

PSYCHOLOGICAL CONTRACT IN IMPROVING HUMAN RESOURCES STRATEGY WITH ORGANIZATIONAL CULTURE AS A MEDIATOR VARIABLE

Sry Rosita¹⁾, Edward²⁾, Fitri Widiastuti³⁾

^{1,2,3)}Fakultas Ekonomi dan Bisnis, Universitas Jambi, Jambi

Corresponding author: sry_rosita@unja.ac.id

Abstract

The minimum criteria regarding the qualifications and competencies of lecturers in conducting education require psychological contracts, organizational culture and the strategy of Human Resources (HR) that are used as the basis for work relationships. The main objective of this research is to examine psychological contracts in improving HR strategies with organizational culture as a mediator variable. The method used in this research is kind of descriptive with a quantitative approach and use explanatory surveys. The research target was lecturers at several universities in Jambi Province. The data collection method used is by providing a structured questionnaire aimed at the sample respondents. The analysis tool used in this study is Partial Least Square (PLS) and the software used is smart-PLS. The research hypothesis provides strong support towards the view of psychological contracts has a positive and significant influence in improving HR strategies, psychological contracts have a positive and significant influence in improving HR strategies through organizational culture as a mediator variable.

Keywords: Psychological Contract, Organizational Culture, HR Strategy.

Introduction

Lecturers must have standards in accordance with the Republic of Indonesia Minister of Research, Technology and Higher Education Regulation Number 44 of 2015; the standards of lecturers and education staff are the minimum criteria about qualifications and competencies lecturers and education staff to organize education in order to fulfill graduate learning achievements. Implement the standard set lecturers need psychological contracts which is the hope and obligation in carrying out work relations.

Peng, Wong, & Song (2016) states that the basis of work relations is a binding contract which determines the obligations and rights of employers and employees, other than in written form obligations and rights are said to be valid although not stated in a written contract, therefore employees will form psychological contracts which includes written provisions and perceived and assumed from exchange agreements between individuals and organizations. Lecturers who have psychological contracts will have qualifications and competencies in providing quality education which is in accordance with university standards, this is expected to shape organizational culture. Organizational culture has a very important role in supporting the creation of an effective organization. Specifically, organizational culture can play a role in presenting guidelines work behavior for members of the organization. The creation of effective organizations through organizational culture must be supported by the Human Resources (HR) strategy. HR Strategy has a strong relationship with organizational culture because the implementation of the right strategy will support the creation of a strong culture.

According to Armstrong (2011) the HR strategy is an approach to managing people which relates to how organizational goals will be achieved through human resources with integrated HR strategies, policies and practices. Job as a lecturer with a psychological contract will improve HR strategy through organizational culture support research conducted by Richard, McMillan-Capehart, Bhuian, & Taylor (2009) which reveals that organizational culture plays an important role in forming psychological contracts. Research conducted by Klein (2011) alignment between HR strategy and organizational culture the right one can help organizations to create value and generate income. Silva & Weerasinghe (2016) showing the results that the HR strategy has an effect on psychological contracts, HR strategy acts as the main component of psychological contracts, starting from the recruitment and selection process to the creation of performance management, work termination, and retirement. Research Suazo, Martínez, & Sandoval (2009) shows the condition that basically the HR strategy is an antecedent of psychological contracts or it can be said that the HR strategy is a factor that influences psychological contracts.

Previous research generally review psychological contracts that are influenced by organizational culture, organizational culture is the effect of the HR strategy, and HR strategies as antecedents of psychological contracts, but there has never been a study that tried to examine psychological contract in improving HR strategy with organizational culture as a mediator variable. The purpose of this study was formulated for; reviewing psychological contracts in improving HR strategies in higher education and review psychological contracts in improving HR strategies with organizational culture as a mediator variable.

Theoretical Framework

Psychological Contract

Psychological contracts are conceptualized as the construct of organizational behavior with implicit agreements. Joseph (2011) identified aspects of missing aspects of psychological contracts as follows: the role of identity in contract construction, psychological contracts are agreements that are built by employees or organizations, and the importance of psychological contract management for organizational effectiveness and success in change management. Wu & Chen (2015) said that psychological contract theory is a perceived mutual obligation and the extent to which the obligation is fulfilled in the exchange relationship between the employee and the leader. Rosita (2018) states that psychological contracts as unwritten hopes are formed from promises made not clearly explained in a work relationship by the company's leadership of employees at the beginning of recruitment.

Smissen (2015) explains that psychological contracts cover aspects of work relationships good done by the company to employees and employees to the company. Psychological contracts related to social exchange relations. Haggard (2012) support from a mentor will reduce psychology contract violations. The organization will provide support to mentors to manage relationships in psychological contracts. Psychological contracts according to Rosita (2018) are measured through organizational promises to employees; career development is by offering career development and promotion in organizations; job offers are the contents of the work offered are challenging, interesting, and use good work capacity; social environment is a work environment such as communication between colleagues, collaboration in groups both the leadership and fellow colleagues; finance is the right compensation; and the last is the balance with the employee's personal is respect and understanding for employees' personal situations, for example; flexibility in working hours, understanding of personal position. Psychological contracts are first believed by employees sourced from the promised agreements by the company includes aspects of good work relationships that the company does to employees and employees to the company.

Organizational culture

Kinicki & Fugate (2011) presents organizational culture as a set of assumptions taken to obtain implicit assumptions that group holds and determines how perspective, ways of thinking, and how to react in the face of various conditions and different environments. Function of organizational culture consists of giving members an organizational identity, facilitate joint commitments, improve social system stability and shape behavior by helping members to understand their environment. Culture is a general framework of organizational strategy in relation to management knowledge, such as work autonomy, motivation and decision making systems.

Donate & Guadamillas (2010) culture develops with aspects contained in the organizational structure, knowledge management practices, managing styles, and HR policies. Existing research according to Jackson (2011) tends to look at integrated culture and ignore the pluralistic and ambiguous nature of culture. Culture is often studied superficially, culture is often seen as static but actually culture from time to time will be dynamic if culture can be socially integrated continuously.

Robbins & Judge (2016) defines organizational culture is the meaning of a shared system that is run or held by members as a differentiator between one organization and another organization. The dimensions of organizational culture are measured based on; innovation and risk taking are the extent of the organization members or employees encouraged to be innovative and dare to take risks, attention to detailed matters is related to the extent to which members of the organization or employees are expected to want to show accuracy, analysis and attention to details, results orientation is the extent to which management focuses on results not on the techniques and processes used to get the results, individual orientation is the extent of management decisions take into account the effect of the results on the people in the organization, team orientation is related to the extent to which the organization's work activities are carried out in work teams not on individuals, aggressive is the extent to which people in organizations show aggressiveness and competitiveness instead of relaxing, stability is the extent to which an organization's activities emphasize the status quo as opposed to growth or innovation.

Human Resource Strategy

Malik (2018) explained that the HR strategy is a sub-sector of HR that adopts an integrated and holistic approach to develop different HR policy choices and practices which can provide companies with a source of sustainable competitive advantage. Human resource strategy according to Buller & Mcevoy (2012) shows that humans are capital in the elements of achieving long-term success. Human resource management strategies are organizational drivers with strategic goals in creating culture, norms, motivation and opportunities to engage in actions that contribute to the achievement of goals.

According to Armstrong (2011) HR strategy as an approach to managing people related to how organizational goals will be achieved through human resources with strategy, policy, and integrated HR practices. The three perspectives of HR strategy according to Armstrong are; universalistic perspective namely the universal relationship between individual best practices and HR strategies, contingency perspective is to assume that in order to increase effectiveness, HR management practice policy, the

organization must be consistent with other aspects of the organization, configurational perspective is to develop the reason that there is a conformity of the configurational approach that appears in organizational theory and strategic management literature.

Development

Consider previous findings regarding psychological contracts, organizational culture, and HR strategies which has not been conclusive due to the limitations of empirical research, this research estimates that psychological contracts are capable of influencing towards HR strategies and organizational culture as mediator variables so that it can contribute to the results of the university. Pictographically the basic theoretical model for this research is presented in the following figure 1;

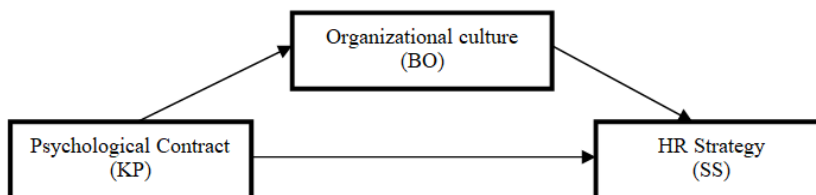


Figure 1. Research framework model

Hypothesis.

From the formulation of the problem observed with the theory presented so that the conceptual model of research can be described and the hypothesis is formulated, as follows:

H1 : Psychological contracts have a positive and significant influence in improving HR strategies.

H2 : Psychological contracts have a positive and significant influence in improving HR strategies with organizational culture as a mediator variable.

Methodology

The method of this research is descriptive type using an explanatory survey. Data sources in this research were obtained from secondary data sources obtained from official documents or reports, books and journals, and primary data sources obtained from respondents using a set of structured questionnaires distributed online at universities targeted by research, the number of samples is 95 lecturers taken using probability sampling techniques. Data analysis tool used in the form of SEM (Structural Equation Modeling) with a variance based SEM approach or better known as PLS (Partial Least Square), the software used is smart-PLS. Assessing the identification of structural models in PLS is done in three stages: analysis of the outer model, analysis of the inner model and for testing the hypothesis.

Results

The initial stage of the research is testing validity through loading values on each item statement, through correlation or the relationship between the score of the question item and the score of the construct. The indicator used is said to be valid because has a loading value greater than 0.5. Based on the answers of respondents from 95 lecturers which is a representative of lecturers who are in 6 universities in the province of Jambi, this research is considered to have sufficient reliability in a study. It has been shown that the loading values for each statement item are psychological contracts, organizational culture, and HR strategies are valid.

Next to make sure, if there is a problem with the measurement, unidimensionality testing is carried out. Unidimensionality testing uses composite reliability testing and cronbach's alpha. Constructions can be called fulfilling the category of values, the value of composite reliability is > 0.7. In this research it can be seen that the value of composite reliability for each construct can fulfill the category. Besides the value of composite reliability, the dimensionality test is also supported from the cronbach's alpha value. The cronbach's alpha value in this study is > 0.6. This shows that psychological contract constructs, organizational culture, and HR strategies have cronbach's alpha values that have met the requirements so that it can be said that measurements are reliable.

The HR strategy construct has a R-square value of 0.640, the figure shows that the influence of psychological contracts on the HR strategy has a percentage of 64% so that can be said the effect of psychological contracts on the HR strategy is moderate model. organizational culture has an R-square value of 0.517, the figure shows that the influence of psychological contracts on organizational culture has a percentage of 51.7% so that can be said the influence of psychological contracts on organizational culture is a moderate model. Predictive relevance with the symbol Q^2 that is measure the value of observations generated from the model and to find out the estimated parameters. The value category in Q^2 has the same meaning as R^2 in the regression analysis with the criteria the higher the R^2 value, the model will be more in accordance

with the data used, then the value of its predictive relevance can be calculated by using the following formula:

$$\begin{aligned} \text{Value of } Q^2 &= 1 - (1 - R^2) \times (1 - R^2) \\ \text{Value of } Q^2 &= 1 - (1 - 0.517) \times (1 - 0.640) \\ &= 0.82612 \end{aligned} \tag{1}$$

Predictive relevance (Q^2) has a value of 0.82612 or 82.61% It can be interpreted that Q^2 is a model of strong predictive relevance. After calculating the value of predictive relevance, then the next step is to calculate using the goodness of fit index (GoF). GoF is useful for evaluating structural measurements and models. Other than that, GoF also provides simple measurements or simple which can be used for overall model predictions with the provision that it uses the following formula:

$$\begin{aligned} \text{GoF} &= \sqrt{\text{AVE} \times R^2} \\ &= \sqrt{0.619 \times 0.5785} \\ &= 0.598 \end{aligned} \tag{2}$$

Based on the results of the GoF calculation of 0.598 then the research structural model shows a large GoF value then it can be interpreted that the evaluation of structural measurements and models in this research able to reflect reality and phenomena that occur in the field. Coefficient of psychological contract, HR strategy, and organizational culture through testing on the smart-PLS program can be shown in the following figure 2:

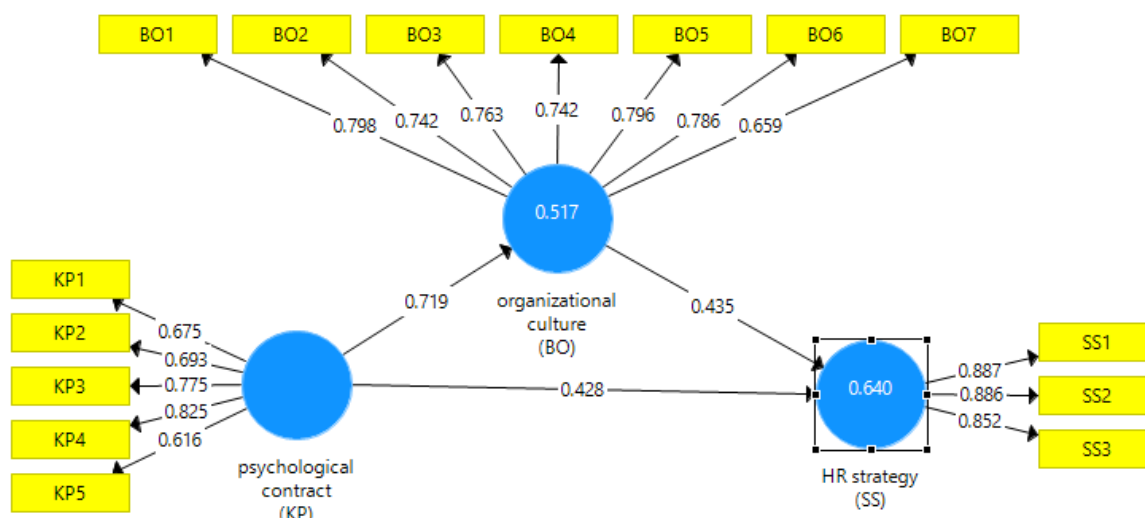


Figure 2. Path coefficients psychological contract, HR strategy, and organizational culture

Research model 1. $SS = 0.428 KP + e1$ (3)

Parameter coefficient psychological contract (KP) towards HR strategy (SS) that is equal to 0.428 interpreted that the psychological contract of the lecturer make a positive contribution on the HR strategy in other words increasing psychological contracts it will further improve the HR strategy in universities.

Research model 2. $SS = 0.719 KP BO + 0.435 BO SS + e3$ (4)

Parameter coefficient psychological contract (KP) towards HR strategy (SS) through organizational culture (BO) based on parameter coefficient measurements for psychological contracts (KP) towards organizational culture (BO) that is equal to 0.719 and parameter coefficient organizational culture (BO) towards HR strategy (SS) of 0.435. The results of data processing through PLS software, psychological contract (KP) towards HR strategy (SS) through organizational culture (BO) with specific indirect effects of 0.313 which means the parameter coefficient between psychological contracts (KP) towards HR strategy (SS) through organizational culture (BO) can be interpreted that psychological contract (KP) owned by the lecturer has a positive effect on the HR strategy (SS) through organizational culture (BO) as a mediator in universities.

Hypothesis 1: Psychological contracts (KP) have a positive and significant influence in improving HR strategies (SS).

Psychological contracts have a significant influence in improving HR strategies in universities. Based on the total effects t-statistic values obtained > 1.96 that is equal to 14,443 thus it can be said that psychological contracts have a significant influence on the HR strategy. This means that the hypothesis which states that psychological contracts have a significant influence on HR strategies has strong support in universities (Hypothesis is acceptable). This result is in accordance with the initial prediction (hypothesis), that psychological contracts have a significant influence on the HR strategy.

Hypothesis 2: Psychological contracts (KP) have a positive and significant influence in improving HR strategies (SS) with organizational culture (BO) as a mediator variable.

Psychological contracts have a significant influence in improving HR strategies with organizational culture as a mediator variable, to analyze whether organizational culture (BO) is a mediator between psychological contracts (KP) and HR strategy (SS) seen from the significance between the influence of psychological contracts (KP) towards organizational culture (BO) is t count = 15.050 and t table = 1.96 It means that t count > t table (or sig.level = 0,000 <0.05), so that it rejects H₀ and accepts H_a and organizational culture (BO) against the HR strategy (SS) which shows t count 5.993 and t table = 1.96 this means that t count > t table (or sig. Level = 0,000 <0.05), so that it rejects H₀ and accepts H_a. It is seen that both of these models have a positive and significant influence, so that organizational culture (BO) is a mediator between psychological contracts (KP) and HR strategy (SS). The hypothesis that psychological contracts have a positive and significant influence on HR strategies through organizational culture has strong support in universities (hypothesis is acceptable). This result is in accordance with the initial prediction (hypothesis).

Discussion

This research shows that measuring HR strategy consists of; universalistic perspective where the participation and empowerment of lecturers is in line with the HR strategy in Higher Education, a contingency perspective where effectiveness increases, policies, HR management practices are consistent with other aspects in universities and configurational perspectives where universities apply certain strategies in order to achieve predetermined targets are the effects of psychological contracts that indicate that career development and promotion for lecturers, job offers with very challenging types of work with interesting job content, and use good work capacity, social environment with a pleasant work environment such as good communication between colleagues, good cooperation in groups, finance with compensation that is commensurate with work and balance with personal employees, respect the personal rights of the lecturer and be flexible in working hours.

This research is in line with research conducted by Rosita (2019) that psychological contracts believed to be derived from agreements promised at the beginning of recruitment are the relationship between the employer and the recipient of the job. According to Peng et al., (2016) the basis of work relations is a binding contract that determines the obligations and rights of employers and employees. Psychological contracts in improving HR strategies are more directly related than mediated by organizational culture. But overall organizational culture is a mediator between contract psychology and HR strategy or in other words psychological contracts have a positive and significant influence on HR strategies through organizational culture. Psychological contracts that indicate career development, job offers, social, financial and respect for personal rights has a higher influence on the HR strategy seen from a universalistic perspective is the empowerment of lecturers in line with the HR strategy, contingency perspective seen from increasing effectiveness, policy, HR management practices are consistent with other aspects in universities and configurational perspectives that apply certain strategies in order to achieve the set targets rather than mediated by organizational culture through innovation and risk taking by encouraging lecturers to be innovative and courageous in taking risks in the interests of universities, paying attention to detailed matters relating to accuracy, analysis and details, results orientation by providing visiting facilities achieving optimism in carrying out work, individual orientation in carrying out work seriously and carry out tasks in accordance with established procedures, team orientation always coordinates, aggressive to carry out work diligently because the work is his responsibility, stability by recommending universities as a good place to build a career.

Conclusions

Based on the results and discussion in testing the research, it can be concluded that; 1) Psychological contracts have a positive and significant influence on the HR strategy or in other words the HR strategy is the effect of psychological contracts. The better the psychological contract of the lecturer, the better the HR strategy in the university; 2) Direct psychological contracts have a greater influence in improving the HR strategy rather than mediated by organizational culture. But overall psychological contracts have a positive and significant influence on HR strategies through organizational culture or in other words organizational culture is a mediator between contract psychology and HR strategies.

Psychological contracts have a greater influence on HR strategies directly than mediated by organizational culture, so it should be a concern to create an HR strategy more competitive so that the psychological contract of employees will increase so that organizational culture will be increasingly strong in mediating psychological contracts in increasing HR strategies in universities.

References

- Armstrong, M. (2011). *Armstrong's handbook of strategic human resource management*. Kogan Page.
- Buller, P. F., & Mcevoy, G. M. (2012). Strategy, human resource management and performance: Sharpening line of sight. *Human Resource Management Review*, 22(1), 43–56. <https://doi.org/10.1016/j.hrmr.2011.11.002>
- Donate, M. J., & Guadamillas, F. (2010). The Effect of Organizational Culture on Knowledge Management Practices and Innovation. *Knowledge and Process Management*, 17(2), 82–94. <https://doi.org/10.1002/kpm>
- Ghozal, Ii. (2015). *SMART PLS (Partial Least Squares) 3.0*. (2nd ed.). Semarang: Badan Penerbit Universitas Diponegoro.
- Haggard, D. L. (2012). Mentoring and Psychological Contract Breach. *J Bus Psychol*, (June 2011), 161–175. <https://doi.org/10.1007/s10869-011-9237-2>
- Jackson, S. (2011). Organizational culture and information systems adoption: A three-perspective approach. *Information and Organization*, 21(2), 57–83. <https://doi.org/10.1016/j.infoandorg.2011.03.003>
- Joseph, T. M. (2011). The psychological contract: What is missing? What is next? *Journal of Psychological Issues in Organizational Culture*, 2(1), 67–75. <https://doi.org/10.1002/jpoc>
- Kinicki, A., & Fugate, M. (2011). [Pdf] *Organizational Behavior: Key Concepts, Skills & Best Practices* by. New York: McGraw-Hill Education; 5 edition.
- Klein, A. (2011). Corporate culture: its value as a resource for competitive advantage. *Journal of Business Strategy*, Vol. 32, pp. 21–28. <https://doi.org/10.1108/02756661111109743>
- Malik, A. (2018). *Strategic Human Resource Management and Employment Relations*. <https://doi.org/10.1007/978-981-13-0399-9>
- Peng, K. Z., Wong, C. S., & Song, J. L. (2016). How do Chinese employees react to psychological contract violation? *Journal of World Business*, 51(5), 815–825. <https://doi.org/10.1016/j.jwb.2016.07.012>
- Richard, O. C., McMillan-Capehart, A., Bhuian, S. N., & Taylor, E. C. (2009). Antecedents and consequences of psychological contracts: Does organizational culture really matter? *Journal of Business Research*, 62(8), 818–825. <https://doi.org/10.1016/J.JBUSRES.2008.04.001>
- Robbins, S., & Judge, T. (2016). *Organizational Behavior* (17th ed.). London: Pearson Education.
- Rosita, S. (2018). *Kontrak Psikologis Karyawan Badan Usaha Milik Negara (BUMN)* (1st ed.). Jambi: Salim Media Indonesia.
- Rosita, S. (2019). Kontrak psikologis dalam meningkatkan perilaku warga organisasi dengan sikap kerja sebagai mediator. *DeReMa Jurnal Manajemen*, 14(1), 105–122. Retrieved from <https://ojs.uph.edu/index.php/DJM/issue/view/113/showToc>
- Silva, S. A. I., & Weerasinghe, T. D. (2016). Determinants of Retention of Psychological Contract of Information Technology Professionals in Sri Lanka. *IOSR Journal of Humanities and Social Science*, 21(09), 04–12. <https://doi.org/10.9790/0837-2109030412>
- Smissen, S. (2015). *Contemporary psychological contracts: How organizational change and generational differences affect employer employee relationships* (Vol. 2). Retrieved from <https://research.tilburguniversity.edu/en/publications/contemporary-psychological-contracts-how-organizational-change-an>
- Suazo, M. M., Martínez, P. G., & Sandoval, R. (2009). Creating psychological and legal contracts through human resource practices: A signaling theory perspective. *Human Resource Management Review*, 19(2), 154–166. <https://doi.org/10.1016/j.hrmr.2008.11.002>
- Wu, C. M., & Chen, T. J. (2015). Psychological contract fulfillment in the hotel workplace: Empowering leadership, knowledge exchange, and service performance. *International Journal of Hospitality Management*, 48, 27–38. <https://doi.org/10.1016/j.ijhm.2015.04.008>