through managers is to ensure that employees are motivated through the use of intrinsic and extrinsic factors of motivation, in order to unleash the highest potential of employees (David, 2007). Highly motivated employees will in many instances be highly engaged, committed and satisfied, which all results in high efficient and effective workforce. Employee engagement, commitment, and satisfaction are highly influenced by the perception that employees have about the employer or in some case thing that employees see happening in an organization will influence employee perception employment (Shore & Tetrick, 1994). Therefore organization should be periodically assess and evaluate the efficiency and effectiveness of their Human Resource Management strategy in ensuring optimum employee perceptions or expectations exist.

#### **2.4 Psychological contract in a work environment**

Psychological contract in a work environment refers to the unwritten expectations or beliefs that employees have about their employer, vice versa, the expectations that the employer has of the employee. The psychological contract can take either a transactional form or a relational form (Rousseau, et al., 2004). Furthermore, the parties in the psychological contract may not be cautiously aware of their expectations that govern their relationship (Sherman & Morley, 2015). It is therefore evident that psychological contract will always exist in the work place where there is a mutual benefit contract i.e. work for pay. Psychological co-exist with legal written contracts of employment that is in many countries is governed by the employment legislation.

The concept of psychological research has been in the research domain for many decades, one of the pioneers of work environment psychological contract Argyris (1960) defined as an implicit understanding between employees and their foreman, in such relationship employees would exchange higher performance, productivity and lower grievances in return for wages that are viewed acceptable and job security. Moreover, earlier research have also identified that there are intangible resources that could be exchange in these psychological contracts. (Barling & Cooper, 2008).

Organizations will generally have implicit, subtle expectations that the employee will enhance the organizational image, will be loyal, keep organizational secrets etc. Whilst employees will have a set of expectations that will include pay, job security, organizational career etc. In many instances there is no congruence in the set of beliefs and expectations held by the employee and the employer (Jani, 2014). The lack of parity in psychological contract can be attributed to the fact that psychological contract are dynamic and evolve over time (Robinson & Morrison, 2000). The lack of parity in the set of beliefs and expectation between employer and employees is in many cases is a cause of conflict and a contributing factor to unsatisfied, less committed and disengaged workforce. It is therefore important that Umgeni Water optimally manage the psychological contract that exists between employer and employees, to ensure that employees remain motivated, satisfied, and committed. (Jani, 2014)

## **2.5 Psychological contract and legal contract of employment**

The psychological contract differs from the legal contract of employment. The legal contract of employment, in many cases, offers limited and uncertain representation of the reality of the employment relationship. The employee typical has minimum contribution to the terms and condition of legal contract of employment. The legal contract will always be entered into by both parties at the beginning of employment, with clear terms. (Suazo, et al., 2011)

On the other hand, the psychological contract takes into account at the reality of the situation as perceived by the employee and the employer. The psychological contract has a significant contribution to influencing the work behavior of the employee, compared to the legal contract of employment. The psychological contracts are not enforceable, though courts may be influenced by a view of the underlying relationship between employer and employee. A typical example is interpreting the common law duty to show mutual trust and confidence. (Suazo, et al., 2011)

The differences in the psychological contract and legal contract indicate that legal contract has less or no impact on the perceptions, expectations of employees which ultimately define employee behavior with respect to work performance. The responsibility lies on organization to ensure that an optimum psychological contract is held by employees during the course of employment. (Cullinane & Dundon, 2006)

## **2.6 Development of psychological contract**

The recent contemporary research on psychological contract defines this contract as being the unwritten belief an employee has about mutual obligations with employer. These obligations arise when an employee believes that a promise has been made explicitly or implicitly. (Rousseau, et al., 2004). In a psychological contract the obligations held by the employee against the employer may include the following (Rodwell & Gulyas, 2013):

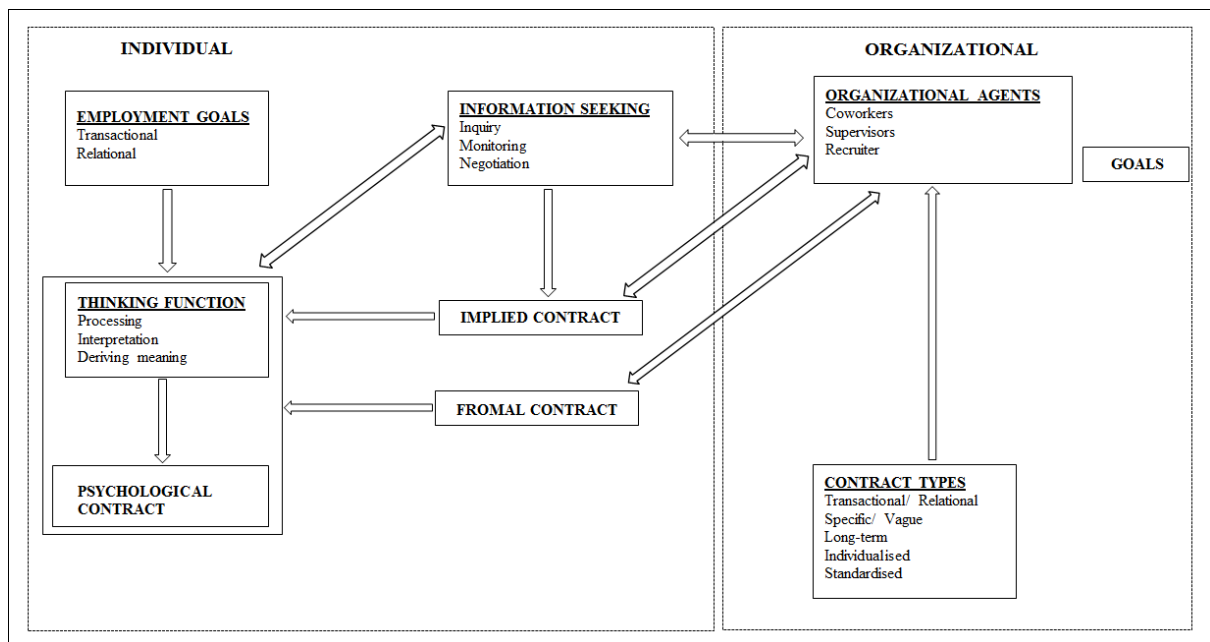
- Promise of job security in return for loyalty and hard work
- Organizational career in return for loyalty and hard work. This could be promotion or level of responsibility and training and career development
- Pay for performance

On the other hand, organizations will normally have implicit, subtle expectations that the employee will enhance the organizational image, will be loyal, keep organizational secrets etc. (Jani, 2014)

There are many factors and situations that lead to the formation of psychological contract. These factors included pre-employment negotiations (Shore & Tetrick, 1994). The dynamic nature of the psychological contract is due to dynamic nature of the organizational goals and environment, also the career goal orientation of employees. Figure 2.2 shows a model that explains the development of a psychological contract at the pre- and initial employment.

Figure 2.2 shows that the two parties i.e. individual and the organization are involved in the formation of the psychological contract. The psychological contract is therefore shaped by the goals of an individual and organizational goal.

The key drivers of the creation of psychological contracts can be internal or external in origin. The internal factors include recruitment and orientation; organizational rules, policies and procedures; performance reviews, training and development, communication with managers, colleagues etc. The external factors could include recruitment agencies, legislation etc. (Jose, 2008; Wocke & Sutherland, 2008).



**Figure 2.2:** Development of a psychological contract at pre- and initial employment.

**Source:** Adapted from Shore, L. M. & Tetrick, E. L., 1994. The psychological contract as an explanatory framework in the employment relationship. In: C. C. a. D. Rousseau, ed. *Trends in Organizational Behavior*. Georgia : John Wiley & Sons Ltd, pp. 94

Many researchers have reported a relationship between psychological contract and organizational commitment, employee satisfaction, organizational citizenship behaviour, employee contract behaviour and employee performance (Rousseau, 1995; Coyle-Shapiro & Kessler, 2000; Zhou, et al., 2014). This relationship indicates that psychological contract contribute to the overall employee motivations since organizational commitment and employee satisfaction are workplace indicators of overall employee motivation.

The relationship between psychological contract fulfilment and organizational commitment is directly proportional i.e. if the psychological contract is fulfilled the employee is willing to perform and has high organizational commitment, however when contract is breached the employee has high intention to quit and externally oriented career plan. (Sturges, et al., 2005; Dabos& Rousseau, 2013)

## **2.7 Forms of psychological contract**

Psychological contract can be categorized into two forms. These forms are transactional contracts and relational contracts. (Rousseau, et al., 2004). These forms of psychological contracts can be further, differentiated based on the nature of their obligations, expectations of beliefs as follows (Wangithi & Muceke, 2012):

- Relational contracts typically included obligations such as loyalty and stability where employees are willing to work more than the call of duty with or without pay. Employees in a relational psychological contract will be upset when the contract is breached however these employees will seek remedies to maintain relationship with the employer. Failure to secure a remedy to the breach of the psychological contract, the employee will seek new employment, or reduce contribution if the employee remains in organization, furthermore the employment relationship is eroded.
- Transactional contract include contract terms such as monetary exchange, limited period of employment that are sometimes project based. Employees in transactional psychological contract will seek employment elsewhere when the psychological contract is breached or conditions change. Employees with transactional psychological contract are view as more appropriate for the postmodern era when employers can no longer promise life time employment and there is a remarkable economic uncertainty.

## **2.8 Relationship between psychological contract and employee motivation**

The relationship between psychological contract and the workplace indicators of employee motivations is further described in the subsequent sections. The workplace indicators of employee motivation include organizational commitment, satisfaction and engagement (Jafri, 2011; Bhuvanaiah & Raya, 2015; Markros & Sridevi, 2010) . Many researchers have shown that there is a relationship between psychological contract and workplace indicators of employee motivation. Many authors have reported that workplace indicator of employee motivation are adversely affected when the psychological contract is breached or even when employees perceived a breach. (Zhou, et al., 2014)

The performance of employees increases when they are motivated and this result in increased organizational performance. Employees in are motivated by various factors and these factors are neither unique nor perennial or immutable. These factors amongst other things include appropriate working conditions, interesting work, and chance to feel valuable in the organization (Tampu, 2015). These are expectations of employees which in many cases are not written down in a formal contract and bear considerable subjectivity. In many cases if these are not met could results in low productivity, absenteeism, poor decision making etc. It is therefore evident that the relationship between psychological contract and employee motivation. The research shows that employee motivation contributes to the performance of an organizational ( Jafri, 2011).

### **2.8.1 Organizational Commitment**

Organizational Commitment: there are three broader definitions to organizational commitment as define by Meyer (1991). The first one is defined as affective commitment, reflects a desire to maintain organizational membership that develop largely as a results of work experiences that create feeling of comfort and personal competence. Second definition, is continuance commitment, reflects a need to remain, and results from recognition of the costs associated with leaving for example existence of side bets, or lack of alternatives. The third definition, is normative commitment, reflects an obligation to remain resulting from internalization of a loyalty norm and or the receipt of favours that require repayment. (Meyer, 1991)

The relationship between psychological contract and organizational commitment is explained by response of an employee when their expectations or psychological obligations are not met by the organization. This results in an employee discourage and seeking to quit by looking for new employment, or stay in the organization as a sense of loyalty however at reduced involvement or to secure individual benefits. The breach of psychological contract can affect all three dimensions of commitment i.e. effective, continuance or normative commitment. A similar response is reported even if the breach has not occurred but employees perceived that it has occurred. (Sturges, et al., 2005; Zhou, et al., 2014)

### **2.8.2 Satisfaction**

Work satisfaction: This is made up of two (2) aspects that is overall satisfaction and specific satisfaction. Overall satisfaction reflects employees love for work, or overall attitude toward work. Specific satisfaction reflects employees' feelings in certain aspect of work (Yamaguchi, 2013).

Scholar has focused on the effects of psychological contract on the overall satisfaction. The effects are explained by in a similar manner as organizational commitment. Employees emotional response and attitude toward work, is normally adversely affected when an employee perceives or feels that the psychological obligations are not met. The love for work and organization will suffer. Some scholars believe that work satisfaction is changes more rapidly and is significantly unstable. (Zhou, et al., 2014).

### **2.8.3 Employee engagement**

Work Engagement: is best defined by the three (3) characteristics i.e. first, is a psychological connections with the performance of work tasks. Secondly, is the self- investment of personal resources in work. Thirdly, is a state rather than a trait. (Saks & Gruman, 2014)

The work engagement is a state of mind of an employee, which an employee develops by make inquiry, monitoring of a situation or work environment and derive a meaning. The employee will voluntary enter in an exchange relationship in a form of a psychological contract. The level of this voluntary engagement is defined by the reward or gain an employee expects. In a case where there is a perceive breach or no fulfilment of the employee will normally be disengaged, and there will be lost of trust. (Bal, et al., 2013)

### **2.8.4 Motivation**

Motivation in the work environment is defined by four (4) drives that are central to the state of emotions of an employee and consequently to the behaviour of the employees. These drives are: (Nohria, et al., 2008)



- The drive to acquire: this refers to the drive to acquire tangible assets and intangible assets. Examples of tangible assets may include basic needs i.e. food, shelter, money etc. and intangible assets are experience, new knowledge etc.
- The drive to bond: this refers to the drive to bond and feel belonging to organization
- The drive to comprehend: refers to the desire to make meaning full contribution. This also include need to be involve in challenging jobs that enable employee to grow and learn.
- The drive to defend: this refers to the need for security. This drive explains the typical resistance organization experience from employees in time of merger or acquisitions.

Employee motivation in a work place is a significant role player in optimising employee performance. The organizations have the following management levers of motivation: (Nohria, et al, 2008)

- Reward system
- Culture
- Job design
- Performance management and resource allocation process

The levers available to the organizations are typical issues that employees will evaluate and assess by enquiring, negotiating with colleagues or supervisors or rather monitor thereafter develop a meaning which form basis for a psychological contract. (Nohria, et al., 2008)

## **2.9 Breach of psychological contracts**

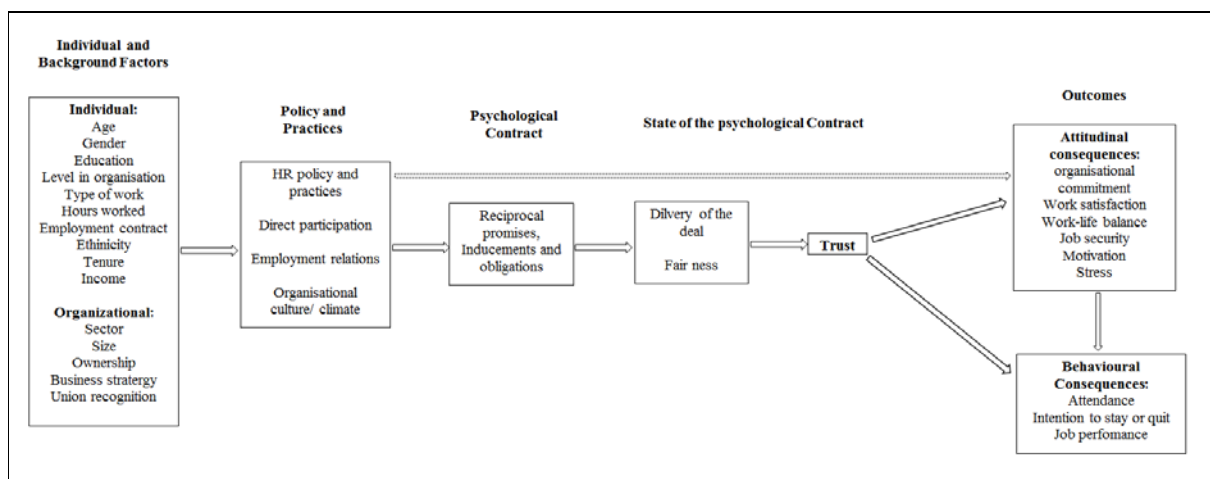
Psychological contracts are the cognitive ideas of individuals in relation to their ability to assess and monitor their environment. Many researchers argue that in many instance employees will perceive breach of psychological obligations even though there has been no breach. The effect of perceived breach and actual breach to the organization is the same. (Robinson & Morrison, 2000)

There is substantial evidence in literature that suggests a link between the psychological contract and employee motivation. The following are the measures of workplace motivation

that are affected by breach of psychological obligations: (Jafri, 2011; Bhuvanaiah & Raya, 2015; Markros & Sridevi, 2010)

- Organizational commitment
- Work overall satisfaction
- Employee engagement and organizational citizenship
- Employee performance

Figure 2.3 shows a model presented in Guest (2004) displaying the factors that contribute to the formation of psychological contract and the related outcomes on attitude and behaviour of an employee. The formation of development of depends on the individual and background factors such as age, gender, education, position, type of work, ethnicity etc. Moreover the organizational factors such as sector, size, business strategy, union recognition etc. The Human Resource Management (HRM) policies and practise also contribute to the creation of the psychological contract of employees. The breaches of the psychological contract or obligations perceived by the employee are linked to the employee behaviour or attitude. This link between psychological contract and employee behaviour indicate that organization has a duty and responsibility to ensure optimum psychological contract is held by employees, since the breach could result in adverse effects on the organizational performance.



**Figure: 2.3** Development process and outcomes of psychological contract.

**Source:** Adapted from Guest, D. E., 2004. The psychology of the employment relationship: An analysis based on the psychological contract. *Applied Psychology: An International Review*, 53(4), pp. 550.

## **2.10 Challenges in managing psychological contract**

The following are typical challenges in managing psychological contract in a workplace (Zhou, et al., 2014; Jha & Pingle, 2015):

- Organizations change and evolve with time in response to changes in the environment. This results in employees changing their expectations.
- Demographics fact such as employee age, gender, education, life style, ethnicity, tenure etc. will affect expectations of employees hence employees will always have different expectation.
- In many cases lack of symmetry in employees perception of the psychological contract to that of the employer
- Good psychological contract may not always lead to superior performance or satisfied employees (Wangithi & Muceke, 2012), however, poor psychological contract has a significant potential of demotivating employees.

Organizations in the post-modern era are becoming more aware of the impact of psychological contract on the employees contribution to the organization. It is commonly understood that employees are one of the main assets of an organization and contribute to determining the performance of the organizations (Wangithi & Muceke, 2012). Post-modern organizations need a suitable approach of managing and influencing psychological contract that is appropriate for the globalised environment. Likewise, it is essential for Umgeni Water Umgeni Water to find suitable approach managing and influencing psychological contract that is appropriate for the globalised and dynamic environment to ensure that employee motivation remains optimum.

The potential contributions or benefit of properly and effectively managing psychological contracts include the following (Shore & Tetrick, 1994; Robinson & Morrison, 2000; Coyle-Shapiro & Kessler, 2000):

- The trust will develop between employees and the organization, as employees will perceive that the organization has delivered on its obligations of the psychological contract.
- Employees will be motivated as the expectations on the work factors of employee motivation will be met.

- High organizational efficiency and effectiveness will be achieved as the majority of employees will be motivated.
- There will be minimal; if at all any labour disputes or labour unrest.

## **2.11 The concept of employability**

The traditional nature employment relationship was characterised by long-term relationships base on trust and mutual respect. Employees in traditional relationships offered loyalty, conformity to requirements, commitment to their employer's goals, and trust that their employer will not abuse their goodwill or protect their interest at all times. In return the organization is expected to offer job security, promotion prospects, training and development and flexibility when employees make demands when there are in difficult situations. (Arnold, et al., 2005).

The change in business environment due to global competition, new technology, downsizing, dynamic political and legal changes etc. has forced an end of the traditional relational psychological contracts. In many instances employers found it hard to keep their side of the bargain. This has imposed a paradigm shift to a transactional relationship. In the transactional relationship the employee expect a short-term project based employment, with high economic exchange. The employee offers long hours, broader skills, tolerance of change and ambiguity, and willingness to take more responsibility. This comes with high pay and reward for performance. (Arnold, et al., 2005).

Employability defied in broad terms refers to the possession by an individual of the quality and competencies required to meet the changing needs of employers and customers and thereby help to realise his or her aspiration and potential in work. To organization, employability means developing skills and adaptable workforce in which all those capable of work are encouraged to develop the skill and knowledge, technology and adaptability to enable them to enter and remain in employment through their career. (McQuaid & Lindsay, 2005).

It is evident that in a global business environment job security can no longer be guaranteed, this means that there is a need of a paradigm shift in the form of psychological contract that

govern the employment relationship (Jafri, 2011; Makros & Sridevi, 2010; Clarke, 2008).. This paradigm should use the idea of employability as the basis for the contemporary employment relationships. Many authors have suggested that the paradigm shift should be a move from relational to a transactional, or to a balance psychological contract. The balance psychological contract combines the mutual concerns of relational contract and performance demands of transactional contract (Clarke, 2008).

In the postmodern era organization are characterized by high competitiveness and rapid advancement of technology. The organisations are constantly interested at optimizing their performance through the use of highly efficient qualified employees. Boundaryless and protean career patterns enable employees to acquire appropriate modern skills to seize relevant opportunities in the market, thereby remaining employable (Fernandez and Enache, 2008). Many developed and highly industrialised economies i.e. including United State, Canada, and Unite Kingdom etc. have opted to use increase employability as one of the alternatives to combat the shortage of skilled, qualified and experienced employees.

The application of the concept of employability in the developed countries has been included in the formulation of labour laws. However this has it many challenges as employability skills have to be defined in the labour laws. The dynamic nature of the skills for employability results in confusion of required skills (Sung, et al., 2013). Therefore the application of the concept of employability in the developing country like South Africa will require careful consideration as this concept will have to be aligned to the labour laws.

## **2.12 Critique of the concept of psychological contracts**

Critics of the concept of psychological contract have argued that the concept is in danger of over use and it does not have limitations. The following are some of the issue that are raised by various previous researchers: (Arnold, et al., 2005)

- The psychological contract is not a contract since it exist in the mind of the employee, therefore it cannot be considered as a contract since there is no agreement, written or unwritten with the party. If the contract arises from a verbal conversation then it is more legal than psychological.
- An organization is a not a person and therefore cannot be a party to a psychological contract.

- Violation of the psychological contract carries a clear implication of a broken promise. This is more emotionally charged than the neutral notion of unmet expectations, and more complicated than simply how pleasant an employee's experience has been with the organization.
- The psychological contract may be redundant or over complicated concept. It is possible that it overlap with other psychological construct such as job satisfaction and organizational commitment.

There is clear evidence from the critics of the concept of psychological contract that, in researching this concept cognisance should be given to the potential overlap with other psychological contract. This study has took a stance that psychological contract is linked to other psychological constructs (such as satisfaction, commitment, engagement and motivation) than overlapping with these. The study is in support of the notion by Guest (1998) as reported in Arnold, et al. (2005) that the psychological contract is a useful concept in spite of its limitations. The psychological contract: is consistent with the spirit of the times, assist in make sense of current employment relationships.

## **2.13 Baseline Survey of Umgeni Water**

Umgeni Water is a state-owned entity that provides water services including water supply and sanitation services to other institution in its service area in the province of KwaZulu Natal, South Africa. Umgeni Water was established in year 1974 and has grown over the years to become an entity of strategic importance in the Province of KwaZulu-Natal, serving the eThekweni Metropolitan Municipality, Ilembe District Municipality, Harry Gwala District Municipality, Ugu District Municipality, UMgungundlovu District Municipality and Umsunduzi Local Municipality. (Umgeni Water:- Annual Report 2014/2015, 2015).

### **2.13.1 Workforce profile of Umgeni Water**

Umgeni water workforce comprises of at least 890 employees. Table 2.1 tabulates the categories of workforce of Umgeni Water including executive managers as per annual report of financial year 2014/2016 i.e. year start from 01 July 2014 to 30 June 2015.

**Table 2.1:** Permanent employees of Umgeni Water during the period of 01 July 2014 to 30 June 2015

Occupational Category	Grade	Total	Male				Female			
			A	C	I	W	A	C	I	W
Top Management	2-3	5	3	0	0	1	1	0	0	0
Senior Managers	4-5	28	7	2	8	3	4	0	3	1
Professional qualified and experienced specialist and mid management	6-8	203	62	4	32	25	53	3	18	6
Skilled technical and academically qualified workers, junior management, supervisors, foreman, and superintendents	9-12	367	157	7	43	14	112	4	26	4
Semi-skilled and discretionary de	13-15	170	159	1	0	0	6	0	4	0
Unskilled and defined decision-making	16	32	25	0	0	0	7	0	0	0
<b>Total</b>		<b>805</b>	<b>413</b>	<b>14</b>	<b>83</b>	<b>43</b>	<b>183</b>	<b>7</b>	<b>51</b>	<b>11</b>

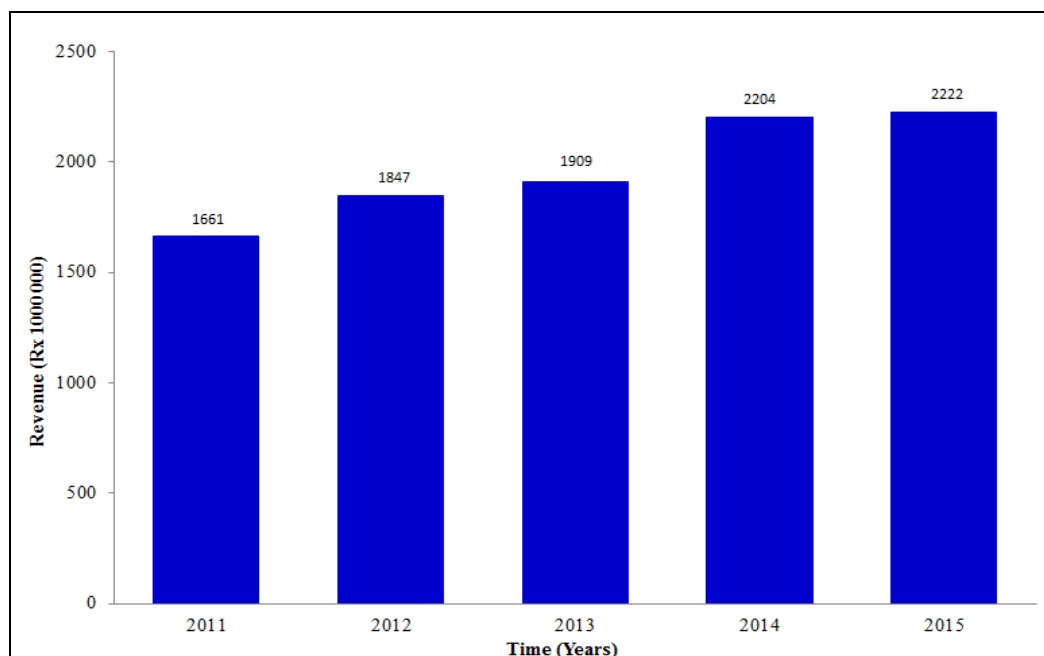
**Source:** Adapted from Umgeni Water:- Annual Report 2014/2015, 2015, pp 92

The direct operating cost of Umgeni Water include amongst other thing the staff cost, as indicate in the annual report of year 2014/2015. Staff cost at Umgeni Water increased by 20% in this period. This indicate that for sustainability of Umgeni Water there should be an emphasis on ensuring that optimum Return on Investment of human asset are obtained. This could be achieved by ensuring that employees are well motivated to contribute positively to the organization.

### 2.13.2 Performance indicators of Umgeni Water

There are many tools that have been used by different companies in an effort to measure their performances in order to stay competitive in business. It is essential that organization measure their performance in order to plan properly and execute plans that will bring sustainability of the organization in highly competitive environment. The typically used method to measure organizational performance is financial drivers. (Iveta, 2012) .

Figure 2.4 five (5) shows the historical revenue of Umgeni Water for the previous five years. There has been a continuous increase in the revenue of Umgeni Water.

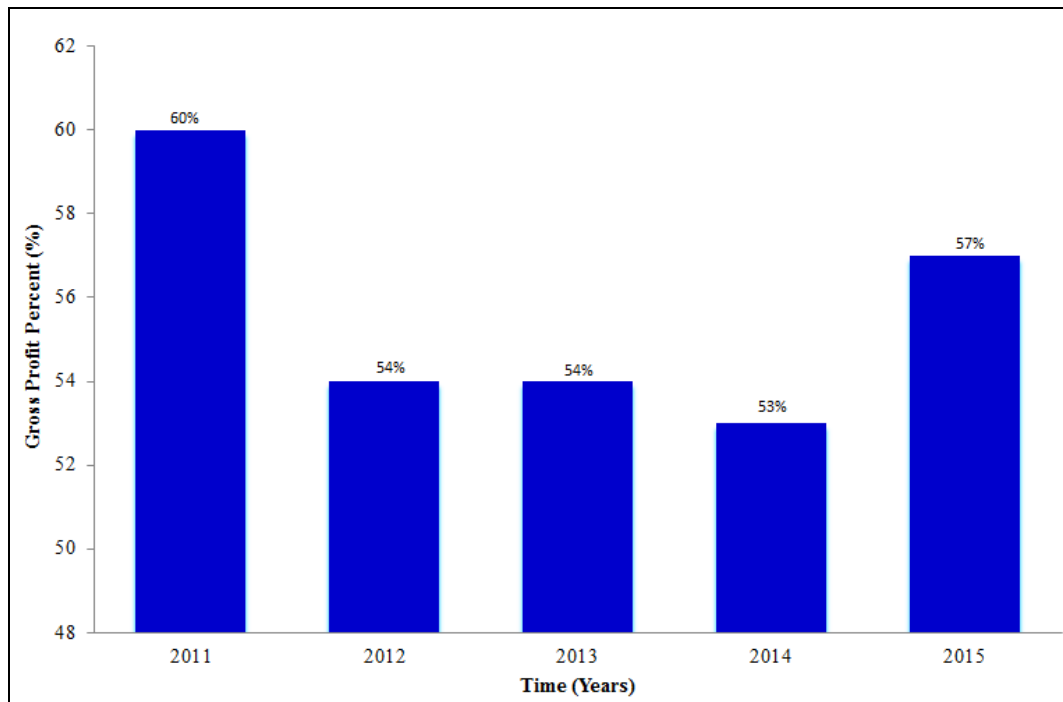


**Figure 2.4:** Profile of the Revenue of Umgeni Water.

**Source:** Adapted from Umgeni Water:- Annual Report 2014/2015, 2015, pp110

Figure 2.3 shows the historical revenue of Umgeni Water for the previous five (5) years. There has been a continuous increase in the revenue of Umgeni Water.



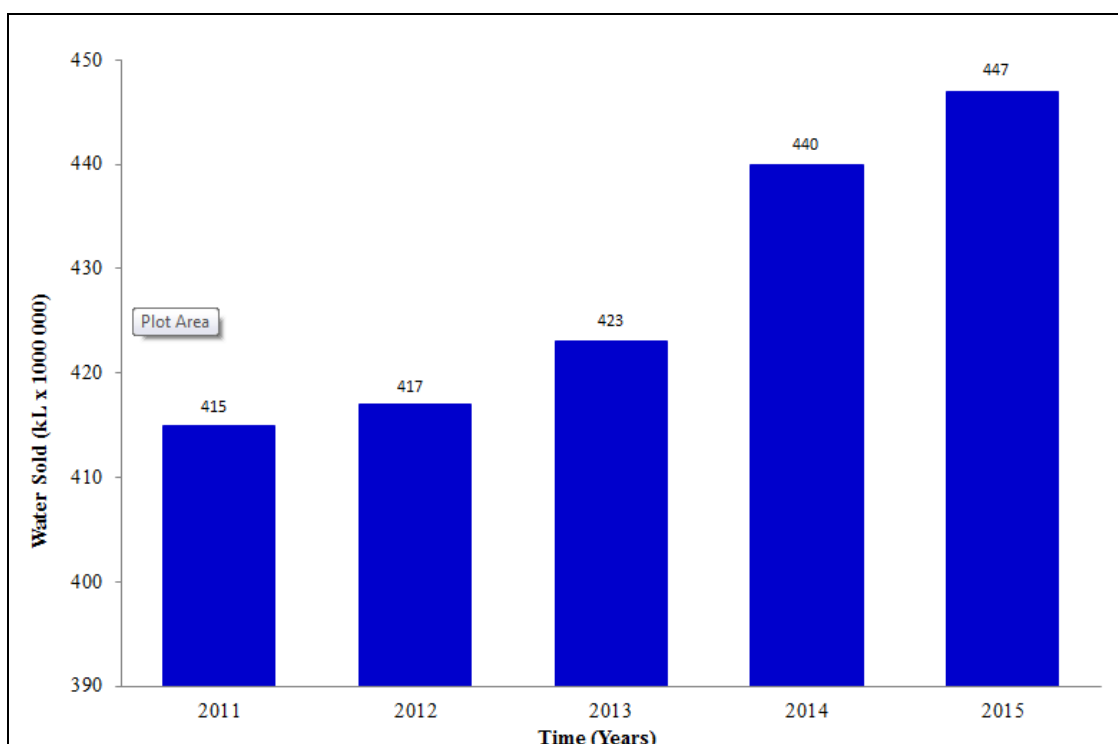


**Figure 2.5:** Profile of the Gross Profit Percentage of Umgeni Water.

**Source:** Adapted from Umgeni Water:- Annual Report 2014/2015, 2015, pp 110

Figure 2.5 shows the historical gross profit percentage of Umgeni Water for the previous five (5) years. The gross profit percentage ranged between 53% to 60 %. This indicates that the cost of sale of Umgeni Water remained less than 40% in the previous five year.

Figure 2.6 shows the historical volume of water sold by Umgeni Water for the previous five (5) years. There has been a continuous increase in the water volume sold by Umgeni Water. This could be as a result of Umgeni Water obtaining service contracts with new Municipalities.



**Figure 2.6:** Profile of water sold by Umgeni water.

**Source:** Adapted from Umgeni Water:- Annual Report 2014/2015, 2015, pp 113

**Table 2.2:** Staff turnover profile for Umgeni Water employees

Year	Total	% turnover	Unplanned exit	Dismissal	Contract end	Resignation
2014/2015	95	9.13%	15	6	37	31
2012/2013	54	5.04%	14	2	26	12
2011/2012	87	9%	18	4	27	38
2009/2010	51	6.5%	-	-	-	-
2008/2009	-	9.1	-	-	-	-

**Source:** Adapted from Umgeni Water:- Annual Reports 2014/2015, 2015, pp94

Table 2.2 show the Staff turnover at Umgeni Water. The staff turnover is compare to the industry standard of 10.3%. Unplanned exit refers to Natural deaths, Normal retirees and medically boarding. This shows that the staff turnover is typically below the industry benchmark. This indicates that Umgeni Water has over the years managed to retain employees.

## **2.14 Summary**

Human capital is an essential asset in organization which can bring an organizational competitive advantage if properly managed and optimised for performance.

It is evident from the research studies that psychological contract are some of the factors that can affect workplace indicators of employee motivations i.e. include organizational commitment, satisfaction and engagement. Therefore psychological contract should be optimally managed to ensure motivated employees in the workplace.

Motivation is an important driver of organizational excellence i.e. organization with highly motivated employees have a distinct competitive advantage. Psychological contract has been shown by many researchers of organizational human behaviour that it is related to motivation. Psychological contract in a work place has been shown to affect the employee work commitment, satisfaction and engagement. Employees become demotivated when they perceive or experience a breach of the obligation they hold in their psychological contract. The opposite is true, employees will have high levels of motivation i.e. high work commitment, satisfaction and engagement when they perceive or experience that their obligations or expectations that hold on their psychological contract are met by their employer. It is therefore important that employers effectively maintain and manage psychological contracts in the work environment in order to achieve Return On Investment (ROI) on their employees.

Research shows that employer-employee relationship has over the years change due to globalization and dynamics of the contemporary workplace environment. The relationship is changing from the traditional nature where the employer was expected to provide stable job and job security in return for employee loyalty. The relationship is changing to transactional form where the employees favour boundaryless employment i.e. short term with high reward and willing to move between jobs increasing their employability. These changes alter the type of expectations, beliefs or promises that exist between employer and employee. Therefore organizations should strive to use appropriate and suitable management procedures to manage psychological contract.

The following chapter presents the research methodology that was used to achieve the objectives of this study. The chapter will present the data collection method, sampling strategy and analysis of data.

## **CHAPTER 3: Research Methodology**

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### **3.1 Introduction**

This chapter presents the methodology that is used to achieve the objective of this study. The chapter explains the method used to select the appropriate sample, collect data, analyse data and present the results. The chapter provides a description of instruments measures that were used in this study.

### **3.2 Research design**

#### **3.2.1 Quantitative, Qualitative and Mixed method research approach**

There are three types of research approaches that were reviewed and compared in this study that is the qualitative quantitative and mixed method research approaches. The following are the major classification criteria for each research approach that were used to determine the appropriate research approach for the study:

- Qualitative research approach is by definition exploratory scientific and discovery method. Qualitative research is used to describe what is seen locally and sometimes to come up with or generate new hypotheses and theories (Antwi & Hamza, 2015). Qualitative research is used when little is known about a topic or phenomenon and when one wants to discover or learn more about it. It is commonly used to understand people's experiences and to express their perspectives. The qualitative approach collects qualitative data for example in depth interviews, participant observations, field notes and open ended questions (Gray, 2014; Woodsong, et al., 2005). The researcher in qualitative approaches is the primary data collection instrument. The research focus is wide-angle and deep-angle lens examining the breadth and depth in order to learn more about the phenomena of concern Data analysis is typically by searching for patterns, themes, and holistic features (Johnson & Christensen, 2004). The results in the quantitative research approach are particularistic findings, representation of insider viewpoint and present multiple perspectives. The following are data collection methods (Antwi & Hamza, 2015; Woodsong, et al., 2005):

- Focus groups
  - Triads
  - Dyads
  - In-depth interviews
  - Uninterrupted observation
  - Ethnographic participation/observation.
- Quantitative research approach is conclusive in its purpose, provides a description, explanation and prediction. The quantitative research approach quantifies a problem and provided an understanding on how prevalent the data problem is by observing projectable results to a larger population (Antwi & Hamza, 2015; Saunders, et al., 2003). The quantitative research approach primarily follows the confirmatory scientific method because its focus is on hypothesis testing and theory testing. Quantitative researchers consider it to be of primary importance to state one's hypotheses and then test those hypotheses with empirical data to see if they are supported. In a quantitative research approach a quantitative data based on precise measurement using validated data collection instruments such as closed –ended items, rating, and scales behavioural responses is used. The research focus on a narrow-angle lens testing specific hypothesis. Data analysis is typically by identifying statistical relationships. The results in the quantitative research approach are generalizable findings The following are common data collection methods (Antwi & Hamza, 2015):
    - Surveys (online, phone, paper)
    - Audits
    - Points of purchase (purchase transactions)
    - Click-streams.
  - Mixed Method research approach is a research approach in which the researcher bases knowledge claim on a pragmatic ground for example in consequence-orientated, problem –centred and pluralistic. The mixed method research approach uses strategies of inquiry that involve collecting data either simultaneously or sequentially to the best understand research problems. In mixed method research approach data is collected as both numerical information and as text information. The final database represents both qualitative and quantitative information (Gray, 2014; Cresswell, 2003). The

mixed method research approach is increasingly getting recognized as a research approach along with qualitative and quantitative research approach. The mixed method research approach is a research approach that attempts to consider multiple viewpoints, perspectives, positions and standpoints by including the standpoint of qualitative and quantitative research approach. (Johnson, et al, 2003). There are three types of mixed method research approaches: (Johnson, et al, 2003).

- Equal status or pure mixed method: this approach considered equally contributions of both quantitative and qualitative approach to the research questions.
- Qualitative dominant mixed method: this approach includes quantitative data and approach into a qualitative research project.
- Quantitative dominant mixed method: this approach includes qualitative data approach into a quantitative research project.

In this study there are two sets of data that were collected. The first set of data was collected from employees of Umgeni Water. This data was a quantitative data collected through questionnaire survey. This data was collected in numeric mode which was analysed by statistical methods.

The second set of data was collected from Humana Resources (HR) managers of Umgeni Water. This data was a qualitative data collected through a group interview. The questions were well-structured open-ended questions. These were collected as text responses which was analysed for trends and patterns.

This study used both qualitative and quantitative approach hence this study has used a mixed method research approach. The nature of the objective or research questions required the use of quantitative data from employee surveys and qualitative data was required to understand and gain insight to management perspective with respect to the research questions. The data obtained from these approached has been converged to give a pragmatic view to the research questions. Therefore this study followed a mixed method research approach.

### **3.2.2 Data Source, Measurement, Collection and Triangulation**

The mixed methods research approach was used in this study where qualitative and quantitative data were collected. This study used a sample selected from the population i.e. Umgeni Water employees, to obtain data that was used to achieve the objectives of this study.

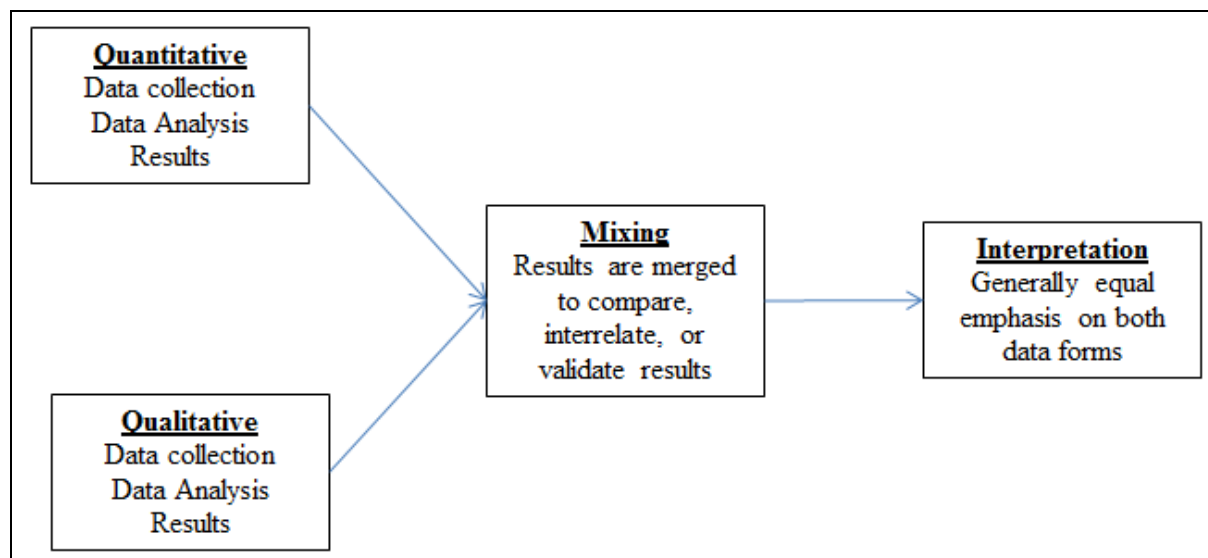
Antwi & Hamza, (2015) indicated there are various methods that can be used to collect data. The following are data sources, measurement and collections that were used in this study:

- The employee survey questionnaire was used to collect quantitative data which was collected in numeric mode. The interval scale has been used to measure the variables in this study. The questionnaire used a five (5) point Likert Scale where 1 is strongly disagreeing and 5 strongly agree (Saunders, et al., 2003). The interval scale allowed the performance of arithmetical operations on the data collected from the respondents and characterisation of data using statistical analysis (Antwi & Hamza, 2015). Typical employee survey questionnaire is show in Appendix B. Sekaran & Bougie, (2013) indicated that there are different ways to administe a quaestinnnaire i.e through postal, email, in person, insert in newspaper, magazin or periodical. In this study the questionnaire was administered through email, internal mail and in person.
- Qualitative data was also collected through a group interview with HR managers of Umgeni Water. Text responses from the interview were analysed for trends and patterns to gain more insight to the objectives. Typical interview questions are shown in Appendix C.
- The source of data in this study was time-series based mainly secondary data which included case studies, journal articles and UW annual reports for at least the most recent previous five years (Saunders, et al., 2003, p. 259).

Triangulation is a form of mixed method research which is used to bring together different but complementary kinds of data. Researchers using triangulation compare qualitative and quantitative forms of evidence to corroborate results or identify discrepancies between data sources or to use one form of evidence to expand on the results of the other. These set of data are often collected at same time (Clark, et.al., 2008; Yeasmin & Rahman, 2012) . Figure 3.1 show the triangulation design. This study has used a similar triangulation design where qualitative data from managers has been collected and analysed parallel to the data from employee surveys. These data are analysed concurrently.



Qualitative and quantitative data that were collected in this study were aim at providing complete understanding of the research objectives. The qualitative data was aim at providing a complete insight on objective one (1) and objective (3). The quantitative data from employee survey was aim at providing a complete insight to all five (5) objectives.



**Figure 3.1:** Triangulation design

**Source:** Adopted from Clark, V.P., Huddleston-Casas,C.A., Churchill,S.L.,Green, D.O. & Garrett, A.L. 2008. Mixed method approaches in family science research, *Journal of Family*, 29(11), pp 1551

### 3.2.3 Data analyses

The quantitative data collection method allowed for collection of data in numerical mode from employees. This enabled the use of Statistical tools to analyse and interpret raw data. The data was grouped and tabulated according to the variables that were measure by the data. Appropriate graphical and statistical parameters were used to explain the relationships between variables.

Qualitative data that was obtained from the interview with HR managers of Umgeni Water was obtained in a text form. These were explanations and answers to well-structure open-ended questions. This information was analysed for trends and patterns to give insight to the research objectives.

### **3.2.4 Research site**

This research was conducted at Umgeni Water, in KwaZulu Natal South Africa. The research participants were employees from all types of treatment plants i.e. small, medium and large treatment plants and including office based participants. The study had to include employees in various sites of Umgeni Water in order to achieve a representative sample of the population of employees. These sites included sites in eThekweni District Municipality, Ilembe District Municipality, Harry Gwala District Municipality, Ugu District Municipality and UMgungundlovu District Municipality.

### **3.2.5 Targeted population**

The targeted population in this study is Umgeni Water employees and management. The population comprises of 772 permanent employees, 28 senior managers and five (5) executive managers (Umgeni Water:- Amanzi Annual Report 2014/2015, 2015). This study had excluded the executive. The employees of Umgeni Water vary from unskilled to professional expects. Some employees are employed on contractual basis and the majority is permanent employees.

### **3.2.6 Sampling technique**

Sampling refers to a statistical process of selecting a subset (i.e. sample) of a population of interest for the purpose of making observations and statistical inferences about the population of interest. A sample is selected because it is usually not feasible and costly to study the entire population. It is highly important that the sample selected is a true representation of the population so that inferences derived from the ample can be generalised back to the population of interest. The sampling method has been selected instead of census in this study because of the following reasons (Saunders, et. al., 2003, pp. 212-214):

- Survey of the population is impractical
- Budget constraints restrict data collection
- Time constraints restrict data collection
- The results from data collection are urgently required.

There are two types of sampling techniques i.e. probability sampling and non-probability sampling. This study has used the probability sampling, which presents an opportunity for every unit in the population to be selected in the sample. The stratified sampling technique has been used due to nature of the population (Saunders, et. al., 2003, p. 228).

The targeted population in this study is Umgeni Water employees and managers. There are 772 employees and 28 senior managers. There are two sampling frames in this study, the first sampling frame is employees which are professionals, skilled, semi-skilled and unskilled, and the second sampling frame is managers as employer's representatives.

The stratified sampling technique was used due to the diversified nature of employees at Umgeni Water with regards to level of skills, knowledge and job profiles. The stratified sampling technique divides the sample frame into homogeneous and non-overlapping subgroups. In this study the sample will be divided into homogenous and non-overlapping groups according to the skills level, knowledge and job profiles as follows (Umgeni Water:- Amanzi Annual Report 2014/2015, 2015):

- Professional stratum: These include all employees that are professionally qualified and experienced specialists and mid-management. In terms of Umgeni Water grading system these employees fall in the Grade 6-8 bracket.
- Skilled stratum: These include all employees that are skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents. In terms of Umgeni Water grading system these employees fall in the Grade 9-12 bracket.
- Semi-Skilled stratum: These include all employees that are semi-skilled and discretionary decision-making. In terms of Umgeni Water grading system these employees fall in the Grade 13-15 bracket.
- Unskilled stratum: These include all employees that are unskilled and defined decision-making. In terms of Umgeni Water grading system these employees are in e Grade 16.

This study used a proportional stratified sampling technique. A random sample size of 137 was select. This sample size was based on the required confidence level of 99% and a confidence interval or margin error of  $\pm 10\%$  for a population of 772 employees. Table 1 show the sample number required for the each stratum. The sample size of each stratum in in Table 1 is proportionally calculated based on the stratum size in the population. The sample size is calculated form the Creative Research System Survey Software and the Survey Monkey Software.

(<http://www.surveysystem.com/sscalc.htm>)(<https://www.surveymonkey.com/mp/sample-size-calculator/>)

**Table 3.1:** Sample size selection

<b>Stratum</b>	<b>Stratum Population Size</b>	<b>Sample Size</b>
Professional	203	36
Skilled	367	65
Semi-Skilled plus Unskilled	202	35
<b>Total</b>	<b>772</b>	<b>137</b>

### 3.3 Anticipated ethical issues in the study

This study has considered the four generic areas in which ethical issue may arise. These areas include the following (Stanford & Connor, 2014):

- Treatment of participants
- Data collection and analysis
- Responsibility to the society
- Biasness in the Study

The following are the methods that were applied in this study to ensure ethical compliance:

### **3.3.1 Treatment of participants and the role of the researcher**

The participants that were involved in this study were treated in a manner that is fair and does not cause physical harm, discomfort, embarrassment or loss of privacy. The research objective and benefits well sufficiently stated and explained to participants, without understating or overstating the benefits. Furthermore, in order avoid prejudice or intimidation of participants by the role and position of the researcher at Umgeni Water, participants were given questionnaires that they could answer confidentially without the inference or invigilation by the researcher. All participants responded in a confidential manner the research could not trace back the questionnaire to the participants.

An informed consent form was signed by all survey participants. The participation in this study was at individual's voluntary basis and it was explained to all participant that participation was not compulsory and there were no penalties for non-participation. Participation was kept confidential and responses could not be traced back. This was achieved by not asking for names of participants or information that can lead and be linked to back to employees.

The research did not include children or participation of children. The research activities were not disguised. The research objectives were not camouflaged. A copy of the study report (i.e. dissertation) will be shared with Umgeni Water in order to share the results and findings of this study.

### **3.3.2 Data collection and analysis**

This study was conducted under the supervision of qualified research supervisor allocated by the University of KwaZulu Natal. The research topic was subjected to a screening process by the Research Ethics Committee to ensure ethical compliance at all stages of the project.

The confidential Information of Umgeni Water pertaining to employees and the organization was requested through relevant custodian who issued a permission letter. A confidentiality agreement was signed with Umgeni Water ensuring confidentiality in handling of their information.

In this study all data was obtained from the research surveys and group interviews that were conducted. No data or section of data that was fabricated. No data was falsified and, all reported results are an accurate reflection and presentation of actual findings.

Data obtained from the survey was analysed using statistical tools to determine relationship between variables. This relationship was interpreted with the aid of theory obtained from literature review. The data obtained from group interviews was obtained in the form of text. This information was analysed for trends and patterns which were also interpreted with the aid of theory.

### **3.3.3 Responsibility to society**

Umgeni Water's workforce comprises of different races with different culture and religions. The research was conducted in a manner that respected all races, cultures and religion. The research was conducted in a neutrally perspective with no favour to any situation, persons or outcome. The research is not intended to be used by anybody to attack Umgeni Water or any employee of Umgeni Water or for personal gains or interest. However, this research can be used by Umgeni Water or employees of Umgeni Water to improve, or adopt any recommendation for the benefit of Umgeni Water.

### **3.3.4 Biasness in the Study**

In order to ensure non-biasness in the research the research did not take part in the research questionnaire survey i.e. the research was not be a respondent in the research. The research did not use any personal knowledge of Umgeni Water to respond to any questions in the survey questionnaire or interview questions. All response answers will be from the selected sample.

## **3.4 Reliability and validity of the Research**

Reliability of a measurement refers to the degree to which a measurement technique can be depended upon to secure consistent results upon repeated application. Reliability can be assessed by posing the following questions: (Saunders, et al., 2003, p. 274)

- Will the measures yield the same results on other occasion?

- Will similar observation be reached by other observers?
- Is there transparency in how sense was made from the raw data?

Saunders, et.al. (2003, p. 156) has identified three threats to reliability, these include subjects or participants error, observer error and observer bias.

Threats to reliability have be prevented as follows in this study:

- Subjects or participants error: the purpose of the survey questionnaire was properly explained to all participants to ensure that employees understand and respond honestly.
- Observer error: the survey questionnaire was distributed and managed by the research who understood the requirements of the survey.
- Observer bias: the research is an employee of Umgeni Water however the research did not participate in the surveys.

In this study reliability was tested by using the reliability coefficient which was determined by Split-Half reliability test. The study has used the Cronbach's alpha and Spearman-Brown prediction formula since the survey questionnaire has used the Likert Scale (Field, 2009). Furthermore in order to ensure reliability, the questions in the questionnaire and interview questions were made simple and easy to understand but still questioning the relevant and appropriate issues on this study.

This study has taken a cross-sectional study form since it has been conducted over a limited time span of six (6) months (Saunders, et al., 2003, p. 155). The surveys were conducted over a period of one (1) month. This has assisted in minimize variations in repeatability since conditions are similar for all participants since there are no significant changes in the business environment of Umgeni Water. Interviews were conducted in group session in one day to minimise the possibility conflicting ideas or suggestion that might be given at different interview sessions.

Validity is the measure of how well a test measures what it is claimed to measure and how consistent it is with theoretical concept being measured or whether the measure makes sense or not (Cronbach & Meehl, 1955; Saunders, et al., 2003, p. 157).

Sekaran & Bougie (2013) reported three types of validity testing. These validity testing include content validity, criterion-related validity and construct validity, where:

- Content validity is the degree to which the questionnaire gives adequate coverage of the investigative question, which can be achieved by carefully researching the literature and discussions with experts in the subjects.
- Criterion-related validity refers to the ability of the questions to make accurate predictions i.e. predictive evidence.
- Construct validity is the extent to which the questions measure what it is supposed to measure.

In order to ensure face validity in this study, the research instruments for data collection i.e. questionnaire and interview questions were assessed and reviewed by the research supervisor to ensure relevance and to ensure that the measure appears to be assessing the intended construct under study. The sampling method was reviewed by the research supervisor to ensure that the sample of the study is an accurate representation of the entire population. Furthermore the questionnaire was adopted from the trial and tested questionnaire from the MonkeySurvey program.

As stated by Saunders (2003) that pilot testing is essential for streamlining the questionnaire so that respondents do not experience difficulties in responding to the questionnaire and easy of capturing data. In this research the questionnaire was tried with three respondents at the beginning. This trial showed that the questionnaire was lengthy and there were some irrelevant questions. The questionnaire was then streamlined to a final questionnaire.

To ensure content Validity, the study has been conducted under the supervision of the supervisor to ensure that the measure is actually measure what it is intended to measure and does not measure other variables. Validity was ensured throughout the research process i.e. from design stage, data collection, data analysis and at the reporting stage. (Saunders, et al., 2003, p. 157)



### **3.5 Summary**

The nature of the research objective of this study required to be investigated using a mixed research approach. The sampling strategy used is the stratified sampling technique due to the sample strata that exist in the population of this study. Data in this study was collected using qualitative method and was converted into numerical forms that were analysed using statistical methods. The following chapter presents the results that were obtained from data analyses. The results include sample response rate and participants response results.

## CHAPTER 4: Results

### 4.1 Introduction

The results presented in this chapter were obtained through employee surveys and interviews with managers and supervisors from the Human Resource Departments. The results present the set of belief, expectations, and psychological obligations of employees at Umgeni Water. The type and nature of psychological contract is determined by evaluation the indicator of workplace motivation i.e. satisfaction, commitment, engagement and also considered perception about fairness in the work environment. Management views on psychological contracts and methods of managing psychological contract at Umgeni Water are also presented in this chapter.

### 4.2 Data collection

#### 4.2.1 Survey response

A sample size of 137 was selected based on the required confidence level of 99% and confidence interval of  $\pm 10$  for a population of 772 employees. The sample was stratified into three (3) non-overlapping strata and a random sampling in each stratum. Table 4.1 shows the required sample size of each stratum and the actual response. Table 4.1 shows that the total population size is 772 employees (i.e. Professionals, skilled, semi-skilled and unskilled). The response obtained yields results of 99% confidence level at a margin of error of 10%.

**Table 4.1:** Employee survey actual response of each sample strata

<b>Stratum</b>	<b>population per stratum</b>	<b>Sample Size required</b>	<b>Actual Responded</b>	<b>Response rate per sample stratum</b>
Professional	203	36	44	122 % ( i.e. >100%)
Skilled	367	65	34	52%
Semi-Skilled plus Unskilled	202	35	8	23 %
<b>Total</b>	<b>772</b>	<b>137</b>	<b>86</b>	

Table 4.2 shows the demographic characteristics of the respondents in this study. A mix of all demographics of Umgeni Water employees has been obtained. There are three (3) employees in the semi-unskilled and unskilled stratum that did not indicate their demographics. However a total of eight (8) semi-skilled and unskilled employees responded to the questionnaire.

**Table 4.2:** Characteristics of respondents

Demographic Quality		Number of respondents			Total
		Professionals	Skilled	Semi-Skilled and Unskilled	
<b>Gender</b>	Male	23	14	4	41
	Female	21	20	1	42
	Response not given	0	0	3	3
<b>Age</b>	Youth ( $\leq 35$ years)	22	18	1	41
	Old ( $> 35$ years)	22	16	5	43
	Response not given	0	0	2	2
<b>Ethnicity</b>	Black African	36	28	6	70
	Indian	6	6	0	12
	Coloured	0	0	0	
	White	2	0	0	2
	Asian	0	0	0	0
	Response not given	0	0	2	2
<b>Education level</b>	Matric or less	0	2	4	6
	Technical plus trade test	4	6	0	10
	University	40	26	1	67
	Response not given	0	0	3	3
<b>Contract Type</b> Total	Permanent	35	33	6	74
	Fixed term, Casual and Temporary	9	1	0	10
	Response not given	0	0	2	2
<b>Total</b>		<b>44</b>	<b>34</b>	<b>8</b>	86

Table 4.3 shows the reliability coefficients that were calculated for the three sample strata in this study. All strata achieve a Cronbach's alpha of greater than 0.8, therefore the questionnaire can be considered reliable and very good (Field, 2009). It should however be noted that the response rate of the semi-skilled and unskilled stratum was significantly low. <http://researchbasics.education.uconn.edu/excel-spreadsheet-to-calculate-instrument-reliability-estimates/>

**Table 4.3:** Reliability Coefficients for the questionnaire that was used in this study

<b>Value of coefficient</b>	<b>Professional employees</b>	<b>Skilled employees</b>	<b>Semi- skilled and unskilled employees</b>
Cronbach's Alpha	0.96	0.94	0.96
Split-Half (odd-even) Correlation	0.95	0.89	0.95
Spearman-Brown Prophecy	0.98	0.94	0.97
Mean for Test	200.25	213.68	220.75
Standard Deviation for Test	30	23	32

#### **4.2.2 Triangulation**

Triangulation design has been used to collect different but complementary kinds of data. Qualitative and quantitative data that were collected in this study were aimed at providing a complete understanding of the research objectives. The qualitative data was aim at providing a complete insight on objective one (1) and objective (3). The quantitative data from employee survey was aim at providing a complete insight to all five (5) objectives. Table 4.3 shows the objectives of this study and the research instrument that are used to achieve the each objective.

**Table 4.4:** Table 4.3 shows the objectives of this study and the research instrument

	<b>Quantitative data i.e. collected from employee survey questionnaire</b>	<b>Quantitative data i.e. collected from Human Resource managers through group interviews</b>
Objective 1: Type and nature of psychological contract	Yes, this objective will be answered by this data	Yes, this objective will be answered by this data
Objective 2: Alignment or congruency of the psychological contract	Yes, this objective will be answered by this data	Yes, this objective will be answered by this data
Objective 3: Management understanding of psychological contract	No, this objective will not be answered by this data	Yes, this objective will be answered by this data
Objective 4: Benefit of properly managing psychological contract	No, this objective will not be answered by this data	No, This objective will not be addressed
Objective 5: Contemporary management strategies to manage psychological contract	Yes, this objective will be answered by this data	No, This objective will not be addressed

#### **4.3 Objective 1: Nature of the psychological contract that exists at Umgeni Water-exchange ideology at Umgeni Water**

The participants were asked statements in the form of questions that required them rate their perception or belief regarding the benefit for work-effort or expected behaviour when an employee is treated badly. These questions were asked to determine the existing ideology of exchange, in the mind of employees and perceptions of employees in the employment relationship. These statements are shown in Appendix B.

Figures 4.1, 4.2 and 4.3 show the response from the participants toward the following statement:

- An employees work effort should depend partially on how well the organization deals with his or her desires and concerns.

This statement was aimed at determining whether employees hold a view, perception or belief that their work effort should be dependent on the relationship that they have with their employer. Employees who disagree to this statement indicate that to them the relationship with the employer is not important, there might be other thing that they consider more in their work environment like transactional benefit. Employees who agree to this statement are more concerned about the relationship theta they have with the employer.

Figure 4.1 shows the response obtained from the professional employee participants. The majority of the respondents who comprised of 48% agreed, and 7% strongly agreed. Therefore, a total majority of 55% of employees are in agreement with the statement. A minority of 13% of the respondents disagreed. It is evident that the majority of professional employees at Umgeni Water believe that the work effort of an employee should depend on how the organization deals with his or her desires and concerns.

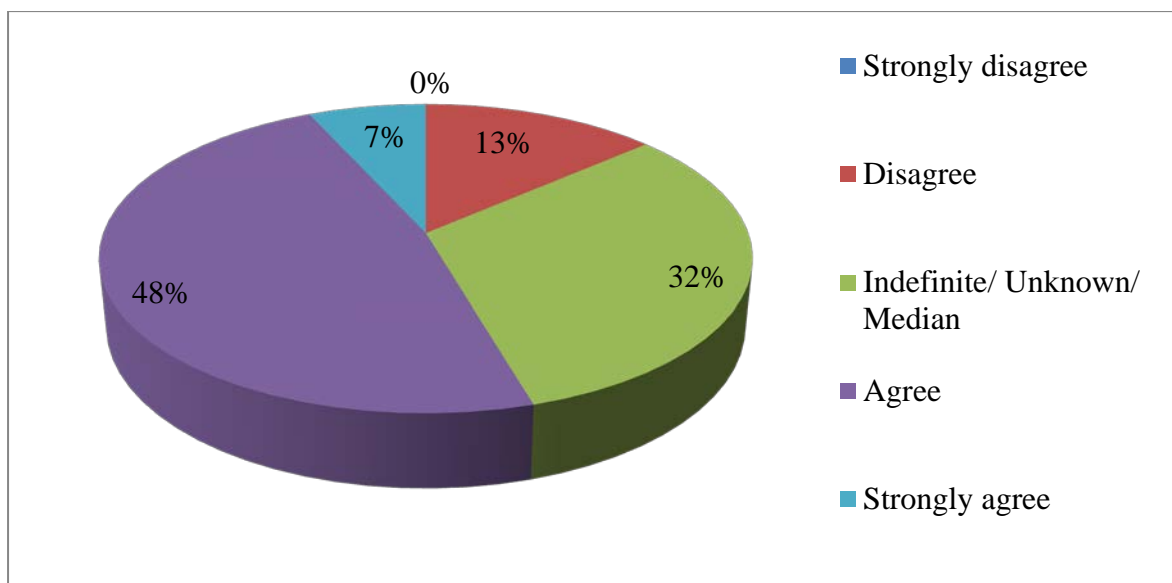


Figure 4.1: Response of professional employees to dependence of employees work effort on how the organization deals with their desires and concerns.

Figure 4.2 shows the responses obtained from the skilled employees participants. The majority of the respondents i.e. 64% agreed and 6% strongly agreed. Therefore, a total of 72% of the skilled employees are in agreement with the statement. A minority of 12% respondents disagreed and 3% strongly disagreed. It is evident that the majority of skilled

employees at Umgeni Water believe that the work effort of an employee should depend on how the organization deals with his or her desires and concerns.

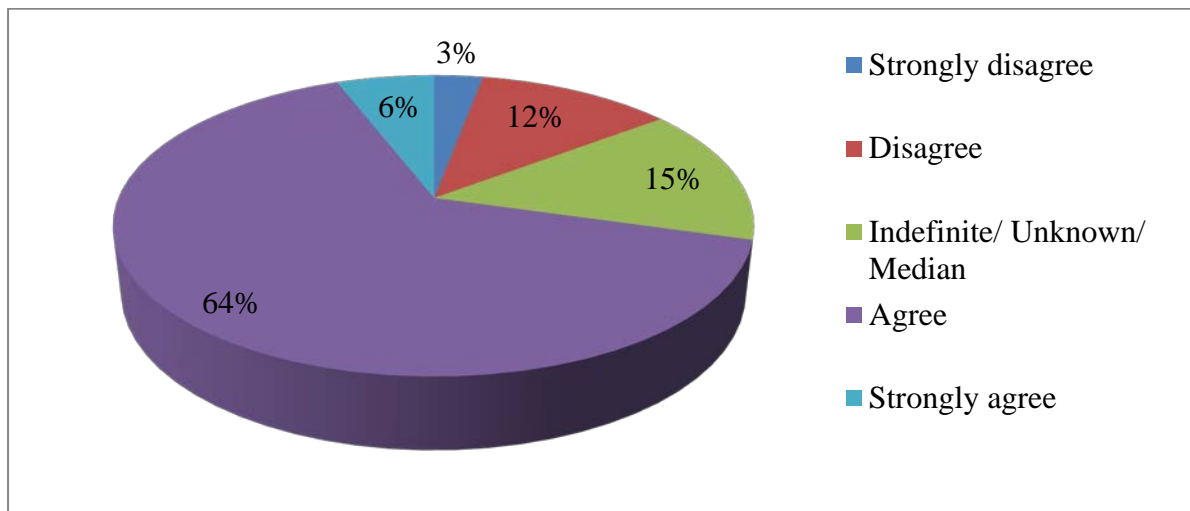


Figure 4.2: Response of skilled employees to dependence of employees work effort on how the organization deals with their desires and concerns

Figure 4.3 shows the responses obtained from the semi-skilled and unskilled employees participants. The majority of the respondents who comprised of 50% agreed. A minority of 12% respondents disagreed. It is evident that the majority of semi-skilled and unskilled employees at Umgeni Water believe that the work effort of an employee should depend on how the organization deals with his or her desires and concerns.

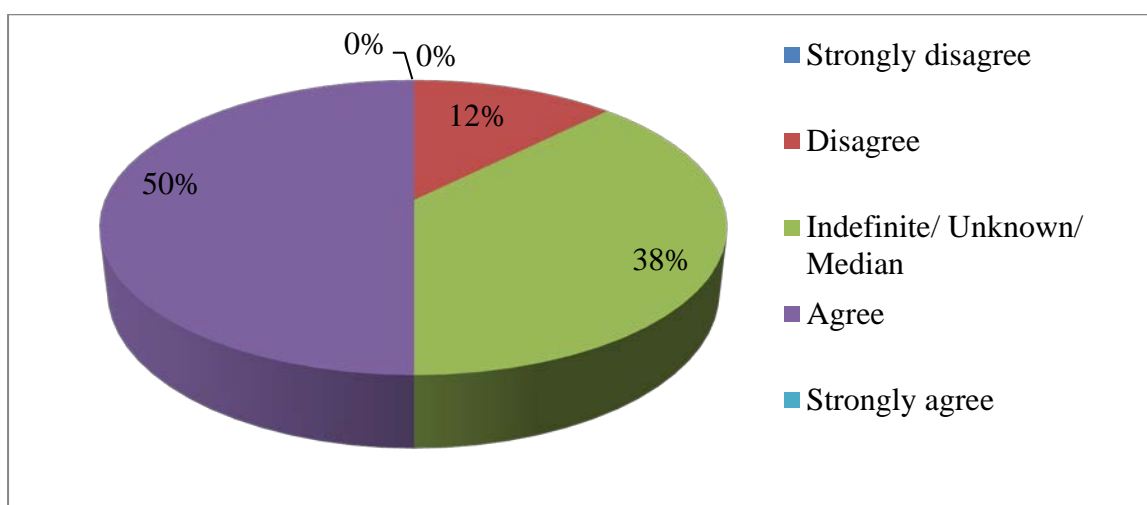


Figure 4.3: Response of the semi-skilled and unskilled employees to dependence of employees work effort on how the organization deals with their desires and concerns.

Figures 4.4, 4.5 and 4.6 show the responses from the participants toward the following statement:

- An employee who is mistreated by the organization should reduce his or her work effort.

This statement was aimed to determine whether employees hold a view, perception or belief that their work effort should be dependent on the relationship that they have with the employer. Employees who disagree to this statement indicate that to them the relationship with the employer is important and are not interested in transactional benefits. Employees who agree to this statement are interest in the transactional relationship.

Figure 4.4 shows the responses obtained from the professional employee participants. The majority of respondents who comprised of 50% disagreed and the minority 16% strongly disagreed. Therefore, a majority of 66% of professional employees disagreed to the statement. A minority of 7% agreed and 2% strongly agreed with the statement. The results indicate that the majority of professional employees at Umgeni Water believe that employees should not reduce their work effort should the organization mistreat them.

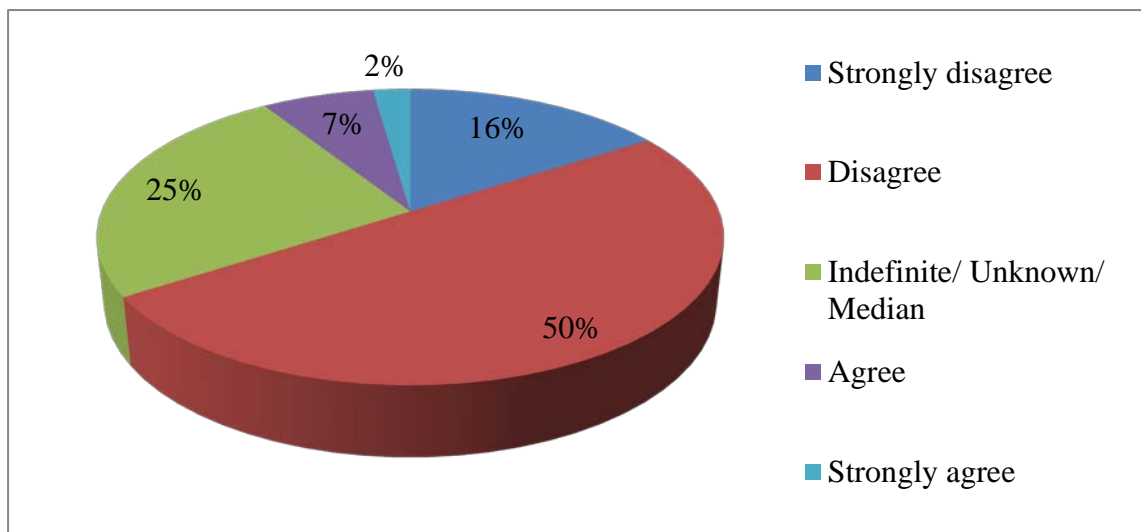


Figure 4.4: Response of professional employees to dependence of employees work effort on how the organization treats employees



Figure 4.5 shows the responses obtained from the skilled employee participants. The majority of respondents who comprised of 38% strongly disagreed and 29% disagreed. Therefore, a majority of 67% of skilled employees disagreed with this statement. A minority of 12% agreed and 6% strongly agreed to the statement. The results indicate that the majority of skilled employees at Umgeni Water believe that the employees should not reduce their work effort should the organization mistreat them.

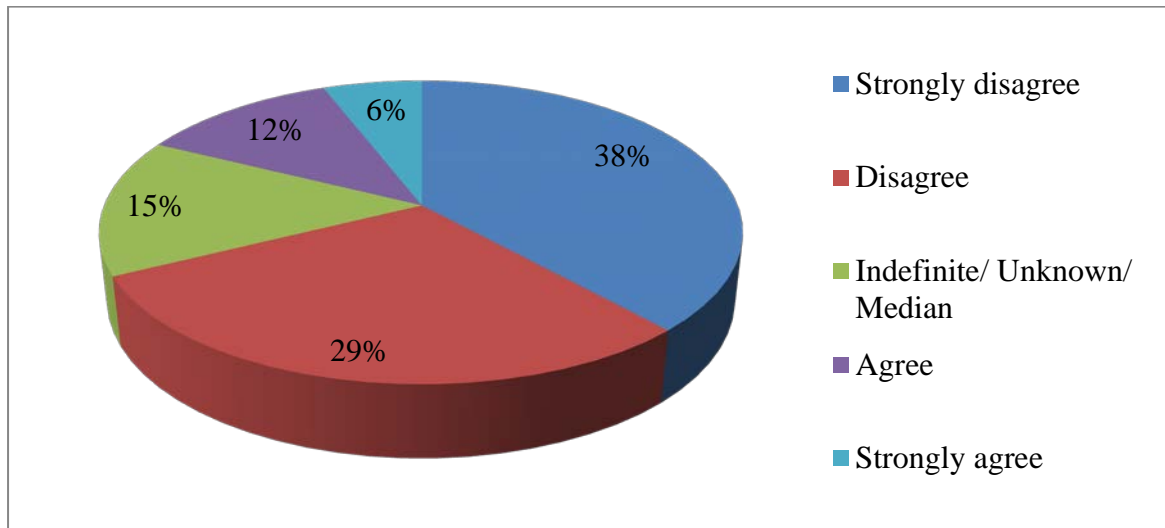


Figure 4.5: Response of skilled employees to dependence of employees work effort on how the organization treats employees

Figure 4.6 shows the responses obtained from the semi-skilled and unskilled employee participants. The majority of respondents, who comprised of 50% strongly disagreed and 12% disagreed. Therefore, a majority of 62% of the semi-skilled and unskilled employees disagreed with the statement. A minority of 13% of the participants agreed and 13% strongly agreed. The results indicate that the majority of semi-skilled and unskilled employees at Umgeni Water believe that the employees should not reduce their work effort should the organization mistreat them.

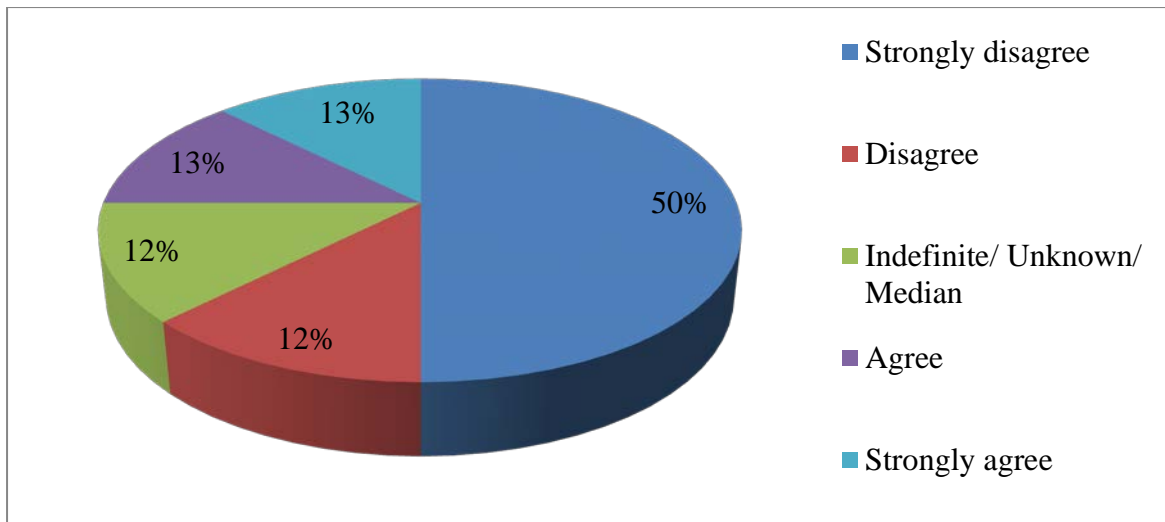


Figure 4.6: Response of semi-skilled and unskilled employees to dependence of employee's work effort on how the organization treats employees

Figures 4.7, 4.8 and 4.9 show the responses from the participants toward the following statement:

- An employee's work efforts should have nothing to do with fairness of his or her pay

This statement was aimed at determining whether employees holds a view, perception or belief that their work effort should be dependent on the transactional items or financial benefits that the employer could offer or promised to offer. Employees who disagree to this statement indicate that to them the relationship with the employer is important and are not interested in extrinsic factors of motivation like pay.

Figure 4.7 shows the responses obtained from the professional employee participants. The majority respondents who comprised of 38% agreed and 14% strongly agreed. Therefore, a majority of 52% of professional employees agree to this statement. A minority of 25% disagreed and 9% strongly disagreed. The results indicate that the majority of professional employees believe that the work effort of employees should not be related to the fairness of their his or her pay.

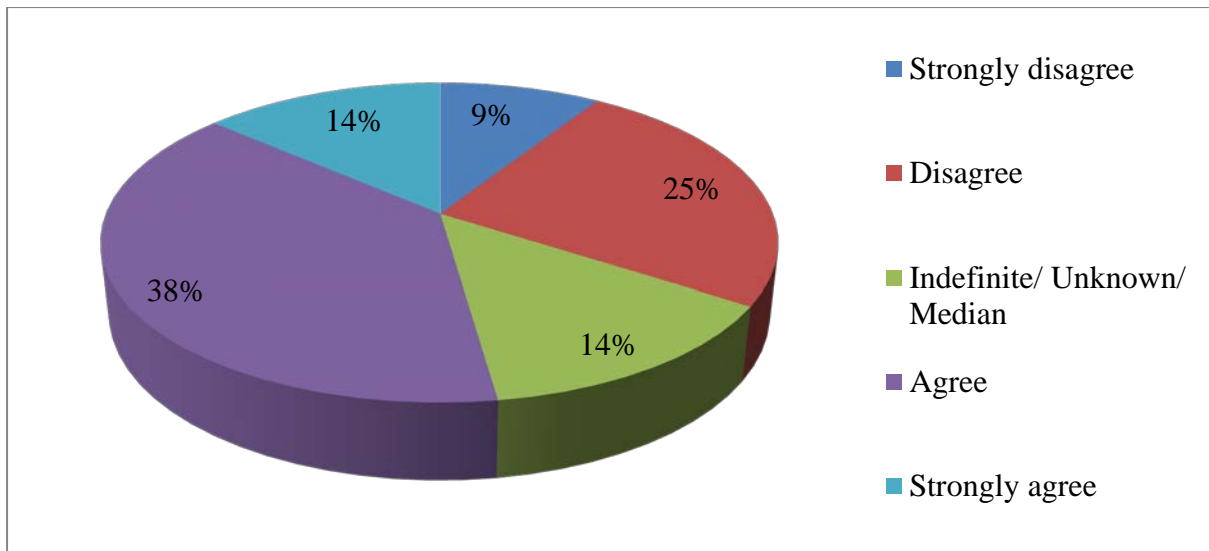


Figure 4.7: Response of professional employees to dependence of employees work effort on fairness of pay

Figure 4.8 shows the responses obtained from the skilled employee participants. The majority of respondents who comprised of 26% strongly agreed and 18% agreed. Therefore, a total majority of 44% of skilled employees agree to this statement. A minority of 15% strongly disagree and 15% disagree. The results indicate that the majority of skilled employees believe that the work effort of employees should not be related to fairness of remuneration. The results indicate that employees work efforts are not dependent on the fairness of pay.

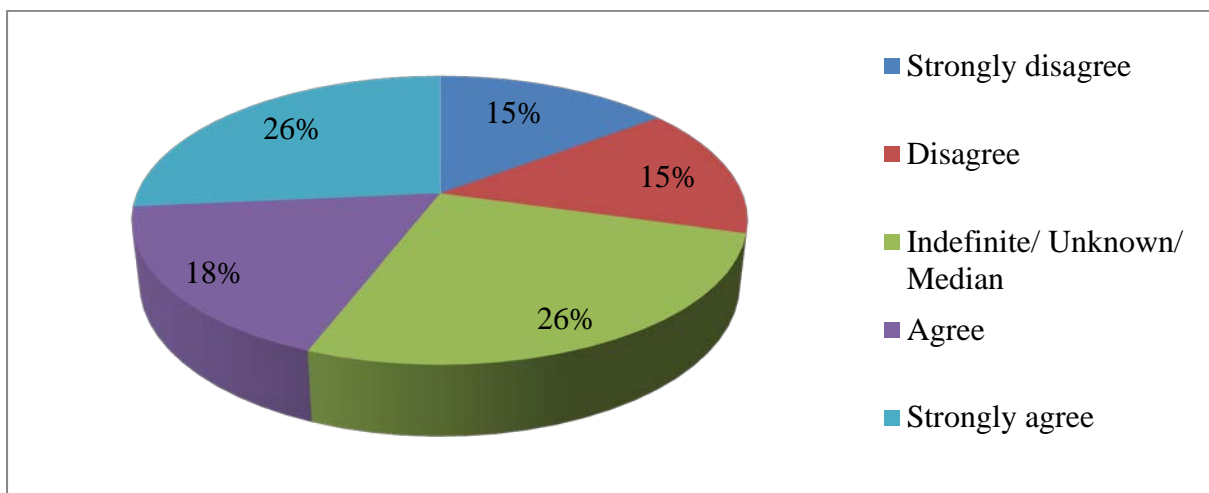


Figure 4.8: Response of skilled employees to dependence of employees work effort on the fairness of pay

Figure 4.9 shows the responses obtained from the semi-skilled and unskilled participants. The majority of respondents who comprised of 38% agreed and 25% strongly agreed. A minority of 25% of participants strongly disagreed. The results indicate that the employees work effort is not dependent on the fairness of pay. The results indicate that the majority of semi-skilled and unskilled employees believe that the work effort of employees should have nothing to do with fairness of his or her pay. The results indicate that the employee's work effort is not dependent on the fairness of pay.

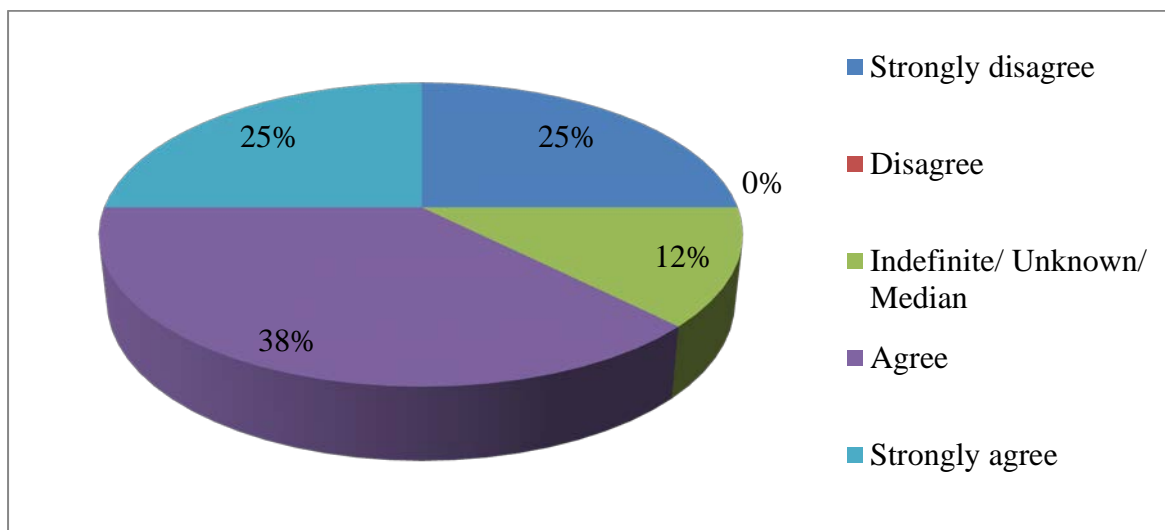


Figure 4.9: Response of semi-skilled and unskilled employees to dependence of employees work effort on fairness of pay

#### 4.4 Objective 2: Alignment of the psychological contract between employees and employer at Umgeni Water

The alignment of the psychological contract has been determined by surveying the degree of expectation or nature of perception employees have on various factors that govern the employment relationship at all stages of employment i.e. from recruitment stage and during employment. Employees were requested to rate the organisations on the factors that contribute to employee satisfaction, work engagement, and commitment. For an appreciable significant alignment of the psychological contract between the employer and employees, employees should rate these favourable or should rate high on these factors.

#### **4.4.1 Psychological contract of employees on the recruitment process**

The psychological contract starts to develop as early as during the recruitment process. Employees will receive either verbal or written information from the company recruitment agents and such information is subjective and situational. The subjective understanding and conclusions made by the employee will be in the form of expectations, beliefs or obligations about their employment relationship with the employer (Wangithi & Muceke, 2012).

Figures 4.10, 4.11 and 4.12 show the responses from the participants toward the following statement:

- The recruitment process at Umgeni Water is ethical and lawful.

This statement was aimed at determining whether employees perceive the recruitment process at Umgeni Water to be fair and equitable. Nohria (2008) reported that organizational environment is linked to employee motivation. A fair and equitable environment is favourable to employee therefore employees will be motivated and also will have no intention to leave and remain committed to the organization. Employees who agree to this statement has experience a fair and equitable environment at Umgeni Water and are likely to have high organizational commitment and no intention to leave the organization. Employees with who disagree to this statement would be less committed to the organization.

Figure 4.10 shows the responses obtained from the professional employees participants. The majority which comprised of 48% respondents agreed and 18% strongly agreed. Therefore, a majority of 66% of professional employees agreed. A minority of 7% disagree and 4% strongly disagree. The results indicate that the majority of professional employees believe that the recruitment process at Umgeni Water is ethical and lawful.

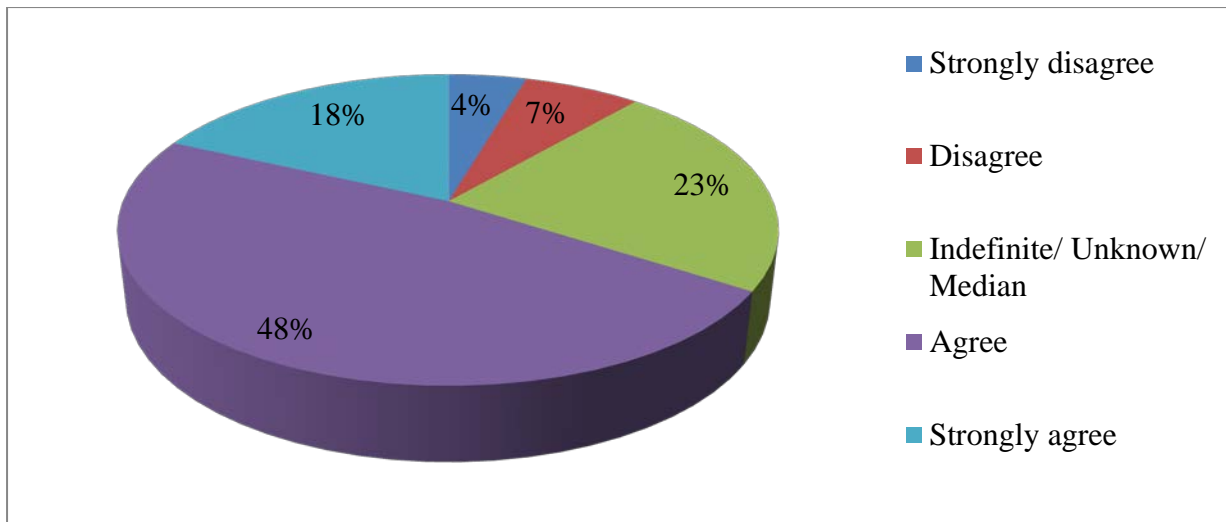


Figure 4.10: Response of professional employees on their perception of degree ethics and lawfulness of the recruitment process at Umgeni Water.

Figure 4.11 shows the responses obtained from the skilled employee participants. The majority of respondents, comprised of 41% agreed and 27% strongly agreed. Therefore, a majority of 68% of skilled employees agreed and none of the participants disagreed.

32% of participants had rated indefinite/ unknown judgement. The results indicate that the majority of skilled employees believe that the recruitment process at Umgeni Water is ethical and lawful.

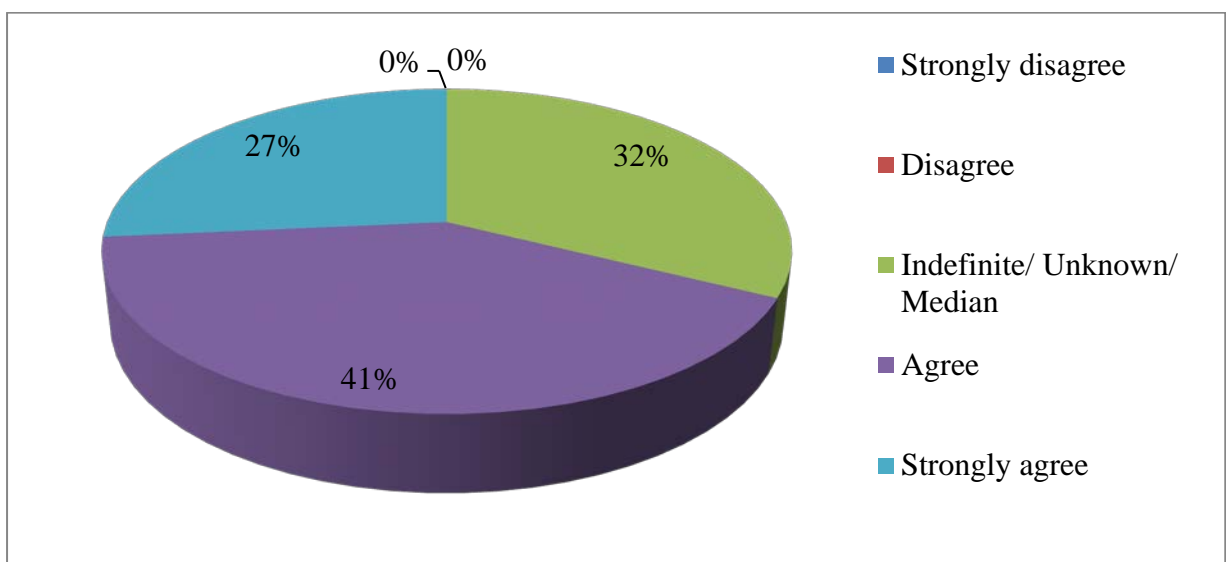


Figure 4.11: Response of skilled employees on their view of degree ethics and lawfulness of the recruitment process at Umgeni Water.

Figure 4.12 shows the responses obtained from the semi-skilled and unskilled employee participants. The majority of respondents who comprised of 50% strongly agreed and 38% agreed. A minority of 12% of participants had rated indefinite/ unknown judgement. The results indicate that the majority of semi-skilled and unskilled employees believe that the recruitment process at Umgeni Water is ethical and lawful.

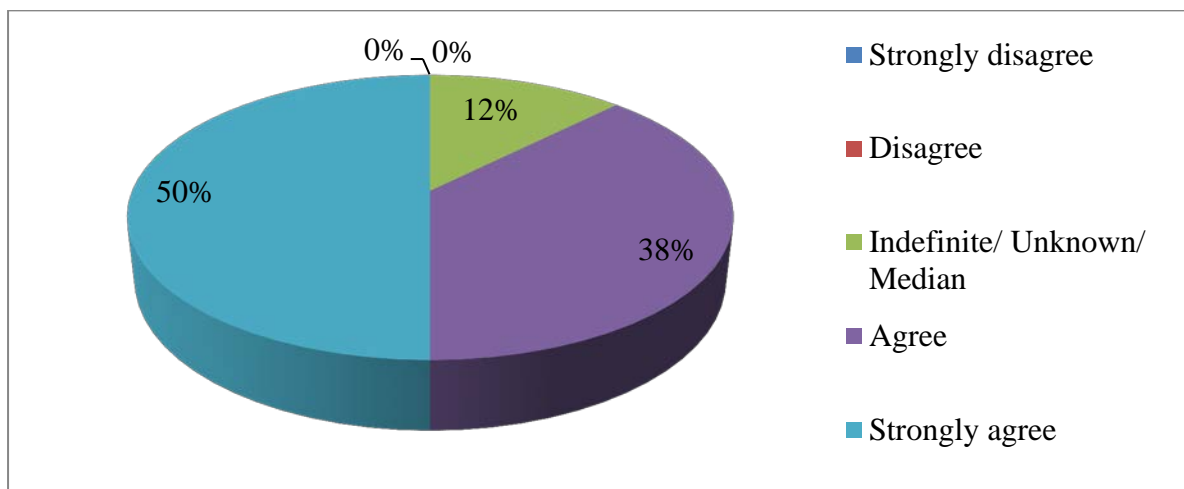


Figure 4.12: Response of semi-skilled and unskilled employees on their view of degree ethics and lawfulness of the recruitment process at Umgeni Water.

#### **4.4.2 Extent of alignment of the psychological contract between the employer and employees at Umgeni Water**

The psychological contract that develops and exists between the employer and employees has a considerable effect on the motivation of employees in the organization (Lee, 2003; Jafri, 2011). The subsequent sections provide a rating of various indicators of psychological contract that exist between employees and Umgeni Water. The workplace indicators of employee motivation are used in this study to determine the extent of the motivation of the employees. This research ideology is that highly motivated employees will equate to adequate or optimal alignment of the psychological contract that exists between the employer and employees at Umgeni Water.

#### 4.4.2.1 Employee satisfaction

Figures 4.13, 4.14 and 4.15 show the responses from the participants toward the following statement:

- I am satisfied with my job, and understand how my work impacts the organizational goals.

The purpose of this statement was to determine the view, perception or belief that employees have about the contribution of the employer to their job satisfaction. Zhou, et al. (2014) reported that psychological contract is directly related to the organizational commitment and work satisfaction. Employees who agree to this statement indicate that their psychological expectation i.e. could be transactional or transitional has not been violated. Employees who disagree to this statement potentially have their psychological expectations breached.

Figure 4.13 shows the responses obtained from the professional employee participants. The majority of respondents which comprise of 50% agreed and 34% strongly agreed. Therefore a total majority of 84% of the professional employees agreed. A minority of 16% rated their job satisfaction as a median, indefinite or unknown score. The results indicate that the majority of professional employees believe they are satisfied with their work and they understand how their work impacts the organization. This shows that professional employees are satisfied with their job.

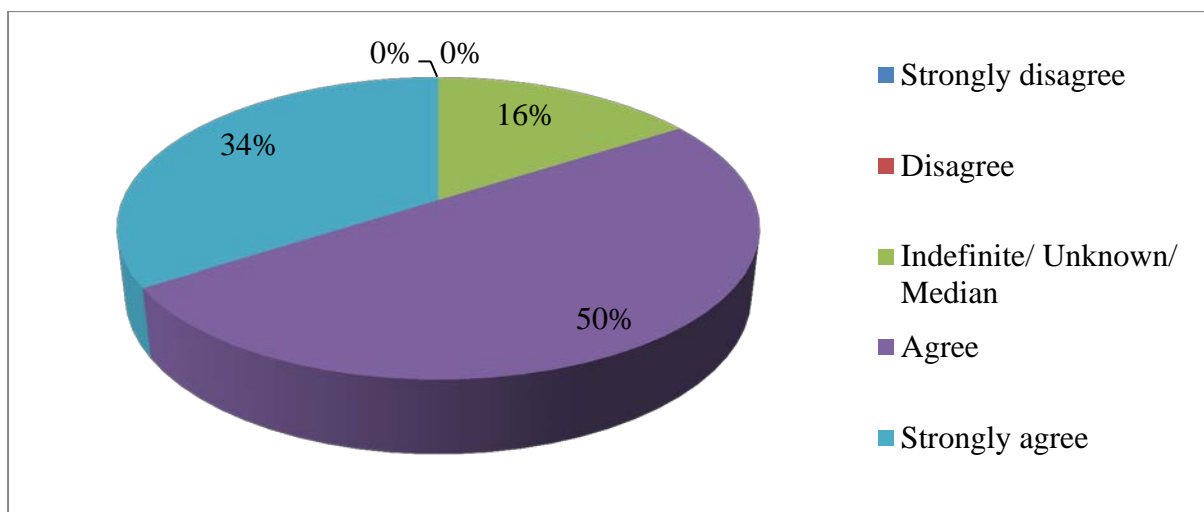


Figure 4.13: Response of professional employees on their degree of satisfaction with their current job at Umgeni Water



Figure 4.14 shows the responses obtained from skilled employee participants. The majority of respondents who comprised of 47% strongly agreed and 44% agreed. Therefore, a majority of 91% of skilled employees agreed and minority of 3% disagreed. The results indicate that the majority of skilled employees believe that they are satisfied with their work and understand how their work impacts the organization. This shows that skilled employees at Umgeni Water are satisfied with their job.

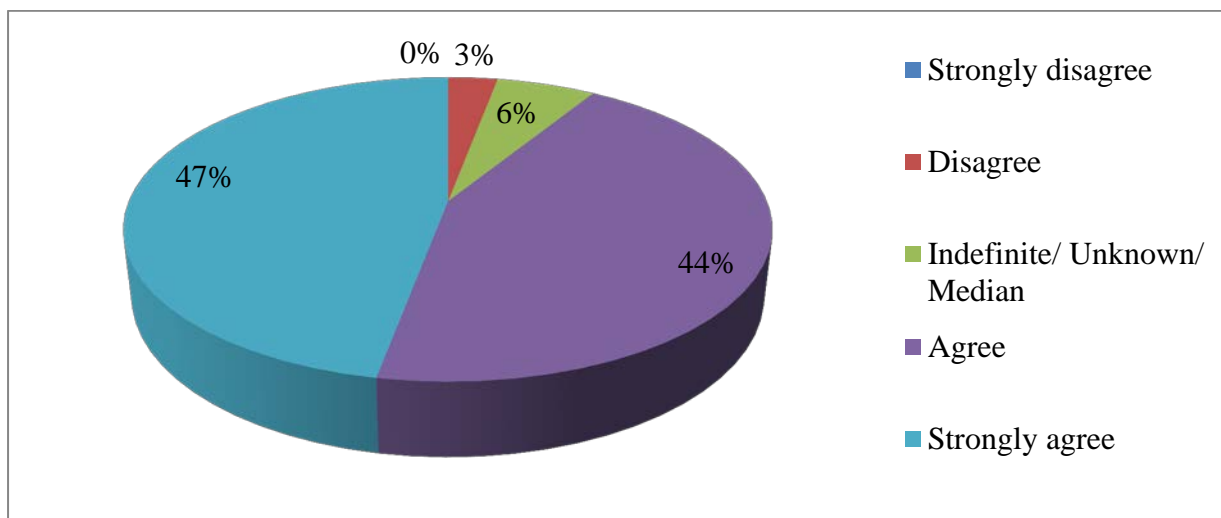


Figure 4.14: Response of skilled employees on their degree of satisfaction with their current job at Umgeni Water.

Figure 4.15 shows the responses obtained from the semi-skilled and unskilled employee participants. The majority of respondents who comprised of 63% strongly agreed and 25% agreed. Therefore, a total majority of 88% of semi-skilled and unskilled employees agreed. A minority of 14% rated their job satisfaction as indefinite, median or with an unknown score. The results indicate that the majority of semi-skilled and unskilled employees believe that they are satisfied with their work and they understand how their work impacts the organization. This shows that semi-skilled and unskilled employees at Umgeni water are satisfied with their job.

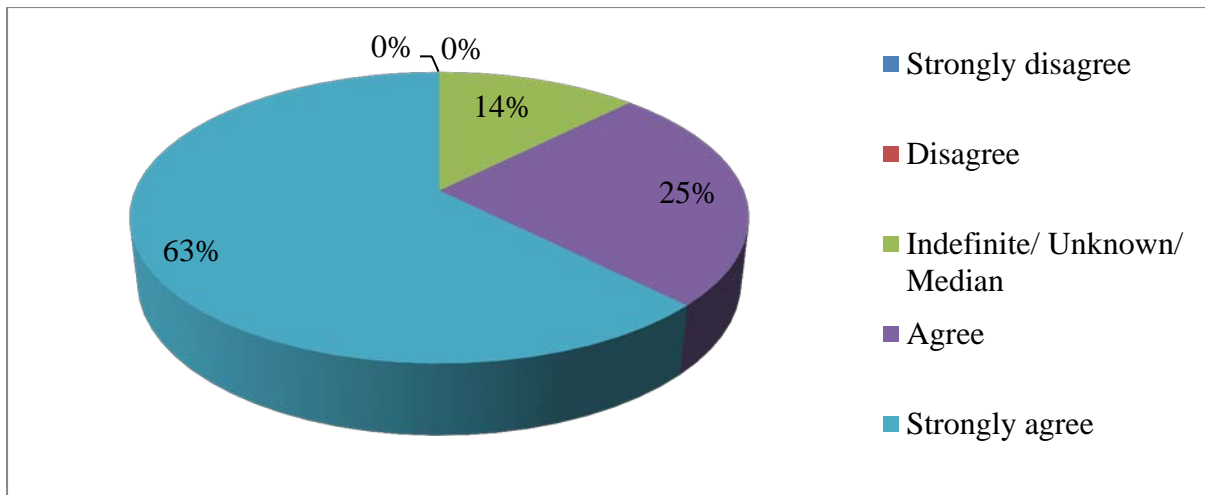


Figure 4.15: Response of semi-skilled and unskilled employees on their degree of satisfaction with their current job at Umgeni Water

#### 4.4.2.2 Employee perceived organizational support

Figures 4.16, 4.17 and 4.18 show the responses from the participants towards the following statement:

- This company, namely Umgeni Water has always supported me and will always support me when I encounter difficulties with the job.

This statement was aimed at determining the perception or belief that employees have the support that the employer can offer them or is expected to offer. This further determines the organizational satisfaction. Zhou, et al., (2014) reported that psychological contract is directly related to the organizational commitment and work satisfaction. Employees who are agree to this statement indicate that their psychological expectation i.e. could be transactional or transitional has not been violated hence indicate an appreciable alignment. Employees who disagree to this statement potentially have their psychological expectations breached. (Zhou, et al., 2014)

Figure 4.16 shows the responses obtained from the professional employees participants. The majority of respondents comprised of 36% agreed and 25% strongly agreed. Therefore a total majority of 61% of the professional employees agreed. A minority of 14% disagreed. The results indicate that the majority of professional employees believe that Umgeni Water will always provide them with support when they encounter difficulties in their work.

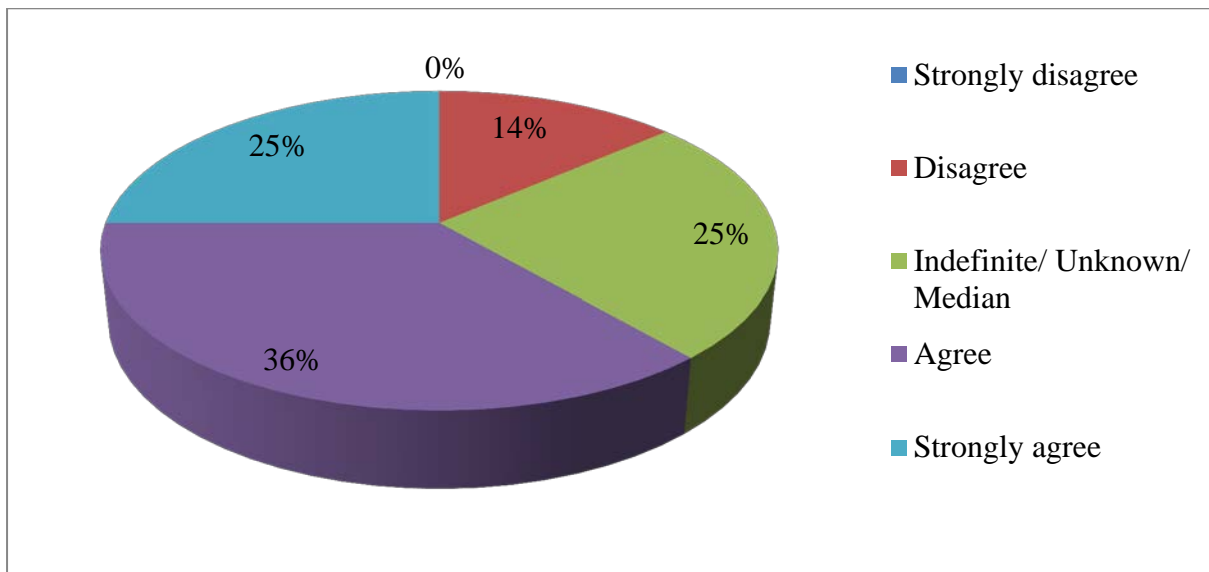


Figure 4.16: Response of professional employees on their view of organizational support in their job

Figure 4.17 shows the responses obtained from the skilled employee participants. The majority of employees comprised of 53% agreed and 18% strongly agreed. Therefore, a total majority of 71% of the skilled employees agreed. The results indicate that the majority of skilled employees believe that Umgeni Water will always provide them with support, in the event that they encounter difficulties in their work.

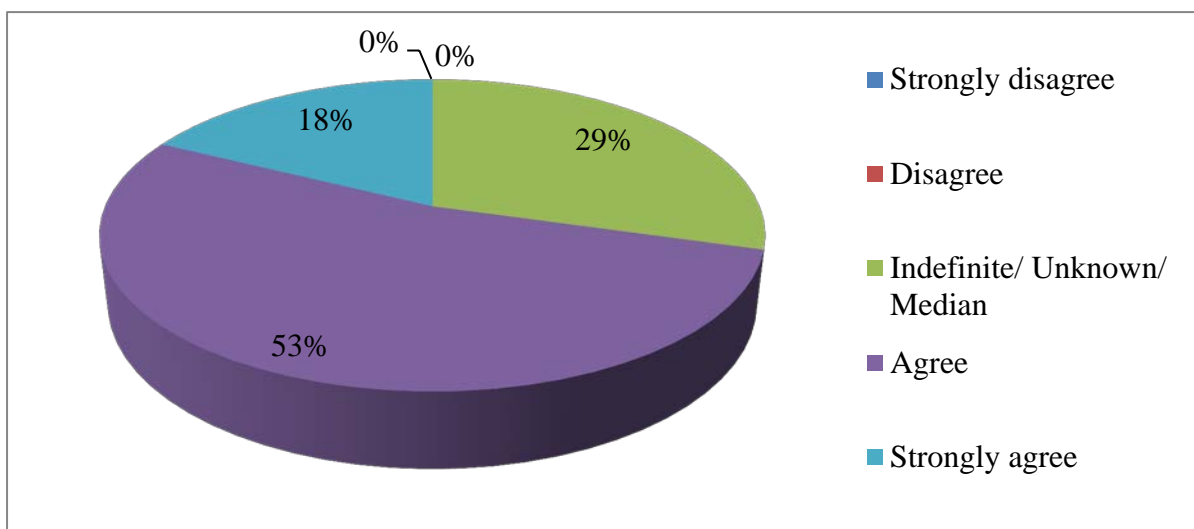


Figure 4.17: Response of skilled employees on their view of organizational support in their job

Figure 4.18 shows the responses obtained from the semi-skilled and unskilled employees participants. The majority of employees comprised of 75%, strongly agreed and 13% agreed. Therefore, a total majority of 88% of the semi-skilled and unskilled employees agreed and a minority of 12% disagreed. The results indicate that the majority of semi-skilled and unskilled employees believe that Umgeni Water will always provide them with support, in the event that they encounter difficulties in their work.

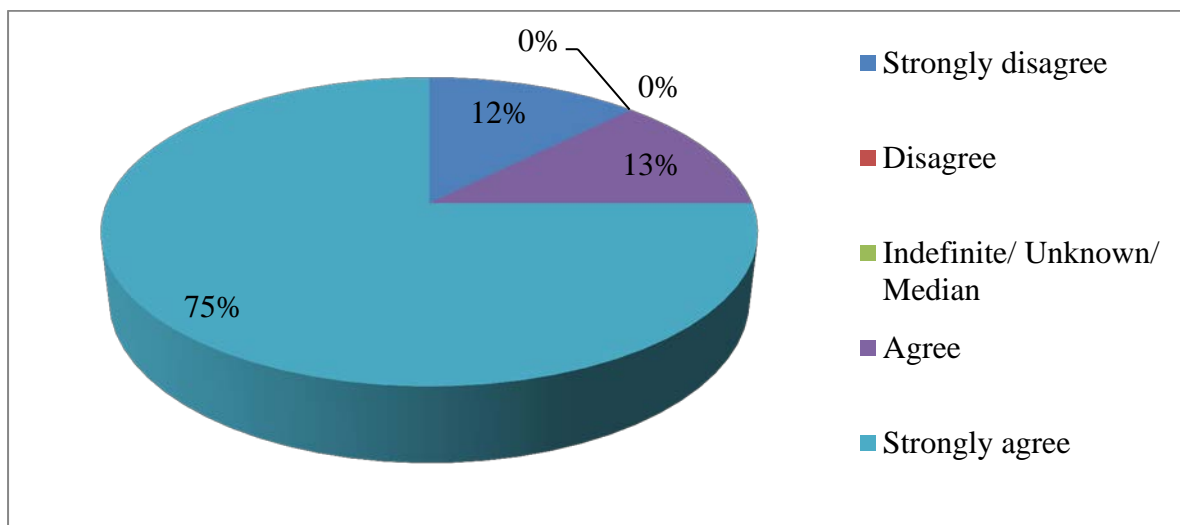


Figure 4.18: Response of semi-skilled and unskilled employees on their view of organizational support in their job.

#### 4.4.2.3 Employee perception on career advancement

Figures 4.19, 4.20 and 4.21 show the responses from the participants toward the following statement:

- I am pleased with the career advancement opportunities available to me, and my organization is dedicated to my professional development.

This statement was aimed at determining the perception or belief that employees have about the contribution of the employer to their career advancement. Employees who agree to this statement are overall satisfied with their achievement and career path and are motivated, since employees experience a favourable job design and enrichment as Nohria (2008) indicated that job design and enrichment is positively related to motivation. Lee (2008) reported that motivation is positively related to the psychological contract.

Figure 4.19 shows the responses obtained from the professional employees participants. The majority of respondents comprised of 41% agreed and 25% strongly agreed. Therefore a total majority of 66% of the professional employees agreed. A minority of 9% disagreed and 11% strongly disagreed. The results indicate that the majority of professional employees believe that they are pleased with the career advancement opportunities available to them and that Umgeni water is dedicated to their professional development.

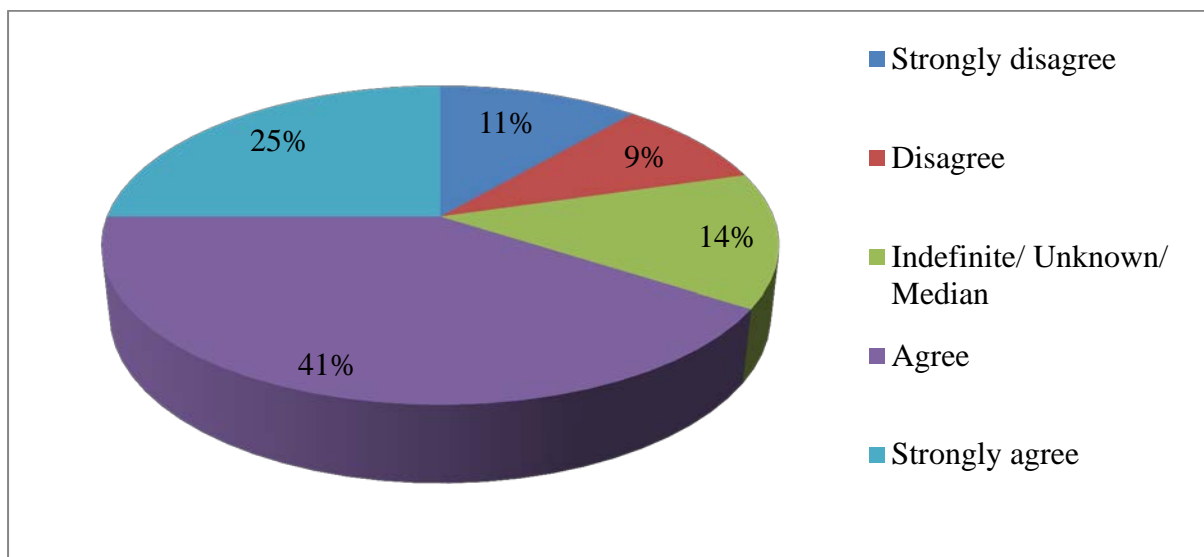


Figure 4.19: Response of professional employees on their view of organizational input to their career development.

Figure 4.20 shows the responses obtained from skilled employees participants. The majority of respondents comprised of 35% strongly agreed and 26% agreed. Therefore, a total majority of 61% of the skilled employees agreed, a minority of 12% disagreed and 3% strongly disagreed. The results indicate that the majority of skilled employees believe that they are pleased with the career advancement opportunities available to them and that Umgeni Water is dedicated to their professional development.

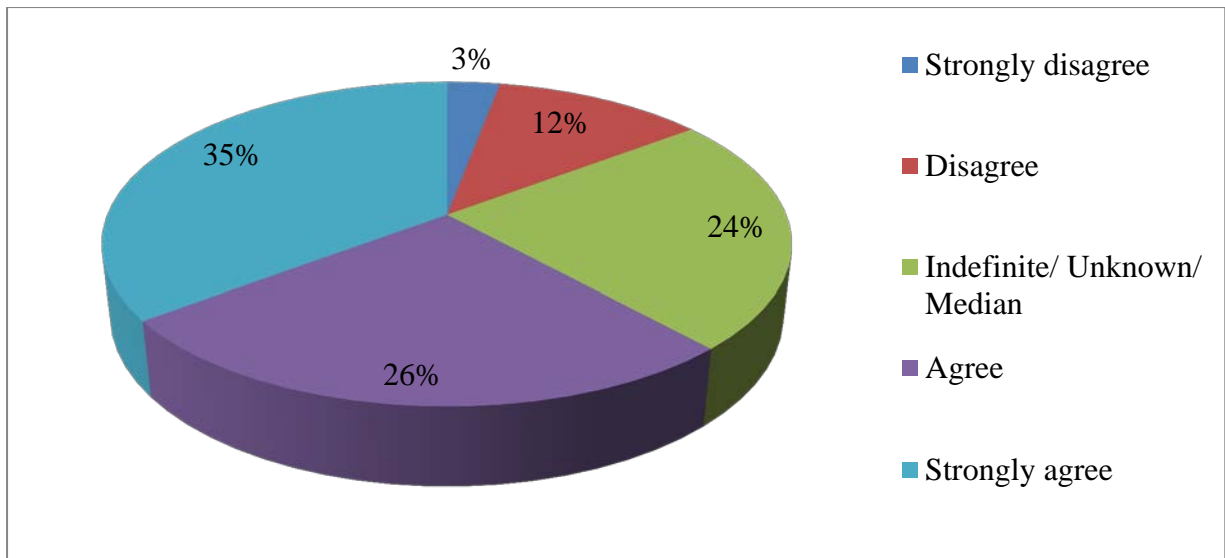


Figure 4.20: Response of skilled employees on their view of organizational input to their career development

Figure 4.21 shows the responses obtained from the semi-skilled and unskilled employees participants. The majority of respondents comprised of 50% strongly agreed and 38% agreed. Therefore a total majority of 88% of the semi-skilled and unskilled employees agreed. The results indicate that the majority of semi-skilled and unskilled employees believe that they are pleased with the career advancement opportunities available to them and that Umgeni Water is dedicated to their professional development.

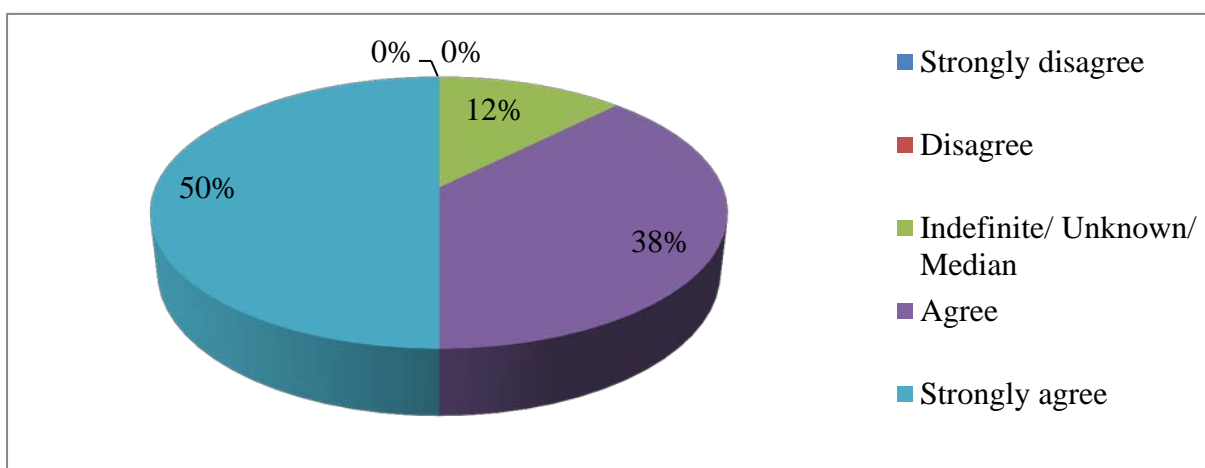


Figure 4.21: Response of semi-skilled and unskilled employees to their view of organizational input to their career development.

#### 4.4.2.4 Employee work engagement

Figures 4.22, 4.23 and 4.24 show the responses from the participants toward the following statement:

- I feel completely involved in my work, and I am determined to give my best effort at work each day.

This statement was aimed at determining the extent to which employees perceive their level of involvement in their work. Kalid & Malik (2016) reported that work engagement has a positive relation relationship with psychological contract and has a negative relationship to psychological contract breach. Therefor employees who agree to this statement will have high level of engagement.

Figure 4.22 shows the responses obtained from the professional employee participants. The majority of respondents which comprised of 43% agreed and 34% strongly agreed. Therefore, a total majority of 77% of professional employees agreed and a minority of 2% disagreed. The results show that the majority of professional employees of Umgeni Water are highly engaged at work and are willing to give their best effort at work each day.

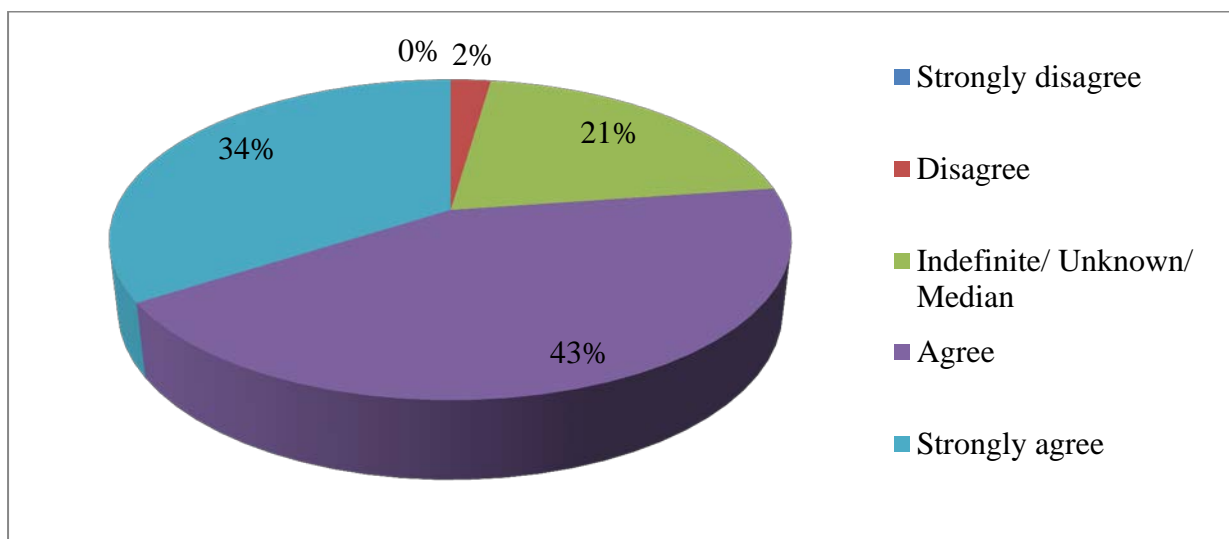


Figure 4.22: Response of professional employees on their view on the extent or degree to which they feel involved in their job.

Figure 4.23 shows the responses obtained from the skilled employees participants. The majority of respondents, comprised of 41% strongly agreed and 38% agreed. Therefore, a total majority of 79% of skilled employees agreed. This shows that the majority skilled employees of Umgeni Water are highly work engaged and are willing to give their best effort at work each day.

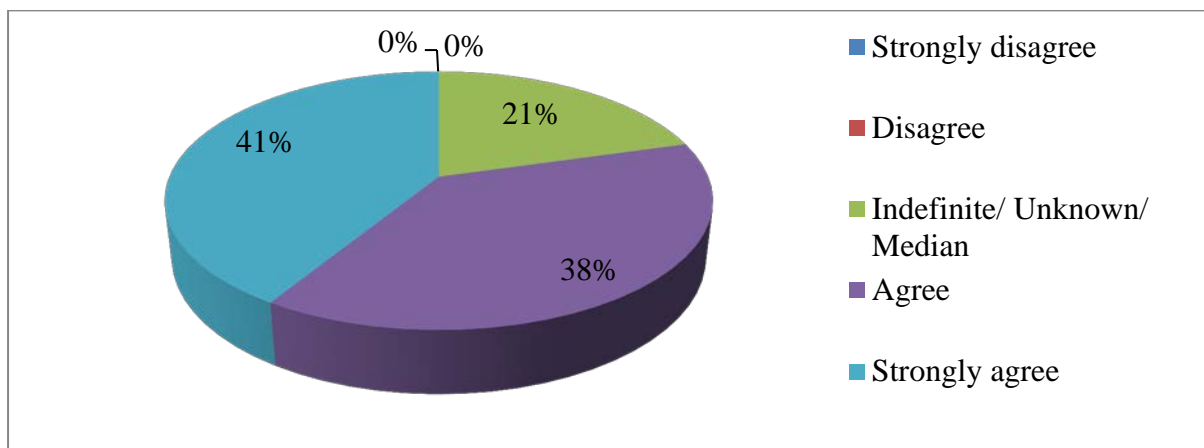


Figure 4.23: Response of skilled employees on their view of the extent or degree to which they feel involved in their job.

Figure 4.24 shows the response obtained from the semi-skilled and unskilled employees participants. The majority of respondents who comprised of 75% agreed and 25% strongly agreed. Therefore, a total majority of 100% of semi-skilled and unskilled employees agreed. This shows that the majority of professional employees of Umgeni Water are highly engaged at work and are willing to give their best effort at work each day.

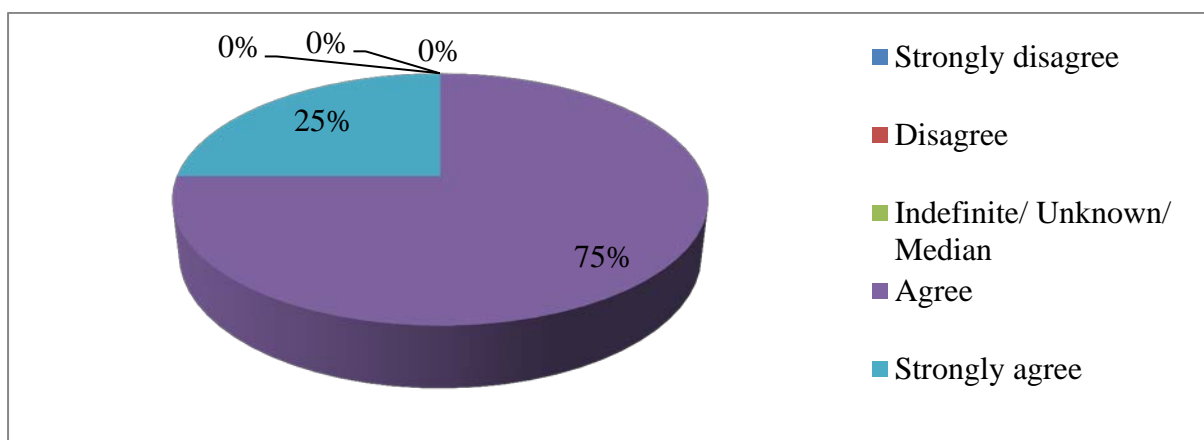


Figure 4.24: Response of semi-skilled and unskilled employees on their view of the extent or degree to which they feel involved in their job.



#### 4.4.2.5 Employees perception on compensation and benefits

Figures 4.25, 4.26 and 4.27 show the responses from the participants toward the following statement:

- I am satisfied with my overall remuneration i.e. including annual bonus and Performance bonus.

This statement was aimed at determining whether there is alignment between the expectations employees have of their remuneration package and the actual package offered by the organization. Nohria (2008) reported that the reward system has a positive relationship to motivation. Therefore employees who agree to this statement indicate they are satisfied with their reward system which means their expectations of the extrinsic factors of motivation have been met. Employees who disagree to this statement indicate that their expectations have not been met or have been breached.

Figure 4.25 shows the responses obtained from the professional employees participants. The majority of respondents who comprised of 34% agreed and 11% strongly agreed. Therefore, a total majority of 45% of professional employees agreed. A minority of 16% of employees disagreed. The results indicate that the majority of professional employees of Umgeni Water perceive their remuneration and benefits to be fair and satisfactory.

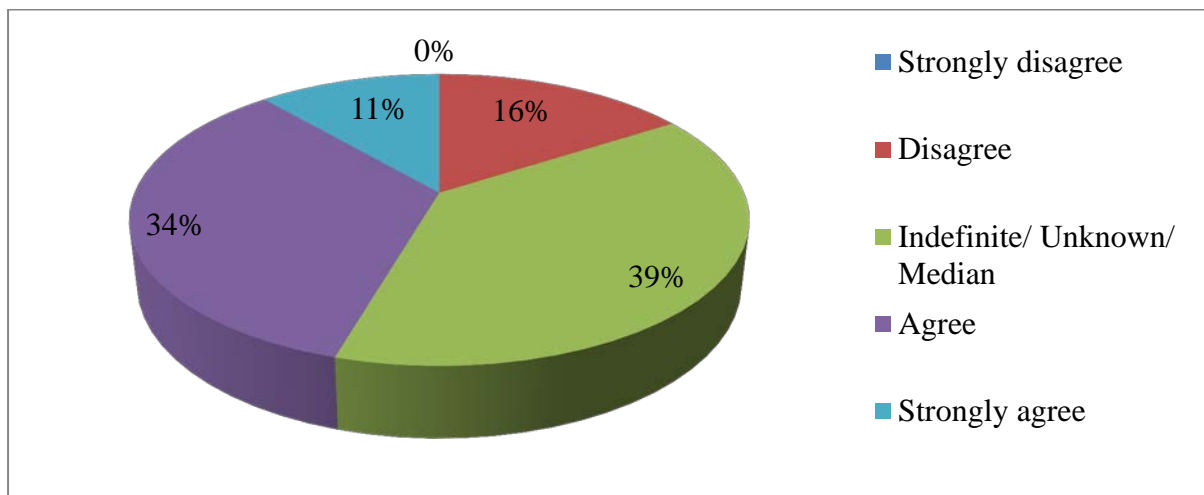


Figure 4.25: Response of professional employees on their view of the extent or degree to which they feel involved in their job.

Figure 4.26 shows the responses obtained from the skilled employee participants. The majority of respondents who comprised of 44% agreed and 15% strongly agreed. Therefore, a total majority of 59% of skilled employees agreed and a minority of 18% of employees disagreed. The results indicate that skilled employees of Umgeni Water perceive their remuneration and benefits to be fair and satisfactory.

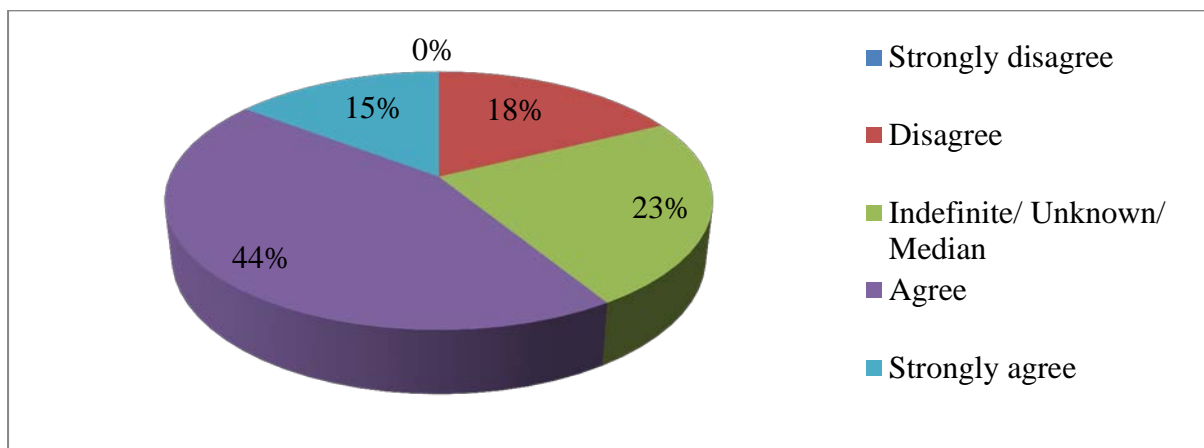


Figure 4.26: Response of skilled employees on their view of the extent or degree to which they feel involved in their job.

Figure 4.27 shows the responses obtained from the semi-skilled and unskilled employee participants. The majority of respondents who comprised of 50% strongly agreed and 25% agreed. Therefore, a total majority of 75% of skilled employees agreed and a minority of 12% of employees disagreed. This shows that semi-skilled and unskilled employees of Umgeni Water perceive their remuneration and benefits to be fair and satisfactory.

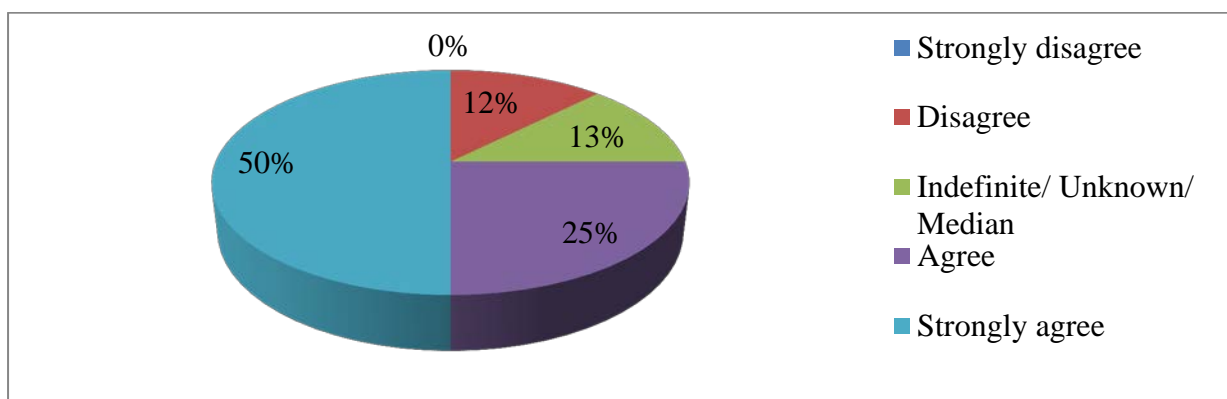


Figure 4.27: Response of semi-skilled and unskilled employees on their view of the extent or degree to which they feel involved in their job

### **4.4.3 Employee commitment**

#### **4.4.3.1 Employee perception of availability of essential work resources**

Figures 4.28, 4.29 and 4.30 show the responses from the participants toward the following statement:

- I am always provided with adequate tools to perform my job, or there are always simple, quick means to obtain the necessary tools to perform my job.

This statement was aimed to determine the perception that employee have about the support that the employer provides to ensure that they perform their jobs satisfactorily. Nohria (2008) and Lee (2003) indicated that the job design and resource allocation process has a positive relationship with motivation. Therefore employees who agree to this statement indicate that their expectation of the job design and resource allocation has been met. This has a positive effect on employee motivation.

Figure 4.28 shows the responses obtained from the professional employee participants. The majority of respondents who comprised of 50% agreed and 11% strongly agreed. Therefore, a total majority of 61% of professional employees agreed. A minority of 16% of employees disagreed and 2% strongly disagreed. The majority of professional employees believe that they are always provided with adequate tools to perform their job, or that there are always simple, quick means to get the correct tools to perform their job. This shows that the professional employees of Umgeni Water perceive that the employer takes their work seriously and will provide them with the necessary support to ensure that they perform their work.

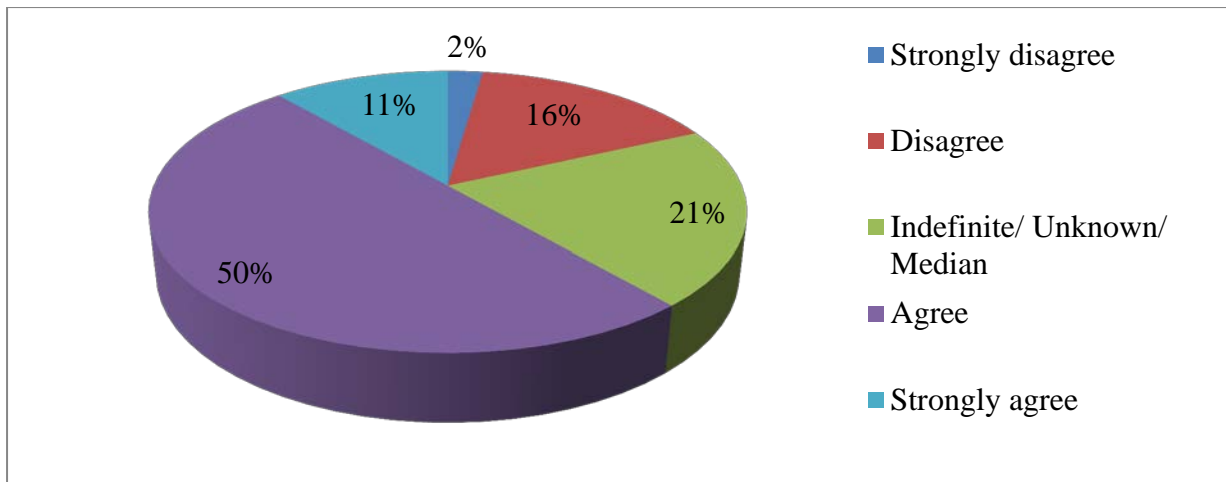


Figure 4.28: Response of professional employees on their view of the availability of essential work resources

Figure 4.29 shows the responses obtained from the skilled employee participants. The majority of respondents comprised of 50% agreed and 21% strongly agreed. Therefore, a total majority of 71% of skilled employees agreed and a minority of 3% of employees disagreed. The majority of skilled employees believed that they are always provided with adequate tools to perform their job, or that there are always simple, quick means to get the required tools to perform their job. This shows that the skilled employees of Umgeni Water perceive that their employer takes their work seriously and will provide them with necessary support to ensure that employees perform their work.

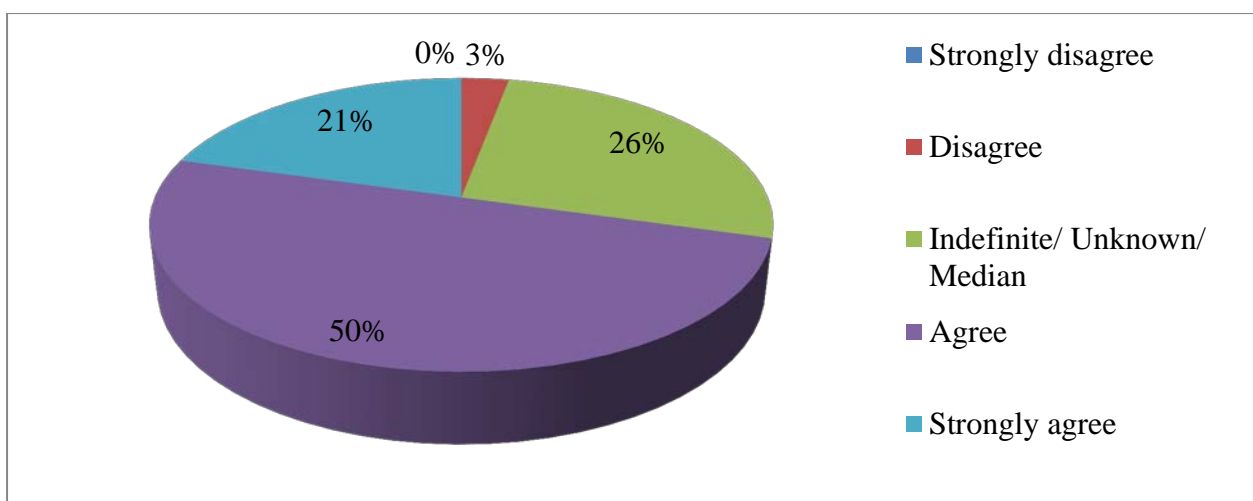


Figure 4.29: Response of skilled employees on their view of the availability of essential work resources

Figure 4.30 shows the responses obtained from the semi-skilled and unskilled employee participants. The majority of respondents who comprised of 38% strongly agreed and 12% agreed. Therefore, a total majority of 50% of skilled employees agreed and a minority of 25% of employees disagreed. The majority of semi-skilled and unskilled employees believed that they are always provided with adequate tools to perform their job, or that there are always simple, quick means to get equipment to perform their job. This demonstrates that semi-skilled and skilled employees of Umgeni Water perceive that their employer takes their work seriously and will provide them with necessary support to ensure that they perform their work.

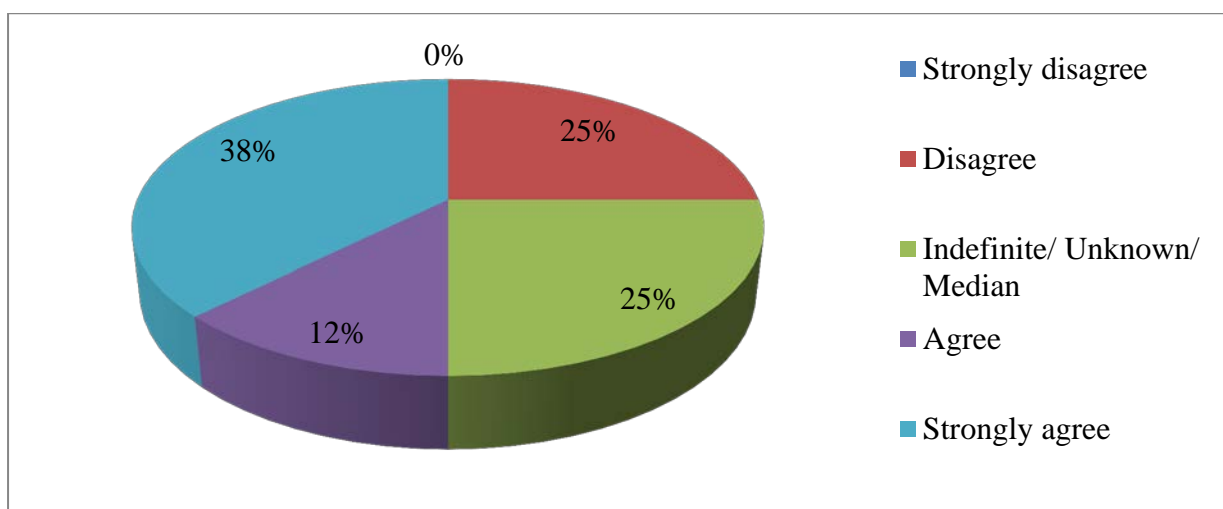


Figure 4.30: Response of semi-skilled and unskilled employees to their view on the availability of essential work resources.

#### 4.4.3.2 Employee perception on organizational trust

Figures 4.31, 4.32 and 4.33 show the responses from the participants toward the following statement:

- This organization has always been loyal and caring to me

This statement was aimed to determine the perception or belief employees hold about the organisations loyalty and the care the organization has for them. Shore&Tertick (1994) and Robinson &Morrison (200) suggested that there will be trust between the employer and employees when there is a favourable psychological contract and there is no violation of the psychological contract. Therefore employees who agree to this statement indicate that their

expectations or beliefs have been met. Employees who disagree believe that their psychological contract obligations have been violated.

Figure 4.31 shows the responses obtained from the professional employee participants. The majority of respondents who comprised of 36% agreed and 11% strongly agree. Therefore, a total majority of 47% agreed. A minority of 9% disagreed and 5% strongly disagreed. The results indicate that the majority of professional employees perceive Umgeni Water as an organisation that cares for them and is loyal to them.

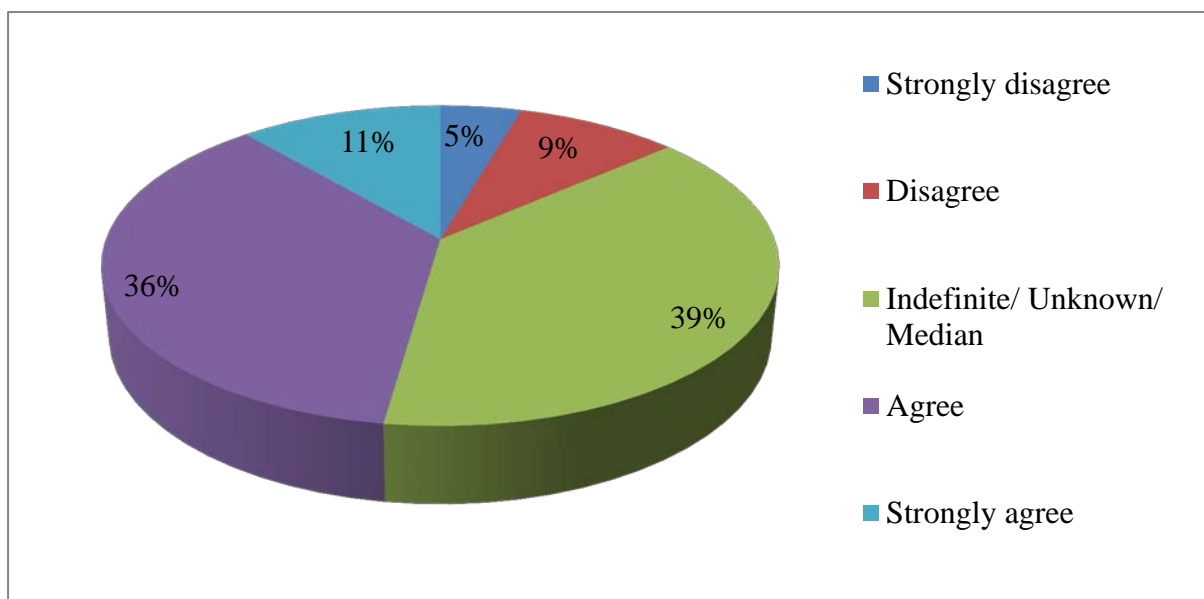


Figure 4.31: Response of professional employees on their perception of organizational loyalty and trust in organization.

Figure 4.32 shows the responses obtained from the skilled employee participants. The majority of respondents who comprised of 47% agreed and 18% strongly agreed. Therefore, a total majority of 63% agreed and a minority of 6% disagreed. The results indicate that the majority of skilled employees perceive Umgeni Water as an organisation that cares for them and is loyal to them.

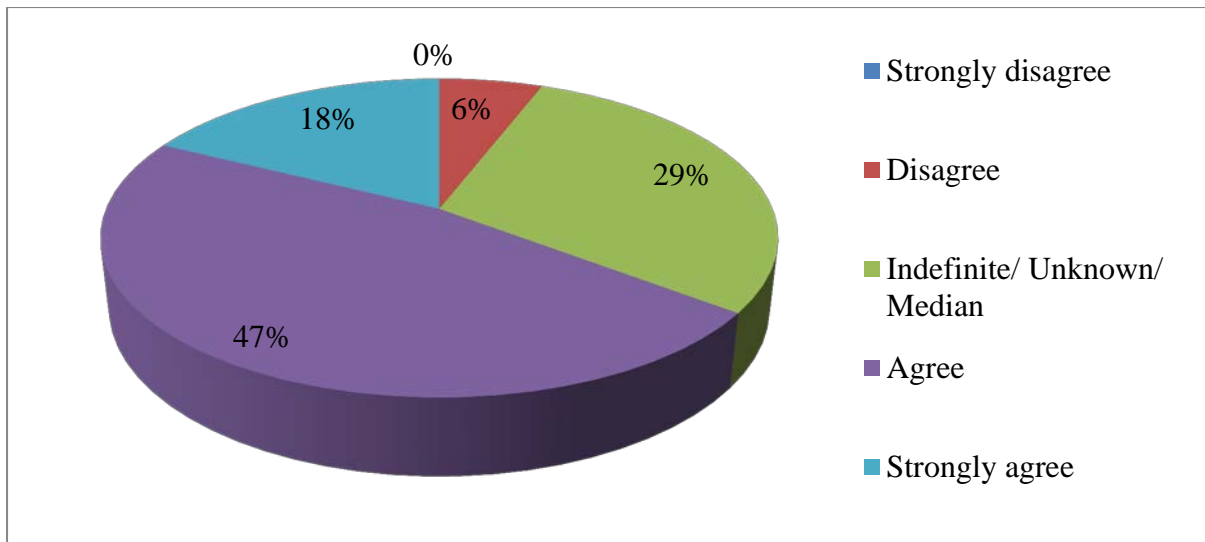


Figure 4.32: Response of skilled employees on their perception of organizational loyalty and trust in organization.

Figure 4.33 shows the responses obtained from the semi-skilled and skilled employee participants. The majority of respondents who comprised of 50% agreed and 38% strongly agreed. Therefore, a total majority of 88% agreed. The results indicate that the majority of semi-skilled and unskilled employees perceive Umgeni Water as organisation that cares for them and is loyal to them.

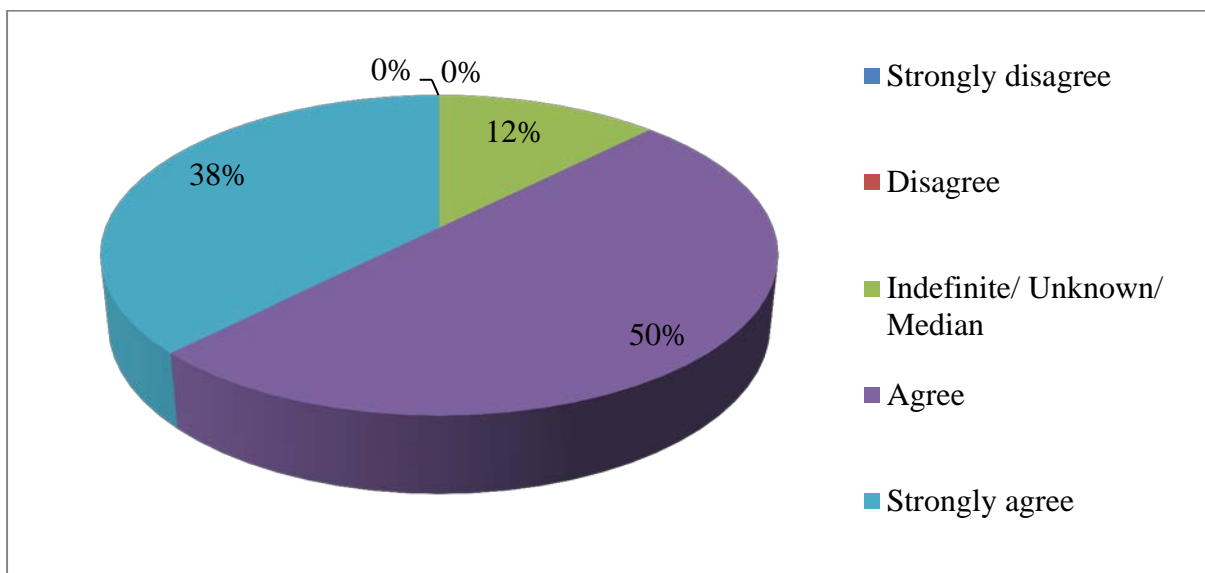


Figure 4.33: Response of semi-skilled and skilled employees on their perception of organizational loyalty and trust in organization

#### 4.4.3.3 Employee turnover intentions

Figures 4.34, 4.35 and 4.36 show the responses from the participants toward the following statement:

- I anticipate that I will remain employed with my current organization for at least five years.

This statement was aimed at determining organizational commitment of employees. Sturges, et al. (2005) suggested employees intention is linked to organizational commitment, showing an inverse relationship. Therefore employees who agree with this statement have a high level of organizational commitment. Employees who disagree with this statement have low organizational commitment.

Figure 4.34 shows the responses obtained from the professional employee participants. The majority of respondents who comprised of 34% agreed and 20% strongly agreed. Therefore, a total majority of 54% agreed, a minority of 16% disagreed and 9% strongly disagreed. The results show that the majority of professional employees have no intention to leave the organization; indicating high organizational commitment, with minimal employee turnover.

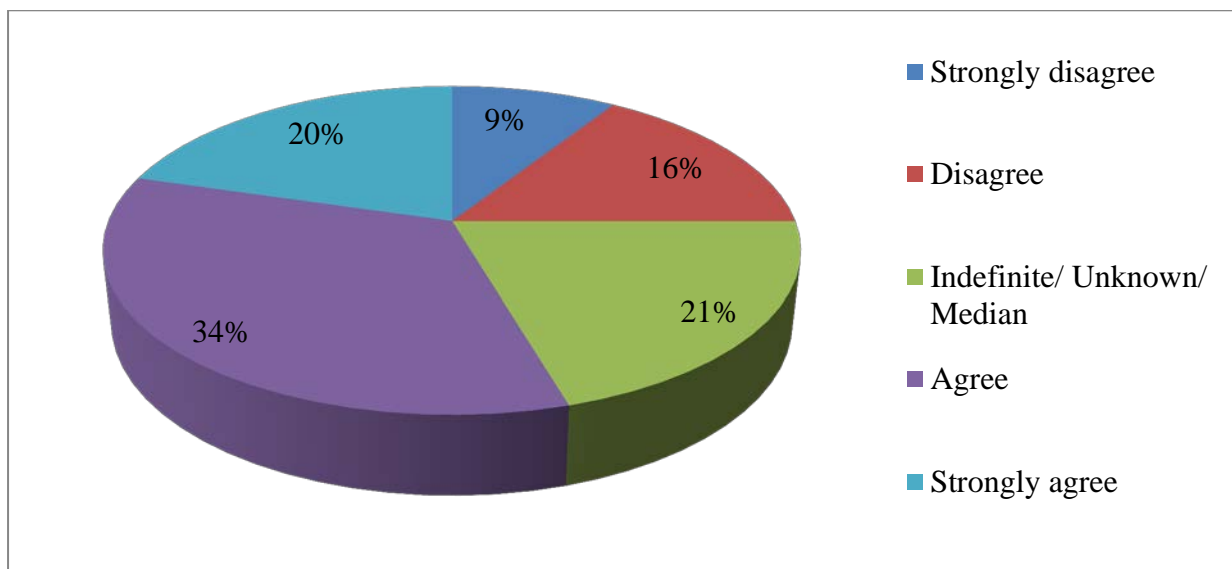


Figure 4.34: Response of professional employees on their turnover intentions

Figure 4.35 shows the responses obtained from the skilled employee participants. The majority of respondents who comprised of 41% strongly agreed and 18% agreed. Therefore, a



total majority of 59% agreed. A minority of 12% disagreed and 3% strongly disagreed. The results show that the majority of skilled employees have no intention to leave the company; indicating high organizational commitment, with minimal employee turnover.

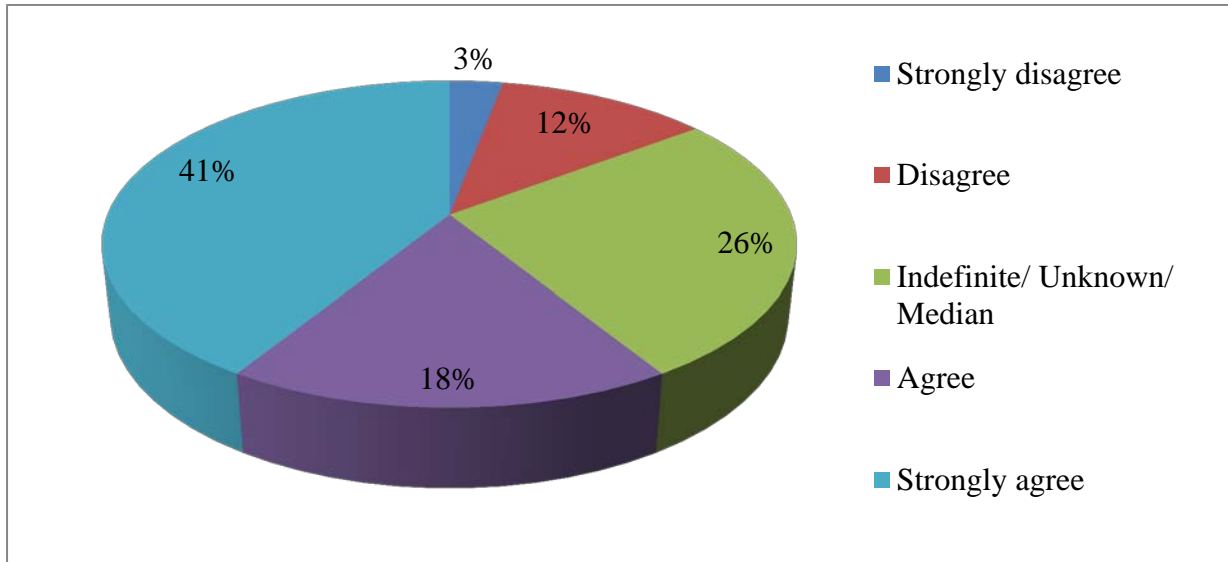


Figure 4.35: Response of skilled employees on their turnover intentions.

Figure 4.36 shows the responses obtained from the semi-skilled employee participants. The majority of respondents who comprised of 50% strongly agreed and 25% agreed. Therefore, a total majority of 75% agreed. The results show that the majority of semi-skilled and unskilled employees have no intention to leave the company; indicating high organizational commitment, with minimal employee turnover.

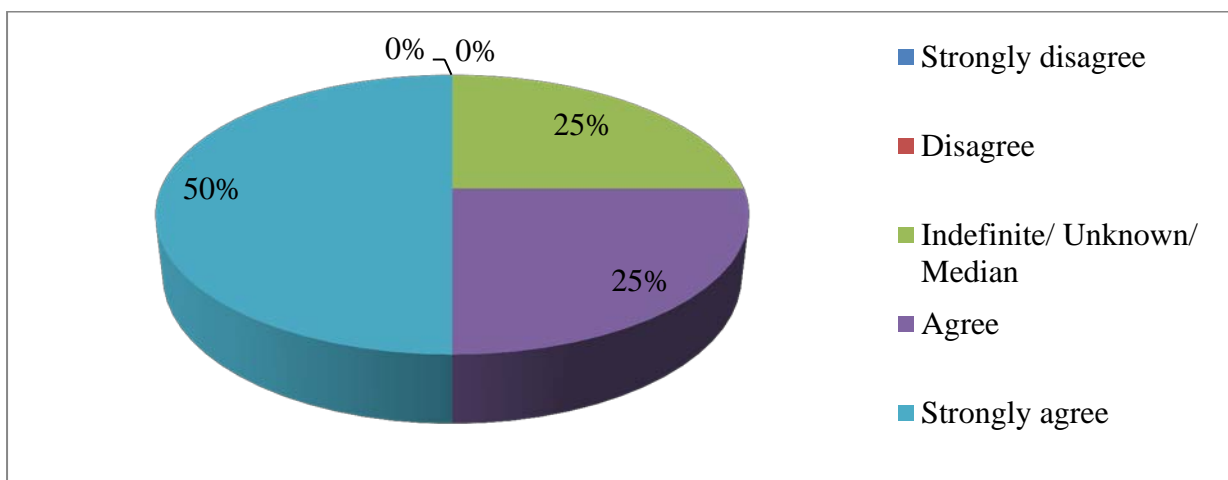


Figure 4.36: Response of semi-skilled employees on their turnover intentions

#### 4.4.3.4 Employee organizational ambassador or citizenship

Figures 4.37, 4.38 and 4.39 show the responses from the participants toward the following statement:

- “If I had the opportunity, I would recommend this organization to a job seeker”

This statement was aimed to determine the citizenship of employees and provides a test to determine their organizational commitment. Sturges, et al. (2005) suggested employees organizational citizenship is linked to organizational commitment, showing an directly proportional relationship. Therefore employees who agree with this statement have a high level of organizational commitment. Employees who disagree with this statement have low organizational commitment.

Figure 4.37 shows the responses obtained from the professional employee participants. The majority of respondents who comprised of 43% agreed and 32% strongly agreed. Therefore, a total majority of 75% agreed and a minority of 9% disagreed. The results show that the majority of professional employees have good citizenship to Umgeni Water; indicating that the majority of professional employees of Umgeni Water have a positive organizational commitment or citizenship.

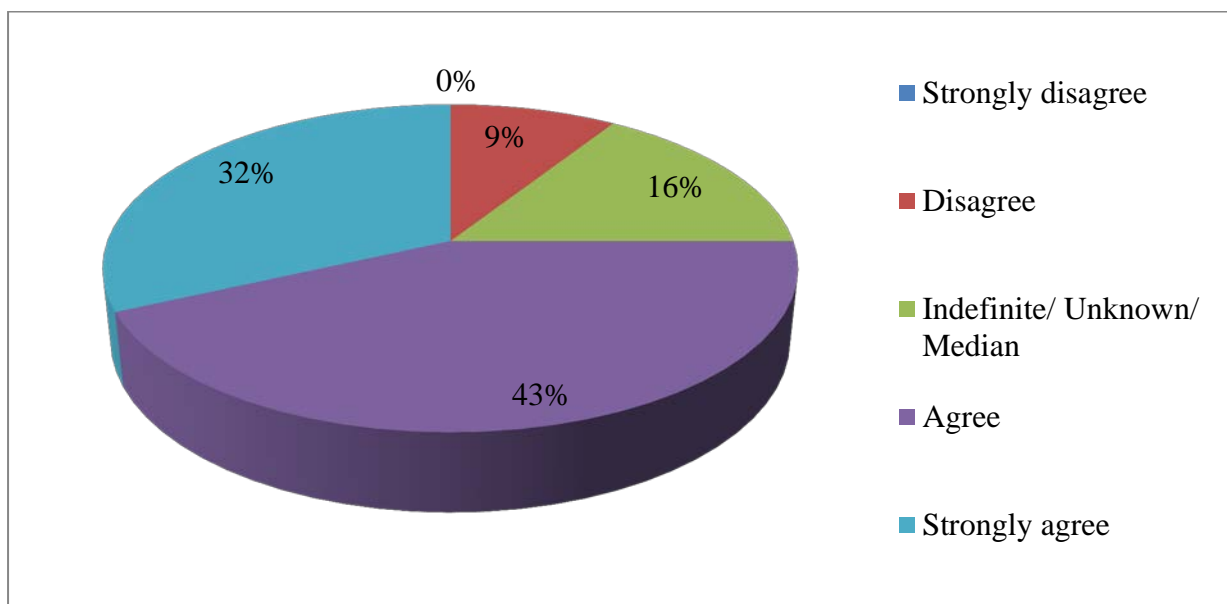


Figure 4.37: Response of professional employees on their level of commitment or being organizational citizen

Figure 4.38 shows the responses obtained from the skilled employee participants. The majority of respondents who comprised of 53% strongly agreed and 32% agreed. Therefore, a total majority of 85% agreed and a minority of 3% strongly disagreed. The results show that the majority of skilled employees have good citizenship to Umgeni Water; indicating that the majority of skilled employees of Umgeni Water have a positive organizational commitment or citizenship.

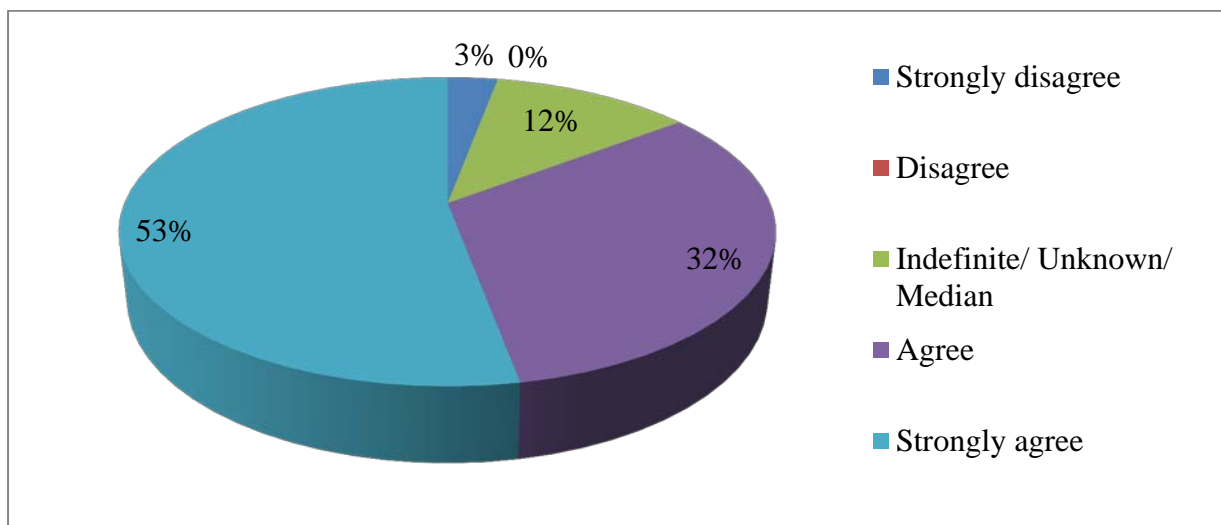


Figure 4.38: Response of skilled employees on their degree of being organizational citizen.

Figure 4.39 shows the responses obtained from the semi-skilled and unskilled employee participants. The majority of respondents who comprised of 50% strongly agreed and 38% agreed. Therefore, a total majority of 88% agreed. The results show that the majority of semi-skilled and unskilled employees have good citizenship to Umgeni Water; indicating that the majority of semi-skilled and unskilled employees of Umgeni Water have a positive organizational commitment or citizenship.

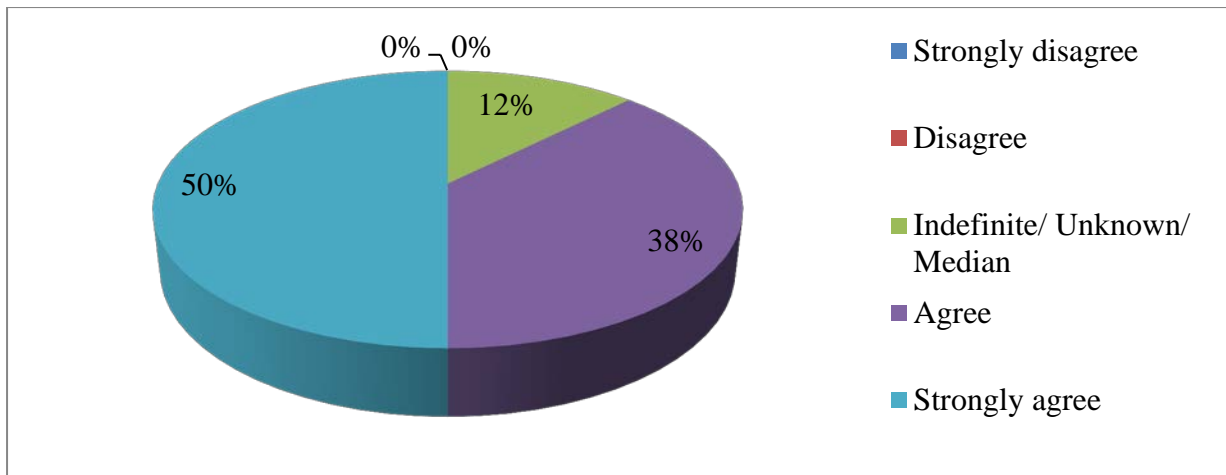


Figure 4.39: Response of semi-skilled and unskilled employees on their degree of being organizational citizen

Table 4.4 tabulates the rating score of work factors that influence workplace motivation. It is evident from table 4.4 that in all work factors of motivation, there is at least between 20% to 30% of unsatisfactory or undesirable rating; indicating that there is a significant fraction of employees that are not satisfied, engaged or committed in the organization.

**Table 4.4:** Rating of factors motivation at Umgeni Water

<b>Factors of employee Motivation</b>	<b>Professional Employees</b>	<b>Skilled Employees</b>	<b>Semi-skilled and unskilled employees</b>
<b>Satisfaction</b>	78.0%	85.6%	81.3%
<b>Engagement</b>	73.5%	79.3%	83.6%
<b>Commitment</b>	71.3%	78.1%	79.1%

#### 4.5 Objective 3: Management understanding of psychological contract and strategies to manage psychological contract at Umgeni Water

Table 4.5 tabulates typical HRM strategies (i.e. practices, policies and programmes) that are used to manage psychological contracts at Umgeni Water. Furthermore, table 4.5 presents the management understanding of its obligation in the psychological contract.

**Table 4.5:** HRM strategies (i.e. Practices, policies and programmes) to manage psychological contracts at Umgeni Water

Psychological contract factor	HRM practice policy, practice, program	Intention Target outcome or Management perspective	Management perception of obligation
Recruitment process	Recruitment policy	The Recruitment policy is intended to provide fairness and equity in the recruitment process. The policy guides the process from start to end i.e. including the manner in which interviews should be conducted within the organization.	Management holds a view that the recruitment process should be fair and equitable. The process should be within the ambit of the South African Labour Laws.
	Umgeni Water has compulsory Induction Program	The induction program is intended for all new employees. The program is aimed at introducing new employees to the culture, policies and all other relevant conditions of employment	Management are of the view that all new employees should attend the induction programme and should provide means for employees to attend induction programs.
Satisfaction	Wellness Programmes	The wellness programme is aimed at assisting employees who are under stress due to work or personal issues, in order to ensure optimum	Management is of the view that their obligation is to ensure a conducive environment for employees to

		employee work performance	perform their duties.
	Performance Management Policy	The performance management policy is aimed to provide fair guidance on measuring employee performance.	The performance Management system at Umgeni Water is led by the HRM team. The process is conducted in a fair and humane manner.
Work environment	Youth Development Goals in the organization	Umgeni Water intends have a friendly environment where organization goals, policies and practises are set with consideration of employees' interest, needs and desires. Common policies are applied across the organization to ensure a fair and equitable environment.	Management is of the view that its obligation is to ensure a positive spirit of working and motivated employees. HRM team ensures that all non-HR managers are provided with adequate support to promote a consistent culture throughout the organization
	Occupational Safety and Health policies, Organizational Risk Register	The Occupational Safety and Health policy is intended to provide a safe working environment i.e. preventions of physical harm or emotional harm to employees thereby providing a pleasant working environment.	Umgeni Water is of the view that employees should be trained on their personal safety at work and it is the employers duty to ensure that the environment is safe
	Employment Equity Plan	The intention of the employment equity plan is to ensure inclusiveness and a non-discriminative environment of all demographics at Umgeni	Umgeni Water is of the view that it is the employers responsibility to encourage and ensure

		Water. The organization has developed an employment equity committee that is elected by employees i.e. each race elect its members.	there is an environment that is non-discriminative, non-sexiest and inclusive of all races.
Career Development	Succession Plan, Emerging Management Development Plan, Management Development Plan and Technical Skills Training Program for artisans.	Umgeni Water selects and develops employees that are ear-marked as potential future employees in critical scarce skill positions, including management position with the intention of retaining valuable talent. Management short-courses or accelerated programs are offered to emerging managers in the organization. There are courses aimed to supplement the technical skills within the organization.	Management is of the view that it is partially an employer's role to provide career development in the organization. However, employees have autonomy to steer their career development within the value adding programs to the organization.
	Bursary Scheme and Assisted education	The bursary scheme is intended to close the skills gap in the organization in the scarce skills jobs/ position e.g. Civil, Mechanical, Electrical engineering etc. The assisted education is a bursary scheme designed for fulltime employees of Umgeni Water.	
Work Engagement	Performance Management Policy	The Performance management Policy is aimed at measuring, and monitoring employee performance, and also to	Umgeni Water always ensure a fair and ethical performance measurement,

		provide necessary training intervention. In order create a highly engaged work environment, Umgeni Water has ensured that all managers undergo the accelerated management training program provided by the University of KwaZulu Natal.	monitoring and assistance to employees is provided. HRM team presents the process of performance appraisal to all employees to ensure that the process is not abused.
	Job Description and Job Profiles	These are aimed at ensuring that roles all of positions in the organizations are described and known, and that the skills required for incumbents of the positions in the organizations	
Compensation and benefits	Remuneration policy and Performance Appraisal	The company targets market related salaries. The remuneration policy is reviewed periodically to ensure that all benefits and wages are market related.	There is a drive within the organization to ensure salaries are fair and equitable. Umgeni Water is targeting similar remuneration for employees in the same grade
Relationship Management	Staff Information Sessions	The staff information meeting sessions are held on a quarterly basis where executive management meets employees to discuss organizational performance, targets, goals, and any other work related issues.	
	Executive Site Visit	The executive team at Umgeni Water visits all working stations every 6 months, with the	



		intention of meeting employees and to discuss any site specific challenges.	
	Year-end function and Awards	These are held once a year in December. The intention is to award outstanding performers from individuals and teams	
Exchange ideology	Developed communication platforms with Union Management	Umgeni Water meets on quarterly bases with the union management to discuss issues, needs and desires of employees. These quarterly meeting take place in addition to wage negotiations. The intention of the quarterly meeting is to develop and promote a good relationship with the union and employees.	Umgeni Water aims for a relational or transitional type of psychological contract

#### 4.6 Summary

The results of this study were developed from employee surveys and group interview with managers from the department of Human Resource Management of Umgeni Water. The two sets of results i.e. from employee survey and HRM managers were correlated and compared in order to provide answers to the research questions of this study. The results of this study are further discussed in the following chapter.

## CHAPTER 5: Discussion and Findings

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### 5.1 Introduction

The purpose of this study is to evaluate the management of the psychological contract between the employers and employees at Umgeni Water, this will include determine whether psychological contract is optimally managed and also recommending contemporary human resource practices and strategies to manage the psychological contract. This chapter presents the discussion of the findings from the analyses of the employee survey and management interviews.

### 5.2 Research methodology

This study has been conducted through a mixed method research approach. A survey questionnaire was used to obtain research data from employees. Group interviews were held with the HRM team of Umgeni Water to determine, and debrief HRM practices that assist Umgeni Water in managing the psychological contract.

There were selected variables that were measured and their relationship analysed by statistical methods to provide Umgeni Water specific information on the relationship between the selected variables. .

The following research approach has been used to achieve the objectives of this study:

- Objective 1: Employees were asked specific questions in the form of a statement that required them to rate their responses using the 5 point Likert scale, where 1 is strongly disagree and 5 is strongly agree. These statements were used to determine the type and nature of the psychological contract that exists between the employer and employees at Umgeni Water. Management interview data was analysed for patterns and trends that indicate the type and nature of the psychological contract.
- Objective 2: Employees were asked specific questions in the form of a statement that required them to rate using the 5 point Likert scale, where 1 is strongly disagree and 5 is strongly agree. These statements were used to determine the alignment of the psychological contract between the employer and employees. The employees were

thereafter asked to rate the factors that determine psychological contract. A favourable rating was interpreted as an indication of alignment or congruence in the psychological contract; an unfavourable rating was interpreted as a lack of alignment or congruence in the psychological contract. Management interview data was analysed for patterns and trends that indicate the alignment or congruency in the psychological contract that exists between the employer and employees.

- Objective 3: An interview with the HRM team was held to identify, evaluate and debrief HRM practices that assist in managing the psychological contract. Furthermore, the interview was utilised to determine the extent to which management understands the psychological contract held by employees.
- Objective 4: Critical review of the benefit to the organization of properly managing psychological contract is deduced from literature and these are related to the current state of psychological contract at Umgeni Water.
- Objective 5A literature review has been used to determine the contemporary management strategy to effectively manage the psychological contract in the workplace.

The employee survey results were presented on the pie-chart, with each sample stratum presented separately.

### **5.3 Interpretation of results from employee survey questionnaire**

Chapter 4 presented results of how employees agree or disagree with statements regarding their relationship with the employer. The response to these statements was based on employee perception, beliefs or expectation. The statements had variables related to employee satisfaction, engagement, commitment, motivation and factors ideology of exchange. The analysis results obtained from the employee survey shown in chapter 4 are as follows:

### **5.3.1 Objective 1: Type and nature of psychological contract**

- Figures 4.1, 4.2, and 4.3, show the response of employee's towards the statement: An employee's work effort should depend partly on how well the organization deals with his or her desires and concerns.
  - This statement was aimed at determining whether the employee holds a view, perception or belief that their work effort should be dependent on the relationship that they have with the employer. The results indicate that the majority of employees believe, perceive or hold a view that their performance should be dependent on how their employer deals with their desires. A similar response was obtained from all sample strata. This is indicative of a relational exchange psychological contract that is held by employees.
- Figures 4.4, 4.5 and 4.6, show the response of employees toward the statement: An employee who is treated badly by the organization should reduce his or her work effort.
  - This statement was aimed at determining whether employees hold a view, perception or belief that their work effort should be dependent on the relationship that they have with the employer. This statement was intended to provide a repeatability test of the nature of the obligations, expectations or beliefs that form the psychological contract held by employees at Umgeni Water. The results indicate that the majority employees do not hold a view that the work effort of an employee should be directly proportional to how the organization treats employees. Similar results were obtained from all sample strata. These results indicate that the employees care about the relationship they have with employer. Employees' response show to avoid a hostile relationship with the employer. This further affirms that the type and nature of the psychological contract is a relational contract.
- Figures 4.7, 4.8 and 4.9, show the response of employees to the statement: An employees work effort should not be related to the fairness of their remuneration.
  - This statement was aimed at determining whether employees hold a view, perception or belief that their work effort should be dependent by the fairness of

remuneration i.e. determining if the psychological contract held by employees is transactional or centered around the financial benefits that the employer could offer or promised to offer. The results indicate that the majority of employees do not believe that their work effort should depend on the fairness of remuneration. A similar response was obtained in all sample strata. This indicates that the psychological contract held by employees is not transactional.

### **5.3.2 Objective 2: Alignment of the psychological contract that exist between the employer and employees**

Alignment psychological contract on the recruitment process:

- Figures 4.10, 4.11 and 4.12, show the response of employees toward the statement: The recruitment process at Umgeni Water is ethical and lawful.
  - This statement was aimed at determining the view or perception of whether the employee holds regarding the recruitment process at Umgeni Water. Employees understand and expect that the recruitment process is governed by the South African Labour Laws, and to a certain degree employees will be influenced by this act in believing that there is an obligation, and expectation that the employer should deliver to them. The results show that the majority of employees perceive the recruitment process as fair and ethical. Similar results were obtained in all sample strata. This indicates that there is a satisfaction of the recruitment process. This level of satisfaction could be linked to a properly managed expectations.

Alignment of the psychological contract on the factors of satisfaction during employment:

- Figures 4.13, 4.14 and 4.15, show the response from employees toward the statement: I am satisfied with my organization and understand how my work impacts the organizations business goals.
  - This statement was aimed at determining the view, perception or belief that employees have about the contribution of the employer to their job satisfaction. Employee job and organizational satisfaction is a result of the congruence in the

psychological contract between the employer and employee. The majority of employees agreed that they are satisfied with their jobs, and the contribution of their job to the organization. A similar response was obtained from all sample strata. This indicates that there is an alignment of the psychological contract that exists between the employer and employees on factors that determine job satisfaction.

- Figures 4.16, 4.17 and 4.18, show the response from the participants toward the statement: This Company (i.e. Umgeni Water) has always supported me and will always when I encounter difficulties with the job.
  - Employee organizational satisfaction is a result of alignment or congruence in the psychological contract between the employer and employee. In many cases, organizational satisfaction determines the turnover intentions. The results showed that the majority of employees perceive Umgeni Water as a supportive organization. A similar response was obtained in all sample strata. Therefore, there is alignment of the psychological contract that exists between the employer and employees on factors that determine organizational satisfaction.
- Figures 4.19, 4.20 and 4.21, show the response from the participants toward the statement: I am pleased with the career advancement opportunities available to me, and my organization is dedicated to my professional development.
  - This statement was aimed at determining the view, perception or belief that employees have about the contribution of the employer to their career advancement. Career advancement does not form part of the standard contract of employment at Umgeni Water. The career advancement is dependent on the psychological contract that exists between the employer and employee. The results showed that majority of employees are pleased with the career advancement opportunities available to them and the organizational contribution to their professional development. A similar response was obtained from all sample strata. Therefore, there is the alignment of the psychological contract that exists between the employer and employees on factors that determine organizational satisfaction.

Alignment of the psychological contract on the on factors of work engagement during employment:

- Figures 4.22, 4.23 and 4.24, show the response from employees towards the statement: I feel completely involved in my work, and I am determined to give my best effort at work each day.
  - This statement was aimed to determine the extent to which employees perceive their level of involvement in their work. Employees engagement is dependent on the level of responsibility and awareness provided by management on the employees work, and other work related activities. The results showed that the majority of employees at Umgeni water are highly engaged at work. A similar response was obtained from all sample strata. Therefore there is alignment of the psychological contract that exists between the employer and employees on factors that determine organizational satisfaction.
- Figures 4.25, 4.26 and 4.27, show the response of employees to the statement: I am satisfied with my overall compensation i.e. including annual bonus and performance bonus.
  - This statement was aimed at determining whether there is alignment between the employee's expectations of their compensation, versus the organisations actual compensation. The standard legal contract of employment covers the compensation and benefits that are due to employees; however, there is generally a belief, expectations or obligations that are created by employee in relation to the reward of work performance. These perceptions are created by previous experience. The results indicate that majority of employees at Umgeni Water perceive their compensation and benefits to be fair and satisfactory. A similar response was obtained from all sample strata. Therefore, there is alignment of the psychological contract that exists between the employer and employees on factors that determine compensation and benefits.

Alignment of the psychological contract on the on factors of commitment during employment:

- Figures 4.28, 4.29 and 4.30, which show the response of employees to the following statement: I am always provided with adequate tools to perform my job, or there are always simple, quick means to obtain the necessary tools to perform my job.
  - This statement was aimed to determine the perception the employee has about the support the employer provides to ensure that employees perform their work. The unavailability of work resources could demotivate employees, and result in the perception of that the employer is not taking their work serious. This ultimately affects employee job commitment. The results indicate that the majority of employees perceive that the employer takes their work seriously, and will provide them with the necessary support to ensure that they perform their job satisfactorily. A similar response was achieved from all sample strata. Therefore, there is alignment of the psychological contract that exists between the employer and employees on factors that determine work commitment.
- Figures 4.31, 4.32 and 4.33, which show the response of employees to the following statement: This organization has always been loyal and caring to me.
  - This statement was aimed to determine the perception or belief employees hold about the employer's loyalty and care for them. The legal trust and care are not part of the standard legal contract of employment at Umgeni Water; however, these are perceptions and expectations developed in the psychological contract. The results showed varied responses from sample strata. The results showed that the majority of professional employees believe that the organization has and will always be loyal and caring to them. The majority of the skilled, semi-skilled and professional employees agree with the statement that, the organization has always been loyal and caring to them. These results show that the majority of professional employees perceive or have the view that the organization has not fully met their expectations in terms of loyalty and care. Therefore, there is a lack of, or satisfactory of alignment or congruency in the psychological contract that exists between management and the majority of the professional employees. On the other side, the results showed that there is an alignment or congruence in the



psychological contract that exists between skilled, semi-skilled, and unskilled employees and the employer.

- Figures 4.34, 4.35 and 4.36, show the response of employees to the following statement: I anticipate remaining with my current organization for at least five years.
  - This statement was aimed to determine organizational commitment of employees. Turnover intentions are associated with organizational commitment in the sense that employees could want to stay because they enjoy working for the company and want to continue working and contributing positively to the organization. Whilst on the other side employee would decide to stay because they perceive themselves as unemployable in the market, therefore decide to continue working for the organization however they would typically not add value or contribute positively. The results showed that the majority of employees do not have turnover intentions.
- Figures 4.37, 4.38 and 4.39, show the response from employees to the following statement; given the opportunity, I would recommend this organization to job seekers. This statement was aimed to determine the citizenship of employees.
  - This statement provides a test to determine the type of organizational commitment that exists. Employees that have positive organizational citizenship will contribute positively to the organization, and will be ambassadors of the organization. Employees who have negative organizational citizenship will not contribute positively or add value to the organization; furthermore, these employees will not have a sense of being an organizational ambassador. The result showed that majority of employees would refer job seekers to Umgeni Water. This typically indicates positive organizational citizenship, the sense of being and organizational ambassadorship. Therefore, there is alignment of the psychological contract that exists between the employer and employees on factors that determine organization citizenship.

### **5.3.3 Objective 4: The potential contributions of properly and effectively managing psychological contract in increasing employee satisfaction, commitment, engagement and motivation at Umgeni Water:**

- It has been shown in a number of studies in the literature, that psychological contracts if perceived to be breached, affect the factor that determine employee motivation. These factors of motivation include employee satisfaction, commitment, and engagement, which could be either organizational or job specific. Furthermore, these factors are dependent on many extrinsic and intrinsic factors of the work place such as remuneration, reward, career development and growth, work environment, organizational support, work relationships, and communication in the work place, etc.
- The potential contributions or benefit of properly and effectively managing psychological contracts include the following (Shore & Tetrick, 1994; Robinson & Morrison, 2000; Coyle-Shapiro & Kessler, 2000; Katou, 2013):
  - The trust will develop between employees and the organization, as employees will perceive that the organization has delivered on its obligations of the psychological contract.
  - Employees will be motivated as the expectations on the work factors of employee motivation will be met.
  - High organizational efficiency and effectiveness will be achieved as the majority of employees will be motivated.
  - There will be minimal; if at all any labour disputes or labour unrest.

Figure 4.31, 4.32 and 4.33 show that the majority of employees do trust Umgeni Water, these employees perceive or believe that Umgeni Water is a loyal and caring organization. This shows that Umgeni Water has properly managed the psychological contract.

It is evident from table 4.1 that in all work factors of motivation, there is at least 20% of unsatisfactory rating by employees at Umgeni water. The 20% indicates that approximately 146 to 176 of employees are not satisfied or motivated. This is a significant fraction of the workforce of Umgeni Water and this poses a risk of hampering efficiency and effectiveness in the organizational performance.

#### **5.3.4 Objective 5: Contemporary management strategies or practices to effectively manage the psychological contract from recruitment to termination of employment in the workplace at Umgeni Water.**

- It is evident from the results of the survey and management interview that Umgeni Water promotes and strives to develop a relational psychological contract. This has shown in the results to be acceptable and favourable for at least 70% of the employees, as shown in table 4.1.

The results have clearly indicate that the majority of employees are more interested in the relationship that they have with Umgeni Water than the transactional offer that Umgeni Water promises or offers them.

Umgeni Water like any other organizations is prone to external and internal environmental changes, which can affect the psychological contract that exists between the employer and employees. The dominance of the relational psychological contract implies that employees will expect the organization to keep its promises of psychological obligations, such as job security, even if the company is not in a position to offer them. According to Robinson & Morrison (2000) if employees do not get these expectation they will perceive a breach of the psychological contract and will either voice it, be silent, destruct through labour unrest or exit. These have an adverse effect on the organizational performance, efficiency and effectiveness.

The concept of employability could be seen as an appropriate contemporary form of a psychological contract, where there would be a balance psychological contract. The concept of employability shifts the contract to a balance psychological contract where employees have necessary skills, knowledge, competencies to find a job, retain jobs, and move between jobs or industries should be need arise, for example, when the organization can no longer deliver on its psychological contract.

- The benefit of employability included the following: (Clarke & Patrickson, 2008):
  - The employer will have a pool of employable workers i.e. surplus skilled knowledgeable employees in the organization including scarce or highly desirable skills.
  - Employee stress will be minimized in times where the employer can no longer deliver on the traditional expectations of the relational psychological contract. For example, employees will not resist retrenchment as they would be highly attractive to other employers in the industry, or employees will not resist short-term contract employment with lucrative financial benefits.

## **5.4 Interpretation of the management response**

### **5.4.1 Objective 1: Type and nature of psychological contract that exist at Umgeni Water**

Wangithi & Muceke (2012) suggested that HRM practices like recruitment, training and development, performance appraisal and remuneration determine the type and nature of the psychological contract that exist in the organization. HRM practices are major mechanism that employees use to understand and interpret the terms of employment. A similar observation is reported by Katou (2013) that HRM practises influence psychological contract by shaping employer and employee promise fulfilment.

Table 5.1 show the analysis of the results obtained from interviews with management. Characteristics of the two (2) generic type of psychological contract are compared against the HRM practices that are put in place at Umgeni Water. Table 5.1 also presents impact or influence of each HRM on the shaping or creation of the psychological contract. It is evident that the psychological contract promoted at Umgeni Water is a transitional contract..

**Table 5.1:** Analysis of results obtained from interviews with Management

Psychological contract type	Exchange ideology	HRM at Umgeni Water	Impact or influence to psychological contract
Transitional contract	Long-term employment where the relationship between the employer and employee is valued (Wangithi & Muceke, 2012)	Umgeni water has the following HRM practices under training: Training and Development , Youth Development Goals, Succession plan with Management Development Programs, Bursary Schemes and Assisted education plan	Training and development According to Kotau (2013) create an impression or belief to the employee that the organization will offer permanent employment and employee is part of the organization. Furthermore according to Wangithi & Muceke (2012) training sends a message to employees that the organization care about them and support them
		At Umgeni there is a fair and equitable performance Management system which is linked to reward like money and awards. There is an Remuneration policy that seek to rationalizes employee pay among similar grades	Performance appraisals provide feedback to employee about their performance which helps to dispel any false beliefs (Wangithi & Muceke, 2012). According to Katau (2012) reward is capable of producing psychological contract by establishing the belief that organization's employee worth their long-term salaries
		There are job descriptions and job profiles for all employees. There is Employment Equity , this ensure a fair and equitable environment	fair and equitable environment increases organization commitment and hence long - term employment

		Staff information session where the executive visit all Umgeni Water sites, year-end functions and awards, and Occupational Health and Safety has a training budget	this sends a message to employees that the employer cares about employees
Transactional contract	Short term duration employment with narrow duties . (Wangithi & Muceke, 2012)	None of the HRM practises considered in this study promote transactional psychological contract.	

#### 5.4.3 Objective 2: Alignment of the psychological contract

Katou (2013) reported that a major function of HRM practices is to promote and cultivate a positive psychological contract that will lead to improved organizational performance. This positive psychological contract reflects in a positive attitude reaction with respect to organizational commitment, work satisfaction and motivation.

Data obtained from management interview in table 4.5 revealed that there are several HRM practises that Umgeni Water has develop to ensure that the organization realizes the value in its employees. It is important to note that these HRM practices have and will always promote and cultivate a specific type of psychological contract in employees as suggested by Katou (2013) and Wangithi & Muceke (2012). In the case of Umgeni Water, this study has shown that HRM practises have created and cultivated a relational psychological contract.

According to Rousseau (2011) an alignment in psychological contract refers to the degree in which an employee's psychological contract involves fair and balanced reciprocity between the employer and employee obligation. Typical in aligned psychological contract neither of the parties is demanding obligations. It is evident from the data collected from managers that there are no demands of obligation made by employees to Umgeni Water and there are

complaints that management has regarding the behaviour and attitude of employees. This indicates that there is an appreciable alignment in the psychological contract that exists between the employer and employees. Furthermore this is evident in the fact that Umgeni Water has not had labour unrest for the past 20 years, as indicated by Shore & Tetrick (1994) and Robinson & Morrison (2000) in some cases the breach of psychological contract will results in labour unrest

### **5.4.3 Objective 3: Management Understanding of the psychological contract**

Management was assess against their acceptance or understanding that employees have an unwritten commitment with Umgeni Water as suggested by Rousseau (1995), in order to determine the extent to which management understands the psychological contract expectation and obligation held by employees. Management has demonstrated that the organization understands the psychological contract that exists between employees and the organization has put correct HR management to manage employee expectation.

During the interview management reported that the intention of Umgeni water is to promote and create a relational psychological contract with its employees. This is evident in the HRM practices that the organization has put in place. Furthermore, the management reported that they have fostered a friendly relationship with the labour Union. This indicates that management has a sufficient understanding of psychological contract that they want to create in the organization and also understand how to manage it.

Umgeni Water has put programs in place that assist in ensuring that there is efficient communication throughout the organization i.e. staff information session and site visit by executive management. This ensures that there is a uniform culture and that top management is in touch with employees. There appears to be effective and relevant organizational support with respect to employee career growth and development.

## **5.5 Summary**

This chapter presented the interpretation of the results that were obtained from the research instruments i.e. survey questionnaire and the group interviews. It is evident from the results that nature and type of psychological contract at Umgeni Water is a transitional or relational psychological contract, management at Umgeni Water understand the concept of psychological contract and Umgeni Water has sufficient, adequate HRM practises and strategies to manage psychological contract. The following chapter will present the conclusion and recommendation emanating from this study.



## CHAPTER 6: Conclusion and Recommendations

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### 6.1 Introduction

This chapter presents overall findings and conclusions with respect to the research questions of this study. The chapter also present recommendations emanating from the findings and conclusions.

### 6.2 Conclusions

The following are the conclusions emanating from this study:

Objective 1:

- From the results obtained, it can be deduced that the type and nature of the obligations, expectations or beliefs that form the psychological contract held by the majority of employees at Umgeni Water is transitional psychological contract. This indicates that the majority of employees hold a transitional or relational psychological contract with the employer. Therefore, employees at Umgeni Water are interested in long-term employment with the organisation. This is also evident in the low turnover ratio that Umgeni Water has achieved in the past five (5) years. Furthermore, it has been seen that HRM practices that are put in place at Umgeni Water promote and cultivate transitional psychological contract.

Objective 2:

- The results showed that the majority of employees have the perception that the employer has delivered toward their expectations and obligations of the psychological contract in all factors of motivation that were used to evaluate the psychological contract expectations or obligations. In other words, the majority of employees at Umgeni Water do not perceive that the employer has breached the psychological contract obligations and expectations.
- On the other hand, the results also showed that management has not complained about the behaviour or attitude of employees. There has been no party in the psychological contract that has perceived a breach of obligations or demanded obligations.

- Therefore it can be concluded that, there is an appreciable alignment between the psychological contract that exists between the employer and employees in all the factors that determine the psychological contract.

#### Objective 3:

- The results showed that management at Umgeni Water accept and understand that employees have an unwritten commitment with Umgeni Water i.e. management acknowledges the existence of psychological contract between the employer and employees. This is evident in the high level of adequacy and effectiveness of the HRM practices that management has put in place which cultivate a psychological contract (i.e. transitional psychological contract) that is desired by the organization.

#### Objective 4:

- It is evident from this study that properly managing the psychological increases employee commitment, satisfaction, engagement and motivation. Highly motivated employees are reported by many researchers to have a positive impact to the organizational excellence, efficiency and effectiveness.

#### Objective 5:

- The dominant type of the psychological contract at Umgeni Water is the relational psychological contract. In a relational contract the relationship between the employer and employee is similar to a father-to-child engagement. This is encouraged by amongst other things, the drive that the organization has to foster a friendly, highly engaged work environment or culture between the employer and employees through the labour union at Umgeni Water. This has yielded appreciable results in terms of engaging in sensitive issues that have a potential of creating labour disputes, for example, wage negotiations and policy making. However, this is seen as an inappropriate form of psychological contract since Umgeni Water is prone to external and internal organizational changes and cannot guarantee life-time employment to employees. The ideal psychological contract to be fostered is the one where there the employee and the employer enter into a contract in an adult-to-adult engagement. The covenant psychological contract is achieved where employees rate highly on employability.

### **6.3 Recommendations**

The following are the recommendations emanating from this study:

- It is evident from the results that there is a considerably significant fraction of employees ranging from 146 to 176 employees, who are not satisfied or motivated in the organization. This poses a risk of hindering excellence in organizational efficiency and effectiveness. It is therefore recommended that Umgeni Water devices strategies to further reduce the number of unsatisfied employees.
- Umgeni Water should continually improve the management strategies to manage the psychological contract in order to ensure organizational excellence, efficiency and effectiveness since this could be a competitive advantage of Umgeni Water
- Umgeni Water should consider the concept of increasing employability of employees and encourage the adult-to-adult engagement where employees are not seeking life-long employment.
- Umgeni Water should strive to increase employability of its employees by adopting the following:
  - Skills support: Employees should be allowed to study through the available assisted education scheme in any field in line with the mandate of Umgeni Water that employees elect as necessary to increase their employability. The organization should not only focus on increasing skills in job specific fields but should consider organizational skills demand and industry skills demand.
  - Knowledge support: Employees and the employer should be in support of developing knowledge through work experience. This could be achieved by developing rotational employment whereby employees could be transferred for a specific period to other departments to gain experience in the field that they elected, to increase their employability as opposed to the current norm where an employee will be employed in one stream type of employment.

### **6.4 Recommendation for future study**

Recommended further work required beyond the scope and objectives of this study:

- The employee survey had considered critical issues, of which some were alarming and indicated a high level of employee dissatisfaction. This dissatisfaction is indicative of a fraction of employees that perceive that Umgeni Water has breached

the obligations in the psychological contract. Umgeni Water should investigate these cases and develop practical or feasible methods to control or reduce such cases.

## **6.5 Limitation of the study**

The following are constraints that were experienced in this study:

- There was an alarmingly low participation of the semi-skilled and unskilled employees in this study. Most of these employees refused to participate.
- The researcher is a senior member of staff at Umgeni Water, this may have influenced the response from participant. The researcher had reduced the direct contact with participants in order to avoid any bias.

## **6.4 Summary**

The overall purpose of this chapter was to present the response to the main research objective of this study which is to evaluating the management of the psychological contract between the employer and employees at Umgeni Water

This study has shown that the majority employees at Umgeni Water hold a transitional psychological contract with the employer. There is an overwhelming alignment in the psychological contract that exists at Umgeni Water between the employees. The management at Umgeni Water has an appreciable understanding of the psychological contract obligations and management has put in place appropriate and effective HRM practices to manage the psychological contract. Properly managing psychological contract increase employee organizational commitment, work satisfaction, engagement and motivation which impact positively on the organizational excellence, efficiency and effectiveness. This study has shown the concept employability as a new psychological contract in the workplace. It is concluded that psychological contract that exist between the employer and employees is properly managed at Umgeni Water and there are appropriate and effective HRM practices to manage the obligations or expectations.

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## APPENDICES

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### Appendix A: Project Budget and Time Frames

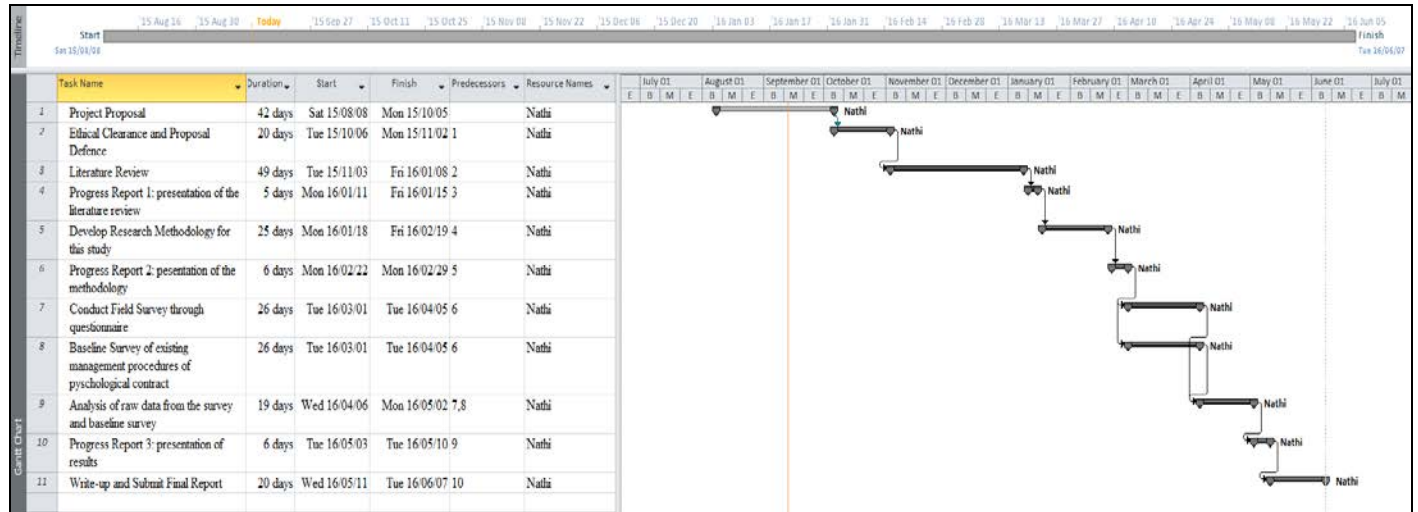
Table 1 shows the resources required and associated cost. There are no additional funds required in this project as the required funds are sponsored by Umgeni Water, University of KwaZulu Natal and the researcher. Table 5.1 below tabulate the resources required for undertaking of this study.

**Table 8.1:** Resource required and associated cost

Item	Quantity	Unit Cost	Cost	Comments
Office space i.e. desk and computer with internet access	1	N/A	N/A	This will be provided by UKZN and Umgeni Water
Traveling cost	1	Sum	R5000	Sponsored by the researcher
Miscellaneous cost: printing cost, fax and email, journal purchase		Sum	R5000.00	This will be sponsored by Umgeni Water
<b>Total</b>			R10 000.00	

The project starts start date is 01 December 2015 and ends on the 07 June 2015. Figure 5.1 shows a Gantt chart of the project activities and time frames:

**Figure 8.1: Project Time Frames**



## Appendix B: Employee Questionnaire

# Survey Questionnaire

### Background information of the Respondents

<b>Gender</b>	Male		Female									
<b>Age</b>	<25		26 to 29		30 to 35		36 to 39		40 to 45			
	46 to 49		50 to 55		56 to 59		60 to 65		>66			
<b>Ethnicity</b>	Black African		Indian		Coloured		White		Asian			
<b>Education</b>	less than matric		Matric only		Technical or plus Trade Test		N.Dipl		B-Tech or N.H Dipl			
	M-Tech		BSc.		MSc		Hons		Other			
<b>Company</b>	Umgeni Water											
<b>Years of Service</b>												
<b>Division</b>												
<b>Contract Type</b>	Permanent		Fixed Contract		Temporal							
<b>Current Job Position</b>												
<b>Grade</b>												

### Notes / Instruction

The survey has statements that the respondents can chose the degree to which they agree or disagree to, the scale ranges from 1 to 5, where 1 is STRONLY DISAGREE, 2 is DISAGRE, 3 is INDEFINITE or MEDIAN SCORE, 4 is AGREE and 5 is STRONGLY AGREE

## Section 1: Recruitment

- a) The recruitment process at Umgeni Water is ethical and lawful

1	2	3	4	5
---	---	---	---	---

- b) I was properly guided, taken care and given clear direction and instructions before my commencement date. There were frequent communications other than the formal finalization of the employment contract

1	2	3	4	5
---	---	---	---	---

- c) The induction provided sufficient information about my role and how my position fit in the organization

1	2	3	4	5
---	---	---	---	---

- d) I had all my work resource i.e. ( Working office, desk, PC/ laptop, PPE etc.) ready and prepared in advance before I started

1	2	3	4	5
---	---	---	---	---

- e) I had good first impression about the level professionalism, organizational order in my first five days/ week

1	2	3	4	5
---	---	---	---	---

- f) The immediate management ( i.e. supervisor/ foreman) appeared to be friendly and welcoming

1	2	3	4	5
---	---	---	---	---

- g) The employees appeared to be friendly and welcoming

1	2	3	4	5
---	---	---	---	---

- h) The verbal information given by the person/ agent who inducted me was exactly same as the content of my written employment contract.

1	2	3	4	5
---	---	---	---	---

## Section 2: Employment

### 2.1 Satisfaction:

- a) I am satisfied with my job, and understand how my work impacts the organization's business goals.

1	2	3	4	5
---	---	---	---	---

- b) Nothing is stressing me at work, and I get adequate level of supervision

1	2	3	4	5
---	---	---	---	---

- c) My supervisor expectations about my work output are realistic and achievable, and my opinions and inputs relating to how I wish to do my work are always considered are treated fairly.

1	2	3	4	5
---	---	---	---	---

- d) I am proud of my employer's brand

1	2	3	4	5
---	---	---	---	---

## 2.2 Engagement

### 2.2.1 Work Environment

- a) I have autonomy to decide the way to do the work

1	2	3	4	5
---	---	---	---	---

- b) This company (i.e. Umgeni Water) has always supported me and will always when I encounter difficulties with the job

1	2	3	4	5
---	---	---	---	---

- c) I have always been given a fair and equitable performance appraisal

1	2	3	4	5
---	---	---	---	---

- d) I am always empowered and entrust within the scope of the job

1	2	3	4	5
---	---	---	---	---

- e) My organization has a safe work environment.

1	2	3	4	5
---	---	---	---	---

- f) I am satisfied with my overall job security.

1	2	3	4	5
---	---	---	---	---

- g) I am satisfied with the culture of my immediate workplace/ section/ department and is in line with the organizational culture

1	2	3	4	5
---	---	---	---	---

- h) My organization is dedicated to diversity and inclusiveness.

1	2	3	4	5
---	---	---	---	---

- i) There is no discrimination in the workplace, and no harassment

1	2	3	4	5
---	---	---	---	---

### 2.2.2 Career Development

- a) I am pleased with the career advancement opportunities available to me, and my organization is dedicated to my professional development.

1	2	3	4	5
---	---	---	---	---

- b) I am satisfied with the job-related training my organization offers, and these are marketable skills.

1	2	3	4	5
---	---	---	---	---

- c) I am satisfied that I have the opportunities to apply my talents and expertise, and I have been given opportunity to acquire new knowledge, experience and skills that could see me climbing the corporate ladder.

1	2	3	4	5
---	---	---	---	---

### 2.2.3 Work Engagement

- a) I am inspired to meet my goals at work.

1	2	3	4	5
---	---	---	---	---

- b) I feel completely involved in my work, and I am determined to give my best effort at work each day.

1	2	3	4	5
---	---	---	---	---

- c) I get excited about going to work, and I am willing to take on new tasks as needed.



1	2	3	4	5
---	---	---	---	---

#### 2.2.4 Compensation and benefits

- a) I am satisfied with my overall compensation i.e. including annual bonus and Performance bonus.

1	2	3	4	5
---	---	---	---	---

- b) My periodical or annual salary increase is always given at a fair rate that takes into account inflation and it is in line with proper fiscal management of the organization

1	2	3	4	5
---	---	---	---	---

- c) Overtime pay for overtime work , and flexible working hours

1	2	3	4	5
---	---	---	---	---

- d) I am happy with my Benefits

1	2	3	4	5
---	---	---	---	---

#### 2.2.5 Relationship Management

- a) Communication between senior leaders (i.e. Company Directors/ General Managers including the CEO) and employees is good in my organization.

1	2	3	4	5
---	---	---	---	---

- b) My supervisor and I have a good working relationship, allows me to make decisions affecting my work

1	2	3	4	5
---	---	---	---	---

- c) All employees including senior management have a good working relationship, trust and respect each other.

1	2	3	4	5
---	---	---	---	---

## **2.3 Commitment**

### **2.3.1 Job Characteristics**

- a) My job is interesting and challenging job, an there are no unreasonable demand and unrealistic goals

1	2	3	4	5
---	---	---	---	---

- b) I am always provided with adequate equipment to perform my job, or there are always simple quick means to get equipment to perform my job

1	2	3	4	5
---	---	---	---	---

- c) My job is meaningful and important in this organization

1	2	3	4	5
---	---	---	---	---

- d) My Job has always been enriched as I get more experience, the level of responsibility and accountability has changed as I get more experience, knowledge and skills.

1	2	3	4	5
---	---	---	---	---

### **2.3.2 Trust in the organization**

- a) This organization is open and upfront with me

1	2	3	4	5
---	---	---	---	---

b) This organization has good intentions about me

1	2	3	4	5
---	---	---	---	---

c) This organization has always been loyal and caring to me

1	2	3	4	5
---	---	---	---	---

#### 2.3.4 Turn-over intentions

a) My loyalty to the organization is contract specific

1	2	3	4	5
---	---	---	---	---

b) I expect to remain with my current organization for at least five years

1	2	3	4	5
---	---	---	---	---

c) How likely are you to look for another job outside the company?

1	2	3	4	5
---	---	---	---	---

#### 2.3.5 Perceived Organizational Support

a) My organization is willing to extend itself in order to help me perform my job to the best of my ability

1	2	3	4	5
---	---	---	---	---

b) If I had the opportunity, I would recommend this organization to a job seeker.

1	2	3	4	5
---	---	---	---	---

c) Working for this organization is enjoyable.

1	2	3	4	5
---	---	---	---	---

d) Do you know where you stand with your leader, and do you usually know how satisfied your leader is with what you do

1	2	3	4	5
---	---	---	---	---

e) My work time schedule/set-up /arrangement allows for an ideal Work-Life Balance

1	2	3	4	5
---	---	---	---	---

### Section 3: Factors analysis on exchange ideology

a) An employee's work effort should depend partly on how well the organization deals with his or her desires and concerns

1	2	3	4	5
---	---	---	---	---

b) An employee who is treated badly by the organization should lower his or her work effort.

1	2	3	4	5
---	---	---	---	---

c) How hard an employee works should not be affected by how well the organization treats him or her

1	2	3	4	5
---	---	---	---	---

- d) An employee's work effort should have nothing to do with fairness of his or her pay

1	2	3	4	5
---	---	---	---	---

- e) The failure of the organization to appreciate an employee's work contribution should not affect how hard he or she works

1	2	3	4	5
---	---	---	---	---

- f) Umgeni Water should encourage career mobility and training of employee in various skills within the organization by allowing rotation of employees in various departments in order to learn different marketable skills.

1	2	3	4	5
---	---	---	---	---

## Appendix C: Management Interview Questions

### Survey Questionnaire: For HRM Practises with HR Team

#### Project Details

<b>Project Title</b>	Evaluating the Management of the Psychological Contract between the Employer and Employees at Umgeni Water
<b>Researcher</b>	N W Mbongwa
<b>Supervisor</b>	Prathana Amrithlal
<b>Institution</b>	University of KwaZulu Natal
<b>Course or Level of Study</b>	Master's in Business Administration- MBA3
<b>Year of study</b>	2016

## 1 General

- a) What is Umgeni water's HRM perspective on the issue of psychological contract? Is it something that you are guiding/ or is totally neglected?

.....  
.....  
.....

- b) What is the dominant psychological contract in the employees of Umgeni Water? (look at turn-over as per race, age, gender)

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.....  
.....  
.....

- c) Are there any changes or apparent trends over the years that you have witnessed? What are those trends/ or describe such changes or trend?

.....  
.....  
.....

- d) What have you identified as the major driving forces to such changes? How have you compensated for such forces?

.....  
.....  
.....

## 2 Section 1: Recruitment Process

- a) How do you ensure that the recruitment process is ethical and lawful?

.....  
.....  
.....

- b) How do you ensure that there is an optimum, ideal or accurate level of obligations/ promises during the recruitment and how is this maintained if the recruitment is through an agent?

.....  
.....  
.....

- c) How do you ensure that there is an accurate display of organizational professionalism and order to new employees?

.....  
.....  
.....

### **3 Section 2: Employment**

#### **3.1 Satisfaction**

- a) As an employer what would you regard as an employee's unwritten obligation/ promise to ward employer's satisfaction

.....  
.....  
.....

- b) As an employer what would you regard as an employer's obligation/ promise to ward employee's satisfaction

.....  
.....  
.....

- c) What HRM practices are there to ensure high level of employee satisfaction in their job and organization? How do you deal with employee stress due to work?

.....  
.....  
.....

- d) What HRM practices that are there to ensure that employees are always given realistic and achievable goals which are meaningful to the organization?



.....  
.....  
.....

- e) What HRM practices that are there to ensure that employees are ambassadors of Umgeni Water brand or are proud of Umgeni Water

.....  
.....  
.....

### **3.2 Work Environment**

- a) What kind of organizational culture is targeted by Umgeni Water and how different is that to the actual existing organizational culture

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.....  
.....

- b) What HRM practices are there to ensure that departmental culture is in line with organisational culture?

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.....

- c) What HRM practices are there to ensure employee safety at work? Are there any issues of diversity and inclusiveness at Umgeni Water and how these are addressed?

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.....  
.....

- d) Do you believe that employees should have high levels of Job Security as opposed to Employment Security? What HRM practices are there to ensure that the correct applicable and time relevant Security exists?

.....  
.....

.....  
.....

### **3.3 Career development**

- a) Describe the career development programs available at Umgeni Water, how Umgeni Water would like such training impacts on employees, does Umgeni Water give career path with the intention to retain employees internally.

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.....

- b) How do you ensure that career development is in line with skills required by Umgeni Water and the market?

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.....

### **3.4 Work Engagement**

- a) Are there any HRM practises in place to ensure that employees are always work engaged or means to test if employees are work engaged most of the time if not at all time?

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.....  
.....

- b) How do you ensure that all managers ensure that workers are used efficiently and are work engaged?

.....  
.....  
.....

### 3.5 Compensation and benefits

- a) What is the role of HR in setting up benefits and to what degree can HR influence benefits given

.....  
.....  
.....

- b) What is your general psychological contract that employees have on compensation and benefit at Umgeni Water? How do you guide this to ensure that it not unrealistic?

.....  
...

### 3.6 Relationship Management

- a) What is the role of HR in ensuring good communication between all levels in the organization? What is the typical psychological contract that employees have around this? How is this guided?

.....  
.....  
.....

- b) What is the role of HR in ensuring good relationship in the organisation? And how does this influence the psychological contracts of different employees? How is this guided?

.....  
.....  
.....

### 3.7 Motivation

#### 3.7.1 Job Characteristics

- a) How employees are motivated in the organization? How do you guide against any undesired psychological contract?

.....  
.....  
.....

### **3.7.2 Trust in the organization**

- a) What are HRM Practices available in the organization to ensure that there is an ideal believe of trust across the organization?

.....  
.....  
.....

- b) Does Umgeni Water reward any form of loyalty? If yes, in what way and why or what is the intention?

.....  
.....  
.....

### **3.8 Turn-over intentions**

- a) What is the targeted turn-over at Umgeni Water?

.....  
.....  
.....

### **3.9 Perceived organizational support**

- a) How does Umgeni Water encourage good citizenship, and ensure good welfare on its employees in their work life and personal/ family life?

.....  
.....  
.....

### 3.10 Factors analysis on exchange ideology

- a) Are there any strategic emphasis on the exchange ideology that Umgeni water utilises to manage and ensure there is always a common understanding between employees and employer?

.....  
.....  
.....

## 4 Section 3: Company Exit

- a) Describe the process of ensuring that Umgeni Water obtains valuable information and insight from employees exiting the company

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.....  
.....  
.....

- b) Does Umgeni Water keep track of its well performing employees that have left the company? How does Umgeni Water engage or keep contact with its former employees?

.....  
.....  
.....

To Whom it May Concern  
University Of KwaZulu Natal-UKZN  
Humanities and Social Sciences Research Ethics Committee

Sir/Madam

**Gatekeeper Letter for a Master's Research Project**

Nkosinathi Wiseman Mbongwa is a student (Student No: 214580301) at the University of KwaZulu Natal and an employee at Umgeni Water. He has proposed a research project for a Master's dissertation project on: Evaluating the management of the psychological contract between the employer and employees at Umgeni Water. The study will take place from January 2016 to June 2016.

I am aware that his project will involve questionnaire surveys and group interviews of employees of Umgeni Water and will be conducted within the premises of Umgeni Water. I also understand that the study involves collection of data from organizational records.

It is further my understanding that all information collected from individuals/ employees will be done with duly informed consent from the participating individuals and that participants can refuse participation with no negative consequences and any input cannot be traced back to participants. Also all information collected and used for the research will be handled with utmost confidentiality it deserve and only for the purpose of the research topic.

I confirm that I am aware of the methodology that will be used in his research and support the conduct of this research in this organization.

Yours Sincerely



Shangase



**UMGENI WATER**

HEAD OFFICE • P.O.Box 9 • Pietermaritzburg 3200  
310 Burger Street • Pietermaritzburg 3201 • Republic of South Africa  
Telephone (033) 341-1111 • Fax (033) 341-1084  
E-mail: [Info@umgeni.co.za](mailto:Info@umgeni.co.za)  
Internet: <http://www.umgeni.co.za>

Chief Executive: C V Gamede

Non-Executive Directors: A Mahlalutye (Chairman) • V Gounden • N Afolayan • T Nkhahle • T Shezi • N Chamane • G Atkinson • Z Mathenjwa • I Vally • V Reddy • T Dube • T Zulu •

05 May 2016

**Mr Nkosinathi Wiseman Mbongwa (214580301)**  
**Graduate School of Business & Leadership**  
**Westville Campus**

Dear Mr Mbongwa,

**Protocol reference number: HSS/0414/016M**

**Project title:** Evaluating the management of the psychological contract between employer and the employees at Umgeni Water

**Full Approval – Expedited Approval**

With regards to your application received on 20 April 2016. The documents submitted have been accepted by the Humanities & Social Sciences Research Ethics Committee and **FULL APPROVAL** for the protocol has been granted.

**Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.**

**Please note: Research data should be securely stored in the discipline/department for a period of 5 years.**

**The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.**

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully



.....  
**Dr Shamila Naidoo (Deputy Chair)**

/ms

Cc Supervisor: Prathana Amrithlal  
Cc Academic Leader Research: Dr Muhammad Hoque  
Cc School Administrator: Ms Zarina Bullyraj

---

**Humanities & Social Sciences Research Ethics Committee**

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