

# THE COLLAPSE OF MOTIVATION THEORIES AND THE PSYCHOLOGICAL CONTRACT IN CRISIS PERIOD. THE CASE OF GREECE

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## ABSTRACT

When time changes and the society is in crisis the Human Resources Management has a crash test. During the period 2008-2013 the normal working environments changed in a great number of organizations, due to the devastating outcomes of the financial crisis in Greece. This sudden change of organizational, political and economical context generated new topics in the field of organizational research. We still have little scientific insight about the effects of financial crisis on psychological factors such as: motivation, job-satisfaction, working morale and many others.

In this paper, we choose to focus on motivation, mostly because it is one of the most essential prerequisites for success and effectiveness of organizations. More specific this paper focuses on motivation and the Psychological Contract in the sector of Consultancy Civil Engineering Companies in the City of Athens, during the last economic crisis (2009-2013), trying to confirm the respective theories. Motivation strategies and psychological contracts are compared at the age of crisis and before, examining two companies of the sector, while an historic literature review of the theories, their principles and the social and work layout are presented. The dramatic changes in the sector of engineers are described, new work conditions appear and the motivation theories and the psychological contract collapse.

**KEY WORDS:** HR, motivation theories, crisis, psychological contracts

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## INTRODUCTION

In periods of changes in the society, and especially during economic crisis there have come different aspects or worries up to the surface, for people. In organizations, the aspect of uncertainty has come up. This has to do with all the firings and closed down companies. Many employees do not feel that they are safe anymore in their job. According to Maslow's Hierarchy of Needs, security is one of the lower-level employee needs that have to be satisfied in order to strive to the higher levels and perhaps in that way perform optimal. If people do not feel secure and safe in their jobs, it will be a challenge to find a way to motivate and lead them.

Employees' feelings toward their work have a significant influence on the success or failure of the company. During hard times the level of morale within the work force may determine whether a company will survive. Developing strategies to motivate staff during this period becomes a difficult work and almost impossible to realise especially for those organizations that have focused only on financial motivation. Generally the concept of motivation has been associated to a number of factors that were intended to obtain satisfaction in order to have performance. The concept of motivation was associated by the most organisations with the motivation based on particular aspects of materials. From this, there have appeared a number of issues related to employee turnover, and their loyalty. Few companies have realized that financial motivation not exclude the non-financial. Instead while meeting the needs of employees it is necessary to support some non-financial motivating strategies in which employees feel emotionally involved in projects and organizational development. That is the only way in which an organisation can win employee's loyalty without risking losing them.

“The unwritten expectations operating at all times between every member of an organisation and the various managers and others in that organisation.” is that we call Psychological Contract (Argyrys, 1960). Employee–organisation relationship is dynamic and arguably affected by contextual factors, such as a change in economic environment in a crisis period. Context is what surrounds and thus contains the terms and conditions of the relationship. In that way it is obvious the great influence of economical crisis in the concept of Psychological Contract.

### **DEFINITION OF CRISIS**

A crisis (Booth, 1993) is "a situation faced by an individual, group or organization which they are unable to cope with by the use of normal routine procedures and in which stress is created by sudden change". More specifically, a crisis is an unexpected event in an organization's life, for which there are no contingency plans in place, which threatens high priority goals and demands a time-pressured response. (Brecher, 1977)

A number of authors have attempted to define a crisis. Pauchant and Mitroff (1992) believe that a crisis is a "disruption that physically affects a system as a whole and threatens its basic assumptions, its subjective sense of self, its existential core." Selbst (Faulkner, 2001) defines a crisis as "any action or failure to act that interferes with an organization's ongoing functions, the acceptable attainment of its objectives, its viability or survival, or that has a detrimental personal effect as perceived by the majority of its employees, clients or constituents.»

Crises are unique laboratories of human life, forcing to the surface, processes which lie at the core of management. During a crisis, power-configurations, interests, values, perceptions, bargaining and decision-making processes are highlighted by being focused upon a single well-defined issue. Behavioral issues are so central to the study of crisis management that crises are often defined in behavioral terms. Hermann (1963) defined a crisis as a "stimulus to which certain kinds of behavior, like anxiety or panic, are possible responses".

### **MOTIVATION**

A definition of the word "motivation" in a business dictionary is the following: "Internal and external factors that stimulates desire and energy in people to be continually interested in and committed to a job, role, or subject, and to exert persistent effort in attaining a goal. Motivation depends on the interactions among conscious and unconscious factors such as the (1) intensity of desire or need, (2) incentive or reward value of the goal, and (3) expectations of the individual and of his or her significant others".

Throughout the years there have been a lot of different theories about motivation. It all started with the classical theories such as the Scientific Management, developed among others by Frederick Taylor (1856-1915). The assumption behind this theory is that people act rationally in an attempt to maximize the economic return to their labor. At that time it was believed that working was not fun and something you would not chose if you had a choice. Furthermore the reason behind people wanting to work was money. If people were paid enough, they would perform any job. This view on motivation is no longer valid or at least not the full view. It is outdated due to differences in the society but also more aspects have been found and motivation is no longer as simple as that. Different theories developed after the Scientific Management are presented and seen in relation to different aspects.

According to Iqbal and Mehri (2011) “The existing literature supports the view that the sensitivity of employee motivation and job security level magnifies during economic downturn”. At his turn Gustin (2009) has following remark: “when employees are worried about benefits, their motivation can suffer, resulting in lower levels of performance and productivity”. Above arguments describe the obvious fact that the efficiency of the organizations depends on how much effort is willing to give an employee for achieve the

personal and organizational objectives. Keeping in attention the context of economical crises, knowledge of dynamics of motivation become an element of direct predictability of organizational success.

Many perspectives are in existing literature regarding the motives. Kline (2001) in his survey about managers describes ten factors in order of importance based on what they thought their employees feel as important to them. The ten factors were a feeling of being in on things, job security, interesting work, personal loyalty to employees, tactful disciplining, good working conditions, promotions and growth in the company, good wages, help on personal problems and appreciation of work done. While Iqbal and Mehri (2011) notify that “interesting work; good pay; full appreciation of work done and job security are outstanding drivers for employee motivation”.

For Ramlall (2004) the list includes: needs of the employee, work environment, responsibilities, supervision, fairness and equity, effort, employees development, feedback. D. Elizur (Panisoara, 2006) realized a cross-cultural research in a number of countries. He put the subjects and tried to make a hierarchy with the factors who influence their work motivation (1 - the most important factor, 10- the least important factor). As it is shown from the results (Table 1) there is a significant different, which depends on the cultural environments.

	USA	UK	Germany	Holland	Taiwan	Korea	Hungary	China
Interesting work	1	2	1	1	2	3	6	5
Accomplishments	2	6	7	2	1	1	2	1
Advancement in career	3	7	10	6	4	7	10	6
Personal recognition (self esteem)	4	5	9	9	3	9	7	3
Abilities used at work (properly)	5	4	6	5	8	4	5	2
Autonomy at work	6	9	5	4	7	10	9	4
Security of the job	7	8	4	8	5	2	8	10
Good manager (attensive and correct)	8	10	3	7	6	6	1	7
Good incomes	9	3	8	10	10	8	4	9
Good colleagues (agreeability)	10	1	2	3	9	5	3	8

**Table 1:** Motives in some different societies, research of D. Elizur (Panisoara, 2006)

## THE CONCEPT OF PSYCHOLOGICAL CONTRACT

The development of concept of psychological contract can be divided into two parts. The period from 1930s to 1980s was dominated by more exploratory and less empirical research on the concept of psychological contract and central to that research was the concept of mutual and reciprocal exchange relations between employee and employer (Argyris, 1960, Blau, 1964, Kotter, 1973, Schein, 1965, 1970, 1980). The period from 1989 till to date is dominated by more empirical studies and less exploratory studies on psychological contract. Rousseau's definition of psychological contract as cognitive-perceptual process or individual's mental model has been well recognized in most the psychological contract research appeared over the last two decades and it has gained the status of a scientific construct

The terminology “Psychological work contract” was first time introduced by Argyris (1960), but this doesn't mean that before his work the concept of psychological contract was not existed, in fact the debate over the concept of psychological contract was began in the 1930s. The idea of psychological contract was appeared in Bernard (1938). The period started from Barnard (1938) to Schein (1965) showed limited empirical studies and was dominated by theoretical studies

which laid down the conceptual and theoretical basis of psychological contract as mutual and reciprocal exchange process between employee and employer. It was also suggested by many early theorists such as Barnard (1938), Simon and March (1958), Blau (1964) and Schein (1965, 1970, and 1980) that an employer could use not only material or economical inducements but also non-material inducements such as better work conditions, respect to employee's ideas, protection of employee's rights etc. The period from 1970 to 1980 had no considerable work except Kotter's (1973) insight that could further strengthen the literature on psychological concept development (Taylor and Tekleab,2003)

Rousseau conceptualized the psychological contract as individual-level cognition and made this the object of her research studies. Focusing on employee's perceptions, she defines the psychological contract in terms of "individual beliefs regarding the terms and conditions of an agreement between that focal person and another party" or as "individual beliefs in a reciprocal obligation between the individual and the organization" (Rousseau, 1989). Morrison and Robinson (1997) define the psychological contract as the employee's beliefs about reciprocal and promissory obligations between himself and the organization. Rousseau (1989) suggests that a violation of the psychological contract may lead to strong emotional reactions such as anger, resentment and a sense of injustice.

In empirical research, many researchers have used or based their measuring constructs of the psychological contract on Rousseau's questionnaire (Rousseau, 1990). Based on the research studies, Herriot *et al.* (1997) distinguishes 11 items in the psychological contract. These are: job content, development opportunities, job security, work climate, intra-organizational mobility, work-family balance, autonomy, salary, performance-related pay, clarity about the task and promotion opportunities.

### **THE CRISIS OF THE GREEK ECONOMY**

By the mid-1990s the Greek economy was in a period of gradual adjustment and change. Tourism, shipping, construction, banking and telecommunications were the major sectors that attracted investment. Agriculture and Manufacturing entered a period of relative decline until 2000 and absolute decline thereafter. When the economic crisis of 2008 started to produce its worldwide impact, the Greek economy was already in a process of disintegration. In May 2010 the EU and the ECB secured the financing of the Greek economy for the next three years under the terms of a memorandum. Greece accepted a complex agreement, which ended the country's capacity to decide on its fiscal policy and provided for a large number of harsh measures in almost all areas of social and economic life. Pensions and salaries have been reduced in the public and in the private sector resulting in a drastic deterioration of the economic conditions for the majority of the population. In 2012 Greece accepted a second economical agreement, as the first characterised 'failed' and provided for a large number of more harsh measures in all areas of social and economic life.

### **STRUCTURE OF THE GREEK CONSULTANT ENGINEERING COMPANY**

The Greek Civil engineers mainly in large urban centres (and especially in Athens) who work in large companies are called *cooperated engineers*. The company provides them with everything it is required (equipment, software and hardware, peripherals). They work at the company on a daily schedule, specific hours. This category of Civil engineers is the studied population of this paper. The organizational structure of these companies could be classified as "simple", "horizontal" and "fluid". The size of these companies, comparing with them of other sectors could be described as small to medium. For example the average number of employees of a classified as "medium size" consultant company are about ten. The number of companies of the sector is limited, and there are several collaborations between them mainly to undertake large public projects. The companies are placed mainly in Athens, while they

made projects in whole Greece. The sector is consisted of a small number of companies and the total number of employees is also small.

## **CASE STUDIES -METHODOLOGY OF RESEARCH**

The main objectives of the research are identifying the motivation of the specific population of Engineers and especially the hierarchy of main motives of it. We used the list of factors of D. Elizur, based on main motivational theories in the field (McClelland, Alderfer). There are motives of achievement, affiliation, power, and existence, growth (personal and professional growth).

In the case study, data which formed the basis of research were collected by interviews. However, the main purpose of the interviews was to gather qualitative data about people's motivation during the crisis. Each interview was semi-structured and guided to highlight each respondent's contribution to the topic. Interviews were conducted in two phases April 2005 (before crisis time) and December 2013 (during crisis). Each lasted approximately 45 minutes. We focused on two companies operating in Athens (Greece) to examine their HRM responses to motivation during the Crisis time. The two companies, that were studied, were firms that focused on consulting services. Firm A associated with big projects of private sector, (especially Luxurious Hotels, and residents) while firm B with Road and Bridge Project of Public Sector. They are consisted of Engineers especially Civil Engineers, a secretary and some drawing designers. A manager is responsible for Engineer Projects while the owners of the companies have the economic management. The firm A, before the crisis, occupied seven employees (6 Civil Engineers, 1 secretary) while firm B, eight employees (3 Civil Engineers, 1 secretary, 4 drawing designers)

The reduction in organizational headcount was the major concern during the crisis. Initial this was complemented by reductions especially in the payroll, with the freezing of increments, and then, with members of the organization taking pay cuts and a downsizing (about 30%). Today in firm A are occupied five employees (4 Civil Engineers, 1 drawing designer - secretary) and in firm B six employees (2 Civil Engineers, 1 secretary, 3 drawing designers). Across the crisis, it was observed that companies used multi-skilled employees (Civil Engineers or drawing designers) to cope with the Crisis. It is remarkable that the secretaries handle with the payrolls and the training budgets are cut.

## **ANALYSIS – RESULTS**

### **1. Motivation factors**

The results of the first part research (2005) show that “good manager”, “interesting work” and “good incomes”, are the most significant motivation factors, in Greece. The population with “no work experience” place in the lower position “good manager” option which shows that lack of experience did not give information about the importance of the manager in work place. “Job security” is in the last place for population who work in private sector, which characterize the sector as dynamic and in permanent restructuration.

	Greece 2005	Greece 2012
Interesting work	2	6
Accomplishments	5	7
Advancement in career	6	8
Personal recognition (self esteem)	7	9
Abilities used at work (properly)	8	10
Autonomy at work	9	5
Security of the job	10	1
Good manager(attentive and correct)	1	3
Good incomes	3	2
Good colleagues (agreeability)	4	4

**Table 2:** Motives in Greek Civil Engineers before and during the crisis time

At the age of crisis (2012) the hierarchy of the motives has completely changed. The most significant factor is the “Security of the job” and then, of course the “income”. No matter who is the manager, who are their colleagues, what is the job. The employee does just want a job and some money to survive (as they characteristically said, during the interviews). Table 2 presents the hierarchy of success in “motivational drivers” before and during the crisis time. “Good manager” and “good income” seems to be the most significant motivating factors in Greece. The “good income” is a factor which always affects and motivates Greek people. In before crisis period this factor characterized social them (status quo) while in crisis time the factor is converts in “safe income” and motivates as a factor of economic survival.

According to the table, during crisis period, “security of the job” is the highest influenced factor in motivating. On the other hand, in no crisis period, the factor has low influence. Also it is remarkable the low significance of the factor “Abilities used at work”.

## 2. Psychological contract

The results of the first part research (2005) show that the “job context”, the “promotion”, the “development opportunity” and the “performance – related pay” are the most significant items in psychological contract, in Greece. “Job security” is in a low ranking and also the “Salary” is not a significant item in the psychological contract.

At the age of crisis (2012) the hierarchy of the factors-items has completely changed. The most significant item is the “Security of the job” and then, of course the “Salary”. Items that involve with personal attitudes and options of the employees (“work climate” and “work-family balance”) seem to be precious in the psychological contract. Employees have the need of a quiet and calm work life and to spend more hours with their family. Table 3 presents the hierarchy of items in psychological contract before and during the crisis time.

	Greece 2005	Greece 2012
Job content	1	7
Development opportunity	4	10
Job security	10	1
Work – family ( balance)	6	4
Autonomy at work	8	5
Salary	7	2
Performance – related pay	3	8
Role clarity	9	6
Promotion opportunity	2	9
Work Climate	5	3

**Table 3:** Significant factors in the psychological contract

According to the table, during crisis period, “job security” is the highest influenced factor in psychological contract .On the other hand, it is remarkable that, in no crisis period, the factor has low influence. Also is interesting the low significance in scale of factors the “Role clarity” to Greek people.

## CONCLUSION

We remark that the hierarchy before and during the crisis has dramatically changed. The variable “Security on the job” which is presented as a light variable became the most important motivation factor in the crisis time. Employees, first of all, want a permanent and secure job while the motivating factor “Good Incomes” follows “Security of the job”. We remark that needs of employees are always on top (before crisis: “good income”, “interesting job”, during the crisis: “security in job”, “good- safe income”). The company’s environment (managers, colleagues) which before crisis was at the top of the factors list remains at the top, while the variable of “Interesting job”, during the crisis, is presented with the less weight.

Psychological contracts are a way of organizing the social life at work. They keep some of the sand out of the interpersonal gears. In economical crisis time, managers have to discuss with their employees, share with them their problems, keep them calm in the work environment, respect their family life and give them time to spend with it. In this way, the employees feel commit to the employer, new expectations are built and reinforced. The way change is handled creates new or reinforces expectations for future change. Change affects people’s expectations about stability and security and makes them strong to go on. As time changes and the society is in crisis the Human Resources Management practices face deal with crash test. Some of their principles corrupt or transform in new. During the period 2008-2013 the normal working environments changed in a great number of organizations, due to the devastating outcomes of the financial crisis in Greece. This sudden change of organizational, political and economical context generated a dramatical transformation of HR environment, change needs, motives and priorities of employees. Managers have to adapt to these work conditions, try to understand, support and motivate their employees planning a “better” future.

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