PSYCHOLOGICAL CONTRACT AND KNOWLEDGE MANAGEMENT PRACTICES: MODERATING ROLE OF ORGANIZATIONAL CULTURE

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Abstract

Organizations are fostering knowledge management practices by highlighting the obligations and rights of the employer and employees at the workplace. A culture of trust and knowledge sharing can increase the awareness of rights, obligations, and responsibilities. This study is conducted with the aims to examine the relationship between psychological contract and knowledge management practices by using the interactive role of organizational culture. For these objectives, data were collected from faculty members of private and public colleges and universities. Knowledge management practices have a significant and positive relationship with relational psychological contract and transactional psychological contract. Furthermore, organizational culture has increased the relationship between psychological contract and knowledge management practices. The results are beneficial to understand the unique relationships among the variables used for this study.

Keywords: Psychological contract, relational psychological contract, transactional psychological contract, knowledge management practices, organizational culture.

JEL Classification: Z190

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Introduction

In the dynamic business world of today, the focus is to enhance business performance through value addition. With cutthroat competition and rapid changes in the world economy, each organization is striving to enhance its position relative to its competitors to achieve higher performance. The knowledge-based view of the firm has shifted the success paradigm towards the new philosophy of effective management of knowledge as a set of practices in traditional work settings (Muqadas, Ilyas, & Aslam 2016; Nonaka & Peltokorpi, 2006). According to Zack, McKeen & Singh (2009) organizations, individuals, groups as well as nations are reaping benefits of agility, development, quick decision making, better infrastructure and efficient working under these strategic knowledge management practices (KMP’s). Bartol and Srivastava (2002) argued that in knowledge-intensive professions, sharing of knowledge is especially critical. Organizational entities may leverage their intellect resources via KMP’s and it puts them on a way to identify crucial antecedents that foster or impede knowledge sharing behaviors (Muqadas, Rehman, Aslam, & Rahman, 2017; Wang & Noe, 2010). Sheng and Raymond (2010) have reported that individual, psychological and cultural factors may consider a driving force for knowledge sharing mechanisms. Psychological contract is among the conceptual domains that has a potential to influence the development of knowledge (Blackman & Phillips, 2009). Psychological contract is perceived as shared obligations that occur between an employee and his employer (Conway & Briner, 2005). According to Bonnie and Monica (2007) organizations that need knowledge management must formulate psychological contract and promote employees obligations as a prerequisite. Knowledge management and transfer of intellectual capital also involve ties in terms of organizational climate as well as socially interactive cultures (Alavi, Kayworth, & Leidner, 2005). Yeh, Lai & Ho (2006) is of the view that
Psychological Contract and Knowledge Management

Knowledge management is not just a part of reality but it is highly dependent on corporate culture and the behavior of individuals working in them. Culture is extremely essential for knowledge sharing intentions (Ndlela & Toit, 2001). Culture focuses on ideologies, beliefs, core values, myths, norms, language, rituals and ceremonies to explain about social behaviors of an entity (Lim, 2002). Culture acts as a sort of glue that bonds the social structures which may formulate a supportive and adaptive framework for implementing knowledge management systems successfully (Saeed et al., 2010). Employees behavior may also be interpreted in terms of practices and cultural values (Chmielewska-Muciek & Sitko-Lutek, 2013). So far it’s been evident that both psychological contract and culture are the prudent domains which can facilitate the understanding of organizational philosophies for knowledge management.

Faculty at teaching institutes provides a strong foundation of knowledge, but how they appreciate knowledge management for collaboration, teaching, research and working relationships among staff, students and other stakeholders is noteworthy (Aslam, Rehman, Imran, & Muqadas, 2016; Mohd Ghazali, Nor Azirawani, Norfaryanti, & Mar Idawati, 2007). This study highlight how psychological contract (Transactional & Relational) affects knowledge management practices (Knowledge sharing, knowledge acquisition, Knowledge application) in teaching organizations, and how organizational culture moderates this relationship. There are only a few studies concentrating on the effects of the psychological contract on knowledge management practice (Abdullah, Hamzah, Arshad, Isa, & Ghani, 2011; O’Neill & Adya, 2007). So far in Pakistan not a single study has been conducted to explore the association of these constructs.

Literature Review

Today the success of any organization depends on the strength of human resource in respect of knowledge management (Aslam, Rehman, & Imran, 2016; Imran, Rehman, Aslam, & Bilal, 2016).
Firms and institutes may generate valuable, sustainable and inimitable competitive edge through their explicit and tacit knowledge resources (Muqadas et al., 2017). These resources are multiplied for the organizational effectiveness when employees show voluntary knowledge sharing behaviors. Individual can never be forced to leverage intellect unless they are motivated to become a willing player. Extensive literature has led the basis for these conceptual domains as a set of ethical antecedents for knowledge creation, storage, sharing and application (Muqadas et al., 2017; Aslam, Rehman, & Imran, 2016; Imran et al., 2016). Among many one is the psychological contract.

**Psychological Contract (PC)**

Theory of psychological contract is under substantial consideration over the past two decades (McDonald & Makin, 2000). Psychological contract mainly refers to the mutual expectations people have of one another in a relationship (Wellin, 2007). In these days PC describes the perception of employee and employer towards their mutual obligations and rights (Guest & Conway, 2002). These obligations are often implicit, reciprocal and imprecise so their inference depends upon the actions made by both employer and employee relationship (Wellin, 2007). Psychological contract can be categorized as relational, transactional (Cropanzano & Mitchell, 2005; Rousseau, 2004). Transactional contract are of short term and highly dependent on monetary and economic benefits, while relational contract tend towards long term and involve socio-emotional and economic terms (O’Neill & Adya, 2007). Obvious link can be observed between psychological contract and employee’s commitment for organizational success, leadership and development (Jose, 2012). Recent years have shown much interest to discuss the transient nature of psychological contract because of increased pressure, involvement and commitment of employees and organizations (Wellin, 2007).
In order to appreciate the true essence of knowledge management one need to understand data, information and knowledge. Data is composed of raw facts, information is a set of data, whereas knowledge is an important information (Aslam, Rehman, & Imran, 2016; Bhatt, 2001). Knowledge is been categorized as implicit (tacit) and explicit, the implicit knowledge is hard to express, communicate and articulate while the explicit knowledge is codified and expressed in formal language (Li & Gao, 2003). Tacit as well as explicit knowledge are complimentary for creation and transfer of intellect among organizational repositories (Hooff & Ridder, 2004). Storey and Barnett (2000) is of the view that knowledge is a source of status and power. Knowledge that is been recognized as highly personal and a source of power is still a motivation to be explored (Hunter, Beaumont, & Lee, 2002). Primarily its acknowledged that much organizational knowledge is tacit in nature and it is mainly exchanged through social, cultural and technological inferences (Lam, 2000). Management of organizations intellectual capital integration and its strategic relationship is called knowledge management (Quible, 2002). Knowledge is a source of lasting competitive advantage (Wang & Noe, 2010). Competitive advantage can be maintained in firms by practicing knowledge management practices systematically which include knowledge acquisition, sharing and application (Afzal & Afzal, 2014). Increased academic research and managerial interest in the field of knowledge has provoked the initiatives and management practices for this priceless treasure (McDermott & Archibald, 2010). Fine line between the successful and unsuccessful ones can be easily mapped out by the efficient acquisition, storage, retrieval, application and visualization of knowledge (Oye, Salleh, & Noorminshah, 2011).

Organizational Culture:

Corporate culture devised as shared assumptions, values and norms (Schein, 2010). It can be the set of values, rules, norms that an organization follows to behave and interact (Brache, 2002). Karlsen
and Gottschalk (2004) stated that, study of culture is central for an organization’s ability to manage its knowledge. Workers will share knowledge with other employees due to its culture but not due to force to do so (Alam et al., 2009). Organizational culture is the manifold which creates a sense of thoughts, minds, activities and behaviors for effectiveness (Ling, 2011). Culture is a complex system of interrelated components that helps its members to understand organizational functionality, thus culture acts as a glue to bind the social structure of an entity (Saeed et al., 2010). According to Kaiser, Beck and Tianio (2001) the rituals and informal ties of any culture helps its members to increase the organizational effectiveness and communication patterns. Ongoing cultural assumptions, patterns and beliefs represent interpretations to behave and act accordingly thus ultimately form a base for collective thoughts (Alavi et al., 2005). Collective thoughts and values refer to a system of mutuality where sharing, trust and collaboration is considered as the base for every success initiative including knowledge management practices (Chmielewska-Muciek & Sitko-Lutek, 2008).

Relationship of Psychological contract and KMP’s:

Employment relationship between individual and organization may influence the socially evolved phenomenon of knowledge sharing (Blackman & Phillips, 2009). Successful organizations attract and retain their top talent with the help of psychological contract that in return motivates them to create and share knowledge for nourishment of professional skills (Thite, 2004). According to a study organizational psychological contract, socialization capabilities and knowledge management practices complement each other (Thomas & Anderson, 1998). Researchers argue that the tacit knowledge sharing and relational psychological contract are intermingled issues (Xiaojun et al., 2011). Psychological aspects like culture, individual and interpersonal team characteristics may influence the attributions of knowledge sharing (Wang & Noe, 2010). Psychological contract between employee and organizations
at any given time shapes the working environment, sense of belongings, recognition, knowledge sharing practices and developmental opportunities (Kexiang & Pu, 2013).

**Moderating role of Organizational Culture**

Now a day’s Knowledge creation and dissemination is seen more as corporate culture rather than the technological facilitation (Oye et al., 2011). Organizations never operate in a social-vacuum and these are affected by social-cultural contexts (Eckhardt, 2002). Organizational culture and value system shapes a dominating mechanism that inculcates do’s and don’ts to pursue knowledge sharing assumptions in any psychological relationship (Ling, 2011). Cultural perceptions may lead toward individual beliefs of psychological contract appreciations to indulge or restrict knowledge propensity (Parikh & Walton, 2012). Many scholars are of the view that supportive and adaptive organizational culture influences the propensity of knowledge management technologies as well as practices (Pérez et al., 2004).

**Research Objectives**

The objective of this study is to determine the moderating effect of organizational culture on the relationship between psychological contract and organizational knowledge management practices (KMP’s). Some specific objectives are given below:

1. To what extent psychological contract affect organizational knowledge management practices.
2. To what extent culture moderates the relationship between psychological contract and organizational knowledge management practices.
Theoretical Framework

On the basis of literature review the following variables are taken for this research and are presented in the proposed research model. In this model Psychological contract is the independent variable, knowledge management practices (KMP’s) as dependent one. Organizational culture acts as a moderating variable between Psychological contract and KMP’s.

Research Model:

Hypotheses

After extensive literature review the following hypothesis are devised:

H1: There is an impact of Relational Psychological contract on Knowledge management Practices.

H2: There is an impact of Transactional Psychological contract on Knowledge management Practices.

H1: Organizational Culture moderates the relationship between Relational Psychological Contract and Knowledge Management Practices.
H2: Organizational Culture moderates the relationship between Transactional Psychological Contract and Knowledge Management Practices.

**Research Methodology**

The study is based on the positivist paradigm which assumes that the knowledge is acquired through observable experiences and empirical verification. Empirical verification can be achieved through quantitative methods of data collection (Aslam, Ilyas, Imran, & Rahman, 2016). So far the hypothesis developed clarifies that research tend to investigate the relationship between variables of interest, their relation and prediction of how much impact the independent variables have on dependent variables while considering the influence of moderating variable, so it will considered an explanatory and predictive research in nature.

**Sample and Procedure**

Population of interest was the faculty members of universities across Southern Punjab Region of Pakistan. Both male and female faculty at university level having at least teaching experience of more than two years was contacted for data collection. Experience considerations are being made on the assumption that this study relates to the knowledge management practices on behalf of organizational culture perceptions which are built after some period and psychic bearing with the institutes. The unit of analysis was the faculty members at university and college level across Southern Punjab. The proposed sample size was 230 that is consistent with the previous study on “the influence of university teacher’s psychological contract on knowledge sharing” by Xiaojun, Zongkui and Yumei (2011). Simple random sampling was used in order to access the respondents for data collection.
Psychological Contract and Knowledge

Data Collection Tool

Questionnaire was used as data collection tool. It contained predefined close ended questions. To record responses five item Likert scale was utilized. It has options like strongly disagree (1) to strongly agree (5) and a neutral (3) option as well. It provide more consistent data and all plaintiffs have same questions. Researcher like Xiaojun (2011) used the same scale for similar type of study. For Transactional and Relational Psychological Contract a scale basically devised by Millword and Hopkins (1998) was used. In this study questions pertain to transactional PC are “I am motivated to contribute 100% to this organization in return for future benefits” and for relational PC“I feel part of a team in this organization”. For organizational culture Denison, Janovics, and Cho (2006) devised a scale which was adopted in this study. Questions are like “Information is widely shared so that everyone can get the information he or she needs when it’s needed”. Knowledge management practices were measured with a scale devised by Chen & Huang (2009). This study addresses knowledge management practices as acquisition, sharing and application of knowledge among organizational members. Questions are like ‘Knowledge was shared between colleagues’.

Data Analysis

Reliability

To measure the internal consistency of scale, reliability analysis was performed. Scales reliability was consistent with previous studies and in acceptable limits. To test the scales reliability, a pilot study was conducted. For this purpose data was collected from 50 respondents. It was determined with the help of Cronbach alpha (α). Table 1 contains results of reliability analysis.
Table 1:
Reliability Results

<table>
<thead>
<tr>
<th>Sr.#</th>
<th>Constructs</th>
<th>No Of Items</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relational Psychological Contract</td>
<td>8</td>
<td>0.79</td>
</tr>
<tr>
<td>2</td>
<td>Transactional Psychological Contract</td>
<td>9</td>
<td>0.87</td>
</tr>
<tr>
<td>3</td>
<td>Organizational Culture</td>
<td>20</td>
<td>0.77</td>
</tr>
<tr>
<td>4</td>
<td>Knowledge Management Practices</td>
<td>13</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Out of total distribution of 230 questionnaires, completed questionnaires received back were having 88% response rate. After deletions of records of missing cases, 190 questionnaires established study sample. A part of the research data was demographics like gender, age and total service length / tenure in the organization, while no other personal information was taken. The average respondent was 32±5 years old. The sample comprised of 63.47% male and 36.53% female. Respondent’s average tenure in the institution was worked out to be 3.25 years.

Table 2:
Descriptive Statistics Results and correlations

<table>
<thead>
<tr>
<th>Sr.#</th>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relational Psychological Contract</td>
<td>3.75</td>
<td>0.15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Transactional Psychological Contract</td>
<td>4.15</td>
<td>0.22</td>
<td>0.50*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Organizational Culture</td>
<td>3.85</td>
<td>0.10</td>
<td>0.35*</td>
<td>0.28*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Knowledge Management Practices</td>
<td>3.55</td>
<td>0.20</td>
<td>0.39*</td>
<td>0.30*</td>
<td>0.36*</td>
<td>1</td>
</tr>
</tbody>
</table>

Hypotheses Testing

In order to investigate the hypothesis, hierarchical regression analysis was performed. Moderated regression was used (Cohen, Cohen, West, & Aiken, 1983), in which knowledge management
practices was dependent variable. In step one relational and transactional psychological contract were introduced in equation. In step two, organizational culture (the moderator variable) was introduced. Next the two way interactions (Relational Psychological Contract* moderator, transactional Psychological Contract * moderator) were entered in the equation one at time step 3. The moderation hypothesis was supported only if the two way interaction is different from zero and statistically significant. This would indicate that there is significant interaction effect between relevant independent variables on the dependent variable. Results of regression analysis are presented in table 3 given bellow.

**Table 3:**

**Regression analysis Results**

*The Effect of Psychological Contracts and Organizational Culture on Knowledge Management Practices*

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>β-Value</th>
<th>T-Value</th>
<th>F-Value</th>
<th>R²</th>
<th>Adj.R²</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Step 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RC</td>
<td>0.25</td>
<td>3.879</td>
<td>17.81**</td>
<td>0.16</td>
<td>0.14</td>
</tr>
<tr>
<td>TC</td>
<td>0.28</td>
<td>4.761</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Step 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC</td>
<td>0.25</td>
<td>5.345</td>
<td>24.30**</td>
<td>0.18</td>
<td>0.16</td>
</tr>
<tr>
<td><strong>Step 3</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC*RC</td>
<td>0.22</td>
<td>3.121</td>
<td>28.10</td>
<td>0.26</td>
<td>0.24</td>
</tr>
<tr>
<td>OC*TC</td>
<td>0.24</td>
<td>2.371</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**P < 0.01, RC= Relational Psychological Contract, TC: Transactional Psychological Contract, OC: Organizational Culture**

Regression analysis revealed that relational psychological contract (β=0.25, p<0.01), transactional psychological contract (β=0.28, p<0.01) were positively related to knowledge management practices and results were statistically significant. Thus, our first two hypotheses which suggested that relational psychological contract and transactional psychological contract have impact on employee’s innovative behavior were supported.
Keeping in view moderation analysis, interaction amid organizational culture and relational psychological contract was observed to be different from zero and statistically significant ($\beta=0.22$, $p<0.01$). This finding supports our third hypothesis suggesting that organizational culture moderates the relationship between relational psychological contract and knowledge management practices. Furthermore, regression results disclose that interaction between organizational culture transactional psychological contracts is also different from zero. Hence statistical results ($\beta=0.24$, $p<0.01$) prove that employee’s organizational culture moderates the relationship between transactional psychological contract and knowledge management practices, so our 4th and last hypothesis is also accepted.

**Discussion and Conclusion**

The main objective of the paper was to establish a link among psychological contracts (Relational & Transactional) and knowledge management practices in faculty of public and private colleges and universities in Pakistan. The study establishes that there is significant positive association between relational psychological contract and knowledge management practices. Furthermore, the study also revealed that transactional psychological contract also positively and significantly affects the knowledge management practices within an organization.

The second objective of the study was to show the moderating impact of organizational culture on association among psychological contracts and knowledge management practices. It is established that organizational culture may be an important variable influencing the attitude of faculty members towards the knowledge management practices. Most previous research on psychological contracts have examined breaches rather than the more global phenomena of psychological contract content and formation (Conway & Briner, 2005). This study provide greater clarity of the construct for academics, and it may provide practitioners with insights into how positive psychological contracts at work, can enhance knowledge
management practices which provide competitive edge in result. It is hoped that the model proposed in this paper will serve as a framework to assist researchers and practitioners to better understand and test impact of positive psychological contract beyond the psychological contracts breach.

Limitations and Future Directions

There is ever need and space for advancement in knowledge. In the past mostly psychological contracts breach was the focus of the research. There are a few studies available which investigated the impact of positive psychological contracts. Hence there is a need to identify the impact of positive psychological contracts on various organizational practices. Additionally the interaction of psychological contracts with other factors should be tested empirically. The small sample size from a small area makes it difficult to generalize the results of study (Aslam et al., 2016; Aslam et al., 2015). In future research it is recommended that study should be conduct at large scale and should be compared with other sectors for better generalizability of the results.
References:


