

# PSYCHOLOGICAL CONTRACT IN THE SITUATION OF A COMPANIES' MERGER

(from a line employee to a top-manager)

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# PC in the situation of a companies' merger (from a line employee to a top-manager)

The XIIIth European congress of Work and Organization Psychology, Sweden, Stockholm, May 9-12, 2007



## The problem (general context)

- General context of problem arise in the process of companies' merger was defined in the previous report by the following conditions of merging:
  - Reducing the terms within which the merger is realized;
  - Impossibility of using the coordinated criteria of staff's reduction basing on year's indexes of competitive regional departments' productivity;
  - And, as a result, appearing of descreditational risks connected with the manifested in both companies corporate value "people is our main capital"

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## The project problem

- Within the frames of psychological aid project the problem was concretized in requirements and possibilities' conflict placed in time.
  - **The requirements** laid in the necessity of providing the transparency in the process of selection (criteria, procedures) and in simultaneous participation in the competition (same time, same territory, same procedures) of most part of the two companies' staff – applicants and experts.
  - **The possibilities** were limited by the absence of mastered by all participants the common activity as well as the absence of determination (as for their positions) among the managers of a middle line in the context of the competition.
- The whole situation was creating the contradiction containing the risk of losing control over the merger process at the level of staff's consolidation.

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## **Psychological contract (PC) is the theoretical instrument of solving a problem of joint activity absence**

- The system of each participant's interaction with the project's executor is a transitional section leading to a joint activity.
- Within the project signing the information consent (IC) between the competition's participants and the project's executor as a component of the psychological contract served as such activity.
  - General subject of IC:
    - the determination of rules of the parts' interaction during the competition (rights and responsibilities, risks, values);
    - formulating by applicants personal orders for the term of the competition.

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## The comparison of traditional and author's (IC) understanding of PC

<b>Peculiarities</b>	<b>Traditional understanding (PC)</b>	<b>Information consent (IC)</b>
Parts	employer — employee (actual, potential)	potential employee — the third person (the project's executor)
The contract subject (context of contracting process)	job	competition for getting the job

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<b>Peculiarities</b>	<b>(PC)</b>	<b>(IC)</b>
Form	non-written (as a principle feature)	a written pretext (principally as a story vividly objectivizing the parts' psychology; principally non-economic, non- juridical aspects)
Accuracy of responsibilities (an utterance)	implicity	clearly formulated arrangements as mutual responsibilities against the background of latent ambiguities restricted by a participant's choice (self-restriction)

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<b>Peculiarities</b>	<b>(PC)</b>	<b>(IC)</b>
Main constructs	(mutual) expectations — obligations	(acceptance of) rules / (acceptance of) orders (as the base for emergence of expectations and obligations)
The consent type	presence of the promise element	a customer – an executor
Type	relational, transactional	an innovation — competition/ a participant — an expert

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- **PC in the author's understanding is realized at two following stages:**
  - when IC signing
  - when carrying out the competition
- **The advantage of the author's understanding of PC:**
  - the absence of exclusions in the traditional interpretation;
  - the availability of analyzing the conventional components' history as a pre-condition for providing the conventional components' quality;
  - the possibility of conventional components' development.



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## **The PC subject when preparing and realizing the merging process:**

- Preparation (2 projects):
  - "The end of the season 2004 – tasks 2005: strengthening of traditions or changes?" (1 time);
  - "The reflexive communication as a significant resource of business effectiveness within the period of changes being "next in turn" (1 time).
- Fundamental one:
  - "The increase of a personal professional capital for the competitive ability rising, a value estimation of the present personal level of vocational training and a potential of a career development" (one project replicated 10 times).

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## Results

1. Among about 500 participants of the project:
  - all ones sought IP;
  - nobody left competition before joint activity was created (started);
  - there were 3 aware violations of IP with the agreement to leave the competition;
  - all participants who had not chances to win continue to participate in increasing competence program (in the frame of competition);
  - all participants recognized that executor fulfilled his IP obligations.
2. During the competition two additional vacancies were emerge. The participants proposed to use competition method to find suitable persons.

1.

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## Conclusion

PC starting with the additional (written) paper:

- responses to practical challenges of merger project (enable to create the conditions for joint activity emergence);
- create the history of psychological stages of the formation of mutual (employer – employee) expectations and obligations (PC);
- functioning in a traditional manner.