The Impact of Employees’ Personality on their Psychological Contract in Fabric Manufacturing Industry of Sri Lanka

Ranasinghe, V.R. and Kottawatta, K.H.H.

Abstract

Area of the Study
This study seeks to explore the impact of employees’ personality on their psychological contract in fabric manufacturing industry of Sri Lanka.

Problem of the Study
The research problem of this study is: Does the personality of the employees have an impact on their psychological contract in fabric manufacturing industry of Sri Lanka?

Method of the Study
The data were collected from a stratified sample of 196 executive employees in selected fabric manufacturing companies of Sri Lanka and used a structured questionnaire consisting of 64 questions with 5 points Likert Scale. Data were analyzed through SPSS computer package and it included univariate analysis and bivariate analysis.

Findings of the Study
The findings of the study are that extroversion, agreeableness, conscientiousness and openness to experience except neuroticism were negatively and strongly correlated with transactional psychological contract of executives. And extroversion, agreeableness, conscientiousness and openness to experience except neuroticism were positively and strongly correlated with relational psychological contract of executives. As the multiple regression analysis, 94.1% of the variation in big five factors explained by the transactional psychological contract and 93.6% of the variation in big five factors explained by the relational psychological contract.

Conclusion of the Study
It is concluded that personality is an important variable to understand the psychological contracts. This study provides support for filling the gap of theoretical and practical understanding of personality and psychological contract in fabric manufacturing industry which is mainly helpful to retain talents within the organization even though there is a huge market competition.

Keywords: Personality, Big Five Personality Factors, Psychological Contract

Introduction
It is a challenge that retains the talented employees within the organization in the context of rapid development in technology and high international competition due to the globalization and it demands the concert and strong relationship between employer and employee to long term survival. As Curwen (n.d.)[01], ambiguity, adjustments and anxiety seem more important than ever to guarantee healthy and progressive relationship within the context of employer and employees. This relationship can be examined by using the concept of psychological contract. Goyal (2009)[02] reported that positive psychological contract becomes paramount to achieve a high productivity or a great success of any business. However psychological contract differs from employment contract. Because of the high global competition most of the employees do not try to retain in the same workplace continuously. As there are so many growing job opportunities worldwide which provide high salary and more facilities. Hence it is very much essential to pay attention to build a good relationship with the employees if the organization wants to keep those employees within the organization.
So far research has primarily focused on contract fulfillment or breach and its outcomes whereas there has been little attention paid to how or why employees develop particular contract attitudes (Tallman & Burning 2008, p. 688). Lot of individual and organizational factors influence the psychological contract and among these individual and organizational factors, personality is a key factor. Here Big Five Personality Dimensions will be used because these five personality dimensions (neuroticism, extroversion, agreeableness, openness to experience, and conscientiousness) have been studied extensively and have been associated with a variety of work attitude and behavior (Costa & McCrae 1992; Tallman & Burning 2008).

Although there are few researches which have been done by various scholars in foreign countries, still there is a gap in Sri Lankan context with regard to this topic. This research is conducted in the fabric industry of Sri Lanka because apparel sector is the highest industrial employment generator and highest foreign exchange earner in Sri Lanka and apparel industry is the most significant and dynamic contributor for Sri Lanka’s economy (Chelina Capital Cooperation 2013).

**Problem Background and Problem of the Study**

As Lemire and Rouillard (2005), Chrobot-Mason (2003) and Rousseau (2001), psychological contracts can be defined as an employee’s beliefs and attitudes about the mutual obligations between the employee and his or her organization. Psychological contract is an individual’s beliefs in the terms and conditions of a reciprocal exchange agreement between the focal person and another group (Rousseau 1989, p123). Consequently, psychological contract is a concept which is used to identify the relationship among employee and employee with in organizational context. It is obvious that there is no clear agreement on the definition of psychological contract (Guest & Conway 2002). Psychological contract as a concept was introduced by Argyris in 1960. Psychological contract becomes a popular behavioral area to study in different fields such as consumer–service provider (Kingshott & Pecotich 2007), student-educational provider (Bordia & Bordia 2008; Wade-Benzoni, Rousseau & Li 2006) and it is not limited to employment relations (Liao-Troth 2005).

According to the previous studies most of the scholars identify that there is an impact of personality on psychological contract. Raja et al. (2004) indicate that agreeable people establish relational contract and extroversion positively relates to relational contracts. Neuroticism negatively relates with relational contracts (Raja et al. 2004). However employees high on openness to experience report lower psychological contract (raja et al. 2004).

According to Goyal (2009) government employees’ psychological contract is “relational” in nature. Personality factors of ‘Conscientiousness’ and ‘Agreeableness’ were most prominent and the factor of ‘Neuroticism’ is the least (Goyal 2009). Several previous studies have revealed that there is no significant difference in the behavior and attitude of
males and females. Goyal (2009)\textsuperscript{22} also emphasizes this idea. Further Goyal (2009)\textsuperscript{23} indicates that when age increases, the employee will be a move towards relational psychological contracts. As noted by Goyal (2009)\textsuperscript{24} the relational contract was positively associated with Extraversion, Openness, Agreeableness and Conscientiousness, and negatively associated with Neuroticism. The transitional contract was positively and considerably associated with Neuroticism (Goyal 2009)\textsuperscript{25}.

Maintaining a positive relationship between employer and employee is very much essential otherwise it may result in too many negative consequences such as lower level job satisfaction, lower level commitment and higher intention to quit. Hence this study tries to explore “what is the impact of employee personality on psychological contract with in Sri Lankan fabric manufacturing industry”. In other words this study tries to find out how employee personality affect to build up positive or negative as well as other types of psychological contracts within the employees in fabric manufacturing industry Sri Lanka.

**Research Framework**

According to McCrae and Costa (2003)\textsuperscript{26}, neuroticism is one of the five components of Big Five Model which including self-conscious, emotional, vulnerable, and tend to worry a lot of individuals. Raja et al. (2004)\textsuperscript{27} pointed out that individual who present neuroticism personality will not engage in relationship and this type of individual tend to be limited in social skills and avoid demand taking control situations (Judge, Locke & Durham 1997)\textsuperscript{28}. Characters of more calm, even-tempered, comfortable and hardy are presented by an individual who has less neurotic tendencies (McCrae & Costa 2003)\textsuperscript{29}.

Raja et al. (2004)\textsuperscript{30} found that neuroticism is positively related to transactional contracts and negatively related to relational contracts. Therefore this finding would suggest that neurotic employees expect immediate and instrumental needs and they do not want to build a relationship with employer (Tallman & Bruning 2008)\textsuperscript{31}. Goyal (2009)\textsuperscript{32} identified that transactional contract is positively associated with Neuroticism ($r = 0.16, p>0.05$). Additionally, relational contract is negatively associated with Neuroticism ($r = -0.21, p<0.05$). Furthermore Raja et al. (2004)\textsuperscript{33} found that people high in neuroticism were more likely to perceive psychological contract breach. According to DelCampo (2007)\textsuperscript{34} neuroticism increase the likelihood of reporting violation. Based on the arguments of previous empirical findings, two hypotheses are developed to test in this study.

H$_1$: Neuroticism has a positive impact on transactional psychological contract.

H$_2$: Neuroticism has a negative impact on relational psychological contract.

As McCrae and Costa (2003)\textsuperscript{35} explain, extroverts are highly social, talkative, energetic, enthusiastic, assertive and ambitious. Quite the opposite, generally more reserved, quiet and passive are the characteristics of introverts (McCrae & Costa 2003)\textsuperscript{36}. Raja et al. (2004)\textsuperscript{37} found that extroversion was directly related to relational contracts and negatively related to transactional contracts and it reflects extroverted employees’ desire for long term relationships. Goyal (2009)\textsuperscript{38} observed that transactional contract is negatively correlated with scores on extraversion ($r = -0.06, p > 0.05$) and relational contract is positively correlated
with scores on extraversion ($r = .26, p < 0.01$). Raja et al. (2004)\textsuperscript{39} found that people high in extraversion are not significantly related to the perceived breach. The third and fourth hypotheses are developed based in the above arguments.

H$_3$: Extroversion has a negative impact on transactional psychological contract.

H$_4$: Extroversion has a positive impact on relational psychological contract.

McCrae and Costa (2003)\textsuperscript{40} stressed that imaginative, creative, original, curious and prefer variety is the characteristics of an individual who has openness tendencies. As noted by Goyal (2009)\textsuperscript{41} transactional contract is negatively correlated with scores on Openness ($r = -.05, p > 0.05$) and relational contract is positively correlated with scores on Openness ($r = .25, p < 0.01$). According to DelCampo (2007)\textsuperscript{42} people who are high in openness to experience reduce the individual perception to contract violation. Fifth and sixth hypotheses are developed based on the above findings.

H$_5$: Openness to experience has a negative impact on transactional psychological contract.

H$_6$: Openness to experience has a positive impact on relational psychological contract.

Trust, generous, soft-hearted, lenient and good-natured are presented by the agreeable people and more suspicious, antagonistic, critical and irritable are presented by less agreeable individuals (McCrae & Costa 2003)\textsuperscript{43}. Goyal (2009)\textsuperscript{44} identified that transactional contract is negatively correlated with scores on agreeableness ($r = -.19, p < 0.05$). Conversely, score on relational contract is positively correlated with agreeableness ($r = .32, p < 0.01$).

H$_7$: Agreeableness has a negative impact on transactional psychological contract.

H$_8$: Agreeableness has a positive impact on relational psychological contract.

While individuals who are highly conscientious, tend to possess characteristics of being hardworking, well organised, punctual, ambitious and persevering, individual who has low in conscientiousness tend to possess characteristics of being negligent, disorganised, late, aimless and unreliable (McCrae & Costa 2003)\textsuperscript{45}. Raja et al. 2004\textsuperscript{46} found that employees high in conscientiousness are concerned with developing long term relationships with the organization. Therefore they build relational contracts with their employer. Goyal (2009)\textsuperscript{47} concludes that transactional contract is negatively correlated with conscientiousness ($r = -.05, p > 0.05$) and relational contract is positively correlated with scores on conscientiousness ($r = .34, p < 0.01$). People low in conscientiousness were more likely to perceive psychological contract breach (Raja et al. 2004)\textsuperscript{48}. Workers high in conscientiousness do not try to violate the contract (Del Campo 2007)\textsuperscript{49}.

H$_9$: Conscientiousness has a negative impact on transactional psychological contract.

H$_{10}$: Conscientiousness has a positive impact on relational psychological contract.

**Method**

**Study Design**

The main objective of this study was to investigate the impact of the personality on employees’ psychological contract in the fabric manufacturing industry and the hypothesis was developed based on this objective. The study was conducted by using a sample of 196 employees in selected fabric manufacturing companies of Sri Lanka. This study examines the
impact of employee personality on their psychological contract in fabric manufacturing industry. So this study was conducted in a natural environment and none of the variables were controlled. No any artificial or setting was created for this study.

The sample method of the survey was the random sampling and it was a cross sectional study. The survey was carried out among the sample of 196 executive employees in the fabric manufacturing industry of Sri Lanka and collected data by distributing a structured questionnaire among them.

**Measure**

The variable in this research model: Big Five Personality Dimensions (neuroticism, extroversion, agreeableness, openness to experience, and conscientiousness) and psychological contract types (transactional and relational) were measured through a questionnaire with Five Point Scale which were completed by the respondents themselves on their experiences. The variables of the study constitute interval scales.

The questionnaire is comprised of three sections. First section includes the respondent’s general background details. It consists of duration of the service period, nature of the employee contract and the current function the respondent engaged in. The respondents are not required to disclose their name and other identity to ensure confidentiality. Personality is one of the major variables in this study. In the second part, there are 44 questions which relating to the Big Five Inventory (BFI)\(^{[50]}\).

Other major variable in this study is the type of psychological contract formed by employee with their employers. Denise M. Rosseau\(^{[51]}\) has developed a psychometrically sound tool, known as ‘Psychological Contract Inventory’ which assess the generalizable content of psychological contract. The instrument divides the items into four sets – Employer Obligation, Employer Transition Scale, Employee Obligation and Employee Transition Scale. However in this study, researcher only uses questions of two sets - Employer Obligation and Employee Obligation because this study only considers transactional and relational dimensions.

**Reliability and Validity of the Instrument**

The inter item consistency reliability was examined with Cronbach’s Alpha test. The results of Cronbach’s Alpha test are given in Table 1, which suggest that the internal reliability of each instrument is satisfactory.

<table>
<thead>
<tr>
<th>Table 1: Cronbach’s Alpha Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Instrument</strong></td>
</tr>
<tr>
<td>Personality</td>
</tr>
<tr>
<td>Psychological Contract</td>
</tr>
</tbody>
</table>
The content validity of the instrument was ensured by the conceptualization and operationalization of the variables on literature, and indirectly by the high internal consistency reliability of the instruments as denoted by Alphas.

**Techniques of Data Analysis**

Data collected from the primary (questionnaire) source were analyzed using the computer based statistical data analysis package, SPSS (Version 20.0) for validity reliability and relationship testing. The data analysis included univariate, bivariate and multivariate analyses.

**Results**

To investigate the responses for independent and dependent dimensions of the executive employees of the fabric manufacturing industry, univariate analysis was used. The results of the univariate analysis are given in Table 2.

<table>
<thead>
<tr>
<th></th>
<th>Extroversion</th>
<th>Agreeableness</th>
<th>Conscientiousness</th>
<th>Neuroticism</th>
<th>Openness to experience</th>
<th>Transactional Pc</th>
<th>Relational Pc</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean</strong></td>
<td>3.1625</td>
<td>3.0333</td>
<td>3.1111</td>
<td>2.0250</td>
<td>3.4200</td>
<td>2.2750</td>
<td>3.5167</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>3.3125</td>
<td>3.0000</td>
<td>3.3333</td>
<td>1.6250</td>
<td>4.0000</td>
<td>1.5000</td>
<td>4.1667</td>
</tr>
<tr>
<td><strong>Mode</strong></td>
<td>3.38</td>
<td>2.78a</td>
<td>3.33a</td>
<td>1.38a</td>
<td>4.20</td>
<td>1.38a</td>
<td>4.17</td>
</tr>
<tr>
<td><strong>Std. Deviation</strong></td>
<td>.44151</td>
<td>.28642</td>
<td>.55702</td>
<td>.87516</td>
<td>1.05806</td>
<td>1.33086</td>
<td>1.17082</td>
</tr>
<tr>
<td><strong>Variance</strong></td>
<td>.195</td>
<td>.082</td>
<td>.310</td>
<td>.766</td>
<td>1.119</td>
<td>1.771</td>
<td>1.371</td>
</tr>
<tr>
<td><strong>Skewness</strong></td>
<td>-.109</td>
<td>.019</td>
<td>-.750</td>
<td>.877</td>
<td>.922</td>
<td>.894</td>
<td>-.835</td>
</tr>
<tr>
<td><strong>Kurtosis</strong></td>
<td>.592</td>
<td>-1.179</td>
<td>1.097</td>
<td>-1.059</td>
<td>-1.024</td>
<td>-1.164</td>
<td>1.218</td>
</tr>
<tr>
<td><strong>Range</strong></td>
<td>1.63</td>
<td>.89</td>
<td>1.56</td>
<td>2.38</td>
<td>2.70</td>
<td>3.25</td>
<td>2.92</td>
</tr>
<tr>
<td><strong>Minimum</strong></td>
<td>2.13</td>
<td>2.56</td>
<td>2.11</td>
<td>1.25</td>
<td>1.50</td>
<td>1.25</td>
<td>1.67</td>
</tr>
<tr>
<td><strong>Maximum</strong></td>
<td>3.75</td>
<td>3.44</td>
<td>3.67</td>
<td>3.63</td>
<td>4.20</td>
<td>4.50</td>
<td>4.58</td>
</tr>
</tbody>
</table>

According to Table 2, level of extroversion, agreeableness, conscientiousness, neuroticism and openness to experience of executive employees’ fabric manufacturing industry are normally distributed.

The bivariate analysis, Pearson’s Correlation between extroversion, agreeableness, conscientiousness, neuroticism and openness to experience of executive employees’ fabric manufacturing industry are illustrated in Table 3 and Table 4.
Table 3: The Pearson’s Correlation between Independent Variable and Dependent Variable

<table>
<thead>
<tr>
<th></th>
<th>Transactional</th>
<th></th>
<th>Relational</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Correlation</td>
<td>Sig.(i-tailed)</td>
<td>Correlation</td>
<td>Sig.(i-tailed)</td>
</tr>
<tr>
<td>Extroversion</td>
<td>-.865**</td>
<td>.000</td>
<td>.890**</td>
<td>.000</td>
</tr>
<tr>
<td>Agreeableness</td>
<td>-.669**</td>
<td>.000</td>
<td>.642**</td>
<td>.000</td>
</tr>
<tr>
<td>Conscientiousness</td>
<td>-.940**</td>
<td>.000</td>
<td>.935**</td>
<td>.000</td>
</tr>
<tr>
<td>Neuroticism</td>
<td>.983**</td>
<td>.000</td>
<td>-.980**</td>
<td>.000</td>
</tr>
<tr>
<td>Openness</td>
<td>-.994**</td>
<td>.000</td>
<td>.989**</td>
<td>.000</td>
</tr>
</tbody>
</table>

Correlation is significant at the 0.01 level (1-tailed)

According to the Pearson’s correlation coefficients of extroversion, agreeableness, conscientiousness and openness to experience of executive employees, transactional psychological contract are negatively and significantly correlated. Nevertheless neuroticism is negatively correlated with the transactional contract. Pearson’s correlation coefficients of extroversion, agreeableness, conscientiousness and openness to experience of executive employees, relational psychological contract are positively and significantly correlated. Nevertheless neuroticism is negatively correlated with the relational contract.

The results of simple regression analysis of the five independent dimensions against two dependent dimensions are given in Table 4.

Table 4: Results of Regression Analysis

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Extroversion</th>
<th>Agreeableness</th>
<th>Neuroticism</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>T R</td>
<td>T R</td>
<td>T R</td>
</tr>
<tr>
<td>Method</td>
<td>Linear</td>
<td>Linear</td>
<td>Linear</td>
</tr>
<tr>
<td>R Square</td>
<td>.748</td>
<td>.792</td>
<td>.447</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>.747</td>
<td>.791</td>
<td>.444</td>
</tr>
<tr>
<td>F</td>
<td>558.99</td>
<td>717.19</td>
<td>152.18</td>
</tr>
<tr>
<td>Significance</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>B-constant</td>
<td>10.521</td>
<td>-3.948</td>
<td>11.702</td>
</tr>
<tr>
<td>b-value</td>
<td>-2.608</td>
<td>2.360</td>
<td>-3.108</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Conscientiousness</th>
<th>Openness to experience</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>T R</td>
<td>T R</td>
</tr>
<tr>
<td>Method</td>
<td>Linear</td>
<td>Linear</td>
</tr>
<tr>
<td>R Square</td>
<td>.883</td>
<td>.874</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>.883</td>
<td>.873</td>
</tr>
<tr>
<td>F</td>
<td>422.9</td>
<td>303.54</td>
</tr>
<tr>
<td>Significance</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>B-constant</td>
<td>9.261</td>
<td>-2.597</td>
</tr>
<tr>
<td>b-value</td>
<td>-2.245</td>
<td>1.965</td>
</tr>
</tbody>
</table>

Discussion and Conclusion

This research is carried out to find out the relationship between big five factors of personality and type of psychological contract. There are statistical evidences to support to accept all the hypotheses formulated for the study. The first hypothesis was: neuroticism has a positive
impact on transactional psychological contract. It was confirmed that there is a positively relationship between neuroticism and transactional contact of executive employees in the fabric manufacturing industry. The second hypothesis was: neuroticism has a negative impact on relational psychological contract. The statistical testing is supported to accept that there is a negative relationship between neuroticism and relational contact of executive employees in the fabric manufacturing industry. These two findings were confirmed by Raja et al (2004)\textsuperscript{52} and Goyal (2009)\textsuperscript{53}. According to the findings of the study, the individual who is more self-conscious, emotional, vulnerable and tend to worry a lot, builds short-term relationship with parties.

The third hypothesis was extroversion has a negative impact on transactional psychological contract. It was sustained that there is a negative relationship between extroversion and transactional contact of executive employees in the fabric manufacturing industry and it is similar to the finding of Raja et al. (2004)\textsuperscript{54} and Goyal (2009)\textsuperscript{55}. The fourth hypothesis was extroversion has a positive impact on relational psychological contract. The statistical testing is supported to accept that the relational contract is more likely to be positive with extroversion. Raja et al. (2004)\textsuperscript{56} and Goyal (2009)\textsuperscript{57} found that there was a positive impact of extroversion on rational psychological contract. The final conclusion of these two findings are that an individual who presents the qualities such as highly social, talkative, energetic, enthusiastic, assertive and ambitious tries to build long term relationship including attitudes like loyalty, security and growth. However, there is a short term transactional psychological contract for an individual who presents the qualities like more reserved, quite and passive.

The fifth hypothesis was the openness to experience has a negative impact on transactional psychological contract. It was found that there is a negative relationship between openness to experience and transactional contact of executive employees in the fabric manufacturing industry. This finding can establish the finding of Goyal in 2009\textsuperscript{58}. And sixth hypothesis was openness to experience has a positive impact on relational psychological contract. It was confirmed that there is a positive relationship between openness to experience and relational contract of executive employees. The final conclusions of these two hypotheses are that an individual who has imaginative, creative, original, curious and prefer variety, tends to develop long term relationship than short term relationship.

Seventh hypothesis was agreeableness has a negative impact on transactional psychological contract. And it was found that there is a negative relationship between agreeableness and transactional contact of executive employees in the fabric manufacturing industry. And eighth hypothesis was agreeableness has a positive impact on relational psychological contract. Similar results were found by Goyal in 2009\textsuperscript{59} and final conclusion of these two findings are that an individual who has qualities like trusting, generous, soft-hearted, lenient and good-natured, tends to develop relational psychological contract than transactional psychological contract.

Ninth hypothesis was the conscientiousness has a negative impact on transactional psychological contract. And it was confirmed that there is a negative relationship between
conscientiousness and transactional contact of executive employees in the fabric manufacturing industry. Last hypothesis was conscientiousness has a positive impact on relational psychological contract. And it was sustained that relational contract is positively correlated with scores on conscientiousness. These two findings of the study are similar to the findings of Raja et al. (2004)\cite{60} and Goyal (2009)\cite{61}. An individual who presents the qualities like high conscientious, hardworking, well organized, punctual, and ambitious, tends to build relational psychological contracts than the transactional psychological contract.

According to the results of multiple regression analysis the square of the multiple R is 0.970, indicates that 94.1% of the variation in big five factors explained by the transactional psychological contract. The F value is 802.36, which is significantly at 1% (p = 0.000), suggest that the transactional psychological contract dimension has significantly explained 94% of the variation in the big five factors. In addition to that, the square of the multiple R is 0.968, indicates that 93.6% of the variation in big five factors explained by the relational psychological contract. The F value is 675.2, which is significantly at 1% (p = 0.000), which suggests that the relational psychological contract dimension has significantly explained 94% of the variation in the big five factors.

The findings of this research study will be important on the theoretical as well as practical scenario. As this research model was substantiated, the findings of study are important to build a sustainable relationship between employer and employee. The top management of the organizations in the fabric manufacturing industry should consider these factors and develop a strong relationship between both employer and employees to gain maximum contribution to achieve the organizational objectives.

Further research studies are suggested to carry out to find out the impact of personality of the employees who are working in the government sector to their psychological contract. So it will lead to find out association between personality & psychological contract which can be generalized.

References

Details Reference List


[18] Ibid


[22] Ibid

[23] Ibid


[36] Ibid


Ranasinghe, V.R.
Department of Human Resource Management
University of Sri Jayewardenepura

Kottawatta, K.H.H.
Professor
Department of Human Resource Management
University of Sri Jayewardenepura