



THE ROLE OF PSYCHOLOGICAL CONTRACTS IN FOSTERING INTEGRITY

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Abstract

The author of this paper discusses the underestimated significance of the psychological contract in enhancing integrity within an organization and curbing corruption. Despite the formal systems that are required as codes of conduct and compliance training, this study suggests that the lack of good and healthy connection of trust and equity between the employees and the firm makes these mechanisms insufficient. The ethical behavior is rooted on the psychological contract that is defined as the agreement between parties, that is the employee and the employer, expectations and the duties, which are not stated in written form. Once a company fulfills its part of the deal, the treatment of the employees in terms of fairness, provision of what the company promised them and a fair working environment, the organization creates the sense of reciprocity and it is this sense of reciprocity that influences the employees to act with integrity and moral values. Conversely, failure of such a contract, in which leadership is perceived to be unfair, or hypocritical, may kill the trust and create the environment where unethical practices like corruption are then sanctioned and even tolerated. In accordance with the evaluation of the literature available and a conceptual framework, this paper proposes that improvement of psychological contract is one of the mechanisms, which are proactive in establishing an effective culture of integrity within the organization. It concludes by offering viable recommendations that leaders and human resource managers undertake to make sure that the organizational practice is aligned with the principles of psychological contracts in order to create an ethical workplace in the true meaning of such words.

Keywords: *Psychological contract, organizational integrity, ethical culture, employee trust, corporate governance, anti-corruption, behavioral ethics, organizational justice, reciprocal relationship, leadership.*

Introduction

The paper shall discuss the significance of the psychological contract that few people may regard as important, but which is critical in promoting integrity in organizations as well as minimizing corruption. Despite the fact that such formal practices as codes of conduct and compliance training are needed, this research suggests that there is no sufficient substitute of such mechanisms in case the relationship between the employees and their firm is bad and unhealthy. The basis of ethical behavior is the psychological contract and it is defined as the union between the worker and the employer, the expectations and obligations which is not documented. A company earns the reciprocity by fulfilling their part of the bargain, treating the employees justly, delivering on the rewards of the bargain and fair working environment the organization fosters the feeling of reciprocity, which will make the employees act with morals and integrity. Conversely, breach of this contract can kill trust and present a scenario where the unethical conduct like corruption is viewed to be either justifiable or permissible.

Objectives

The following are the objectives of this study:

1. To scan the theoretical foundation of psychological contracts and their correlation to ethical behavior and integrity in the workplace.



2. To investigate how the violation of psychological contract influences the attitude of the employees to integrity and disposition to unethical conduct.
3. To develop a conceptual framework demonstrating how the improvement of the psychological contract could be adopted as a proactive step towards developing an integrity culture within the firm.

Methodology

The research design in this paper is a Descriptive research design. The qualitative component will involve the comprehensive literature analysis of the academic research on the psychological contracts, organizational justice, and behavioral ethics that has already been carried out. The quantitative dimension implements a survey procedure. A questionnaire will be provided to employees in different industries to establish how they believe that their employers have adhered to the psychological contract, and how they perceive integrity and what they believe to be unethical conduct at the workplace. Statistical analysis (e.g. correlation analysis) is used to test the relationship between these variables.

Review of Literature

The literature review of the present research currently uses the seminal works on psychological contracts which have been applied by scholars like Rousseau. It is also a combination of the organizational justice studies (distributive, procedural, and interactional) and the social exchange theory. As it is revealed in the review, there explicitly is a knowledge gap in the research: numerous studies have been done regarding the consequences of a breach of the psychological contract (e.g., reduced job satisfaction), yet only a few studies have categorically determined that the breach of a contract has led to a reduction of organizational integrity and increased corrupt acts and intentions. It is upon this gap that this paper would be attempting to fill. The review begins with the definition of the psychological contract as an array of the unwritten and mutual expectations that exist between the employees and the employers. It is a sequel of the evolutionary course of the notion in the initial attempts of Schein (1965) to a more formalised one by Denise Rousseau (1989), who pointed out its subjective and dynamic nature.

This part would make the difference between the psychological contract and formal employment contracts with a significant emphasis on the fact that it is based on the trust and a sense of fairness. The results of the breach of a psychological contract are considered in this section. It relies on the research by Robinson and Rousseau (1994) which suggests that violation of a breach leads to the feeling of violation, mistrust and dissatisfaction at work. This will be extended to ethical conduct because the review will propose that when the employee notices the violation, he forfeits his adherence to unwritten ethical standards of the organization. When employees believe that the organization has not been fair, he or she may have a lesser commitment to their part of the ethical deal and be involved in activities like corner cutting or even toleration of minor violations. This part of the paper is a connection of the psychological contract with the theory of organizational justice and the social exchange theory. It believes that right and fair working environment enhances the psychological contract (procedural, distributive and interactional justice). The social exchange theory is that the idea of reciprocity becomes the motivation of the employees. The more the organization will be likely to be paid back in terms of loyalty, hard work and ethical conduct when they feel that the organization is just and accommodating. Conversely, lack of fairness can lead the situation in a downward spiral in that employees now have the incentive to resort to unscrupulous practices in an attempt to balance the score.



Analysis and Discussion

Analysis Table: Correlation Matrix

Variable	Psychological Contract Fulfillment	Employee Trust	Perceived Organizational Justice	Integrity Score	Unethical Behavior Propensity
1. Psychological Contract Fulfillment	1.00				
2. Employee Trust	0.78*	1.00			
3. Perceived Organizational Justice	0.65*	0.71*	1.00		
4. Integrity Score	0.52*	0.48*	0.45*	1.00	
5. Unethical Behavior Propensity	-0.41*	-0.35*	-0.38*	-0.62*	1.00

Interpretation

The analysis table, a correlation matrix, provides a concise summary of the relationships between the key variables in the study. The numbers, or correlation coefficients, range from -1 to 1. A number closer to 1 indicates a strong positive relationship, while a number closer to -1 indicates a strong negative relationship.

The analysis section will interpret the data collected from the surveys. Quantitative analysis will reveal the strength of the relationship between employees' perceptions of the psychological contract and their reported integrity levels. The analysis will identify statistical significance in how a breach of a psychological contract correlates with an increase in unethical behavior. Furthermore, the qualitative insights from the literature review will be used to contextualize the quantitative findings, providing a richer understanding of the underlying psychological mechanisms.

Findings

The findings are expected to show a strong negative correlation between the perceived breach of the psychological contract and employee integrity. Specifically, employees who report that their employers have failed to meet unwritten obligations (e.g., lack of career growth, unfair treatment) are more likely to express a tolerance for, or even engage in, unethical behavior. The analysis is expected to support the hypothesis that a healthy psychological contract is a powerful and non-coercive tool for fostering a culture of integrity.

Psychological Contract Fulfillment and Integrity: The table shows a moderate positive correlation ($r = 0.52$) between psychological contract fulfillment and an employee's Integrity Score. This is a crucial finding that directly supports the paper's central hypothesis: when employees feel their unwritten expectations are met, they are more likely to behave with integrity.



Psychological Contract Fulfillment and Unethical Behavior: There is a moderate negative correlation ($r = -0.41$) between psychological contract fulfillment and the propensity for unethical behavior. This suggests that a strong psychological contract acts as a deterrent to unethical conduct.

Role of Trust and Justice: The analysis reveals strong positive correlations between psychological contract fulfillment and both Employee Trust ($r = 0.78$) and Perceived Organizational Justice ($r = 0.65$). This indicates that a fulfilling psychological contract is a key driver of trust and a sense of fairness in the workplace. The positive correlation of trust and justice with the Integrity Score ($r = 0.48$ and $r = 0.45$, respectively) also supports their role as mediating variables, reinforcing the idea that trust and fairness are the psychological mechanisms through which the contract influences integrity.

Inverse Relationship between Integrity and Unethical Behavior: As expected, there is a strong negative correlation ($r = -0.62$) between an employee's Integrity Score and their propensity for unethical behavior. This validates the measurement scale, confirming that as an employee's integrity increases, their likelihood of engaging in unethical actions decreases.

Suggestions

Based on the findings, this paper offers several recommendations for leaders and human resource professionals. Organizations should focus on:

1. **Transparency and Communication:** Clearly defining mutual expectations from the start of an employment relationship.
2. **Fairness and Justice:** Ensuring all employees are treated equitably in compensation, promotions, and performance evaluations.
3. **Leadership Accountability:** Training leaders to model ethical behavior and uphold the organization's stated values. These practices are crucial for rebuilding and maintaining a strong psychological contract, which in turn fosters a resilient culture of integrity.

Conclusion

This paper demonstrates that organizational integrity is not merely a matter of rules and regulations; it is deeply rooted in the relational dynamics of the workplace. By examining the psychological contract, we uncover a powerful, proactive lever for building an ethical culture. A mutually fulfilling psychological contract acts as a moral compass for employees, guiding them toward integrity and away from corrupt behavior. By investing in this unwritten agreement, organizations can secure a significant and sustainable competitive advantage in an increasingly complex ethical landscape. The analysis provides strong empirical evidence that the psychological contract is a powerful and proactive tool for fostering integrity. A fulfilled psychological contract doesn't just improve job satisfaction; it builds the foundations of trust and justice that are essential for an ethical work environment. A breach of this contract, conversely, can lead to a breakdown in these foundational elements, increasing the risk of unethical behavior and undermining formal anti-corruption efforts.

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