Leveraging psychological contracts as an HR strategy: The case of software developers

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A B S T R A C T

This article studies the management of software developers through the lens of the psychological contract and from the perspectives of employees and employers. Data were gathered through interviews with software developers and their human resources (HR) and/or direct managers in French high-tech companies. Our findings show the crucial role of HR and direct managers who shape a balanced professional psychological contract with developers as a specific HR strategy in order to respond to their job specificities and values. Specific HR practices (nature of the processes, involvement of developers in these processes, credibility of HR/direct managers and career development opportunities) and the working environment contribute to the development of trust and fairness, which form part of the content of the balanced contract.

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1. Introduction

The psychological contract, i.e. employees’ perception of the nature of their relationship with the company (Rousseau, 1995), is a useful framework for analyzing and managing the employment relationship (Guest & Conway, 2002). It “captures” the changing spirit of the times and “provides a potentially fruitful construct with which to make sense of and explore this new employment relationship” (Guest, 1998, p. 659). The development of an appropriate psychological contract as an HR strategy is of particular strategic importance in high-tech firms.

In these companies, the people in software development positions make substantial contributions to the company’s strategic success (Readman & Grantham, 2006). The massive increase in the use of computer systems and applications by companies across a wide range of industries is driving up demand for software developers (henceforth “developers”) all over the world. While the war for developers has been discussed in the literature for practitioners and in the mass media, the academic literature on the subject is relatively scarce (Barrett, 2004; Linberg, 1999; Marks & Scholarios, 2008). Little has been theorized about this profession, which is only about 50 years old and whose representatives are in short supply on the global labor market with a short-term commitment to their organizations (Marks & Huzzard, 2008; Scholarios & Marks, 2004). Conventional human resource management practices may not be suitable to manage developers, who have different job values from other categories of employees: a strong and constant learning orientation (Fang & Neufeld, 2009) or much higher achievement goals (Couger, Zawacki, & Oppermann, 1979), for example.

The attraction and retention of developers become of the utmost priority for high-tech firms (Marks & Scholarios, 2008). Thus, the challenge is to organize strategic HR systems in order to align them not only with the strategy of these companies, but also with developers’ specificities (in line with the conclusions of scholars in Strategic Human Resources Management e.g., Baron, Hannan, & Burton, 1999; Collins & Kehoe, 2017).

Therefore, the purpose of this paper is to address an under-researched topic and to study the management of developers in high-tech companies through the lens of the psychological contract and from the perspectives of employees and employers. Our aim is to outline the nature of this psychological contract, which has not been explicitly defined in the existing literature. To address the concern of anthropomorphizing the company (Guest, 1998), we consider the HR manager or the direct manager as an agent of the company, who is supposed to shape the psychological contract on behalf of the company. Thus, we formulate our research question as follows: How do employers, represented by HR managers and direct managers, shape the psychological contract with developers to attract,
develop and retain them?

The paper is organized as follows. First, we provide a literature review on the psychological contract in general and that for developers in particular, taking into account the specificities of software developers that distinguish them from other professionals. Second, we describe our methodology based on 25 interviews in French high-tech companies. Third, we present our findings: the balanced psychological contract between developers and their employers and the strategic role of HR practices in this relationship. We continue with a discussion summarizing our theoretical contributions on balanced and professional psychological contracts and on the roles of HR/direct managers in building these contracts. Our research leads us to propose managerial perspectives for HR and direct managers of developers. We end our paper with a conclusion that emphasizes the role of HR and direct managers in shaping a balanced psychological contract with developers as a specific HR strategy to respond to their job specificities and values.

2. Theoretical background

2.1. The psychological contract as an HR strategy

First introduced by Argyris (1960), the psychological contract was widely promoted by Rousseau. She defines it as the beliefs regarding the reciprocal obligations between employees and their employer (Rousseau, 1989) bearing in mind that each party may have different beliefs concerning the existence and terms of a psychological contract because of the highly subjective nature of these beliefs (Rousseau, 1989, 1990). Thus, the psychological contract highlights that employee–employer relationships include “implicit and unspecified expectations” and are not only a “one-off economic transaction” but also have a strong social dynamic (Cullinane & Dunford, 2006).

Combining two dimensions of the psychological contract—time frame (long-versus short-term) and performance requirements (low versus highly specified)—Rousseau (1995, 2000, 2004) identifies four different types of psychological contract: transactional (narrowly-defined duties and short-term duration), relational (implying loyalty and employment security), balanced (open-ended time frame with relational agreements but with the performance demands of transactional contracts), and transitional (cessation or absence of agreement between parties, unstable conditions).

The psychological contract can be studied from the perspective of the employee (e.g., Rousseau, 1990), the employer (e.g., Coyle-Shapiro, 2002; Raeder, Knorr, & Hilib, 2012), or both employee and employer (e.g., Dabos & Rousseau, 2004; Lee Liu, Rousseau, Hui, & Chen, 2011; Lester, Turnley, Bloodgood, & Bolino, 2002). It is in the interest of both parties to agree on specific contract terms (mutuality) and on the specific obligations these terms entail (reciprocity) (Dabos & Rousseau, 2004). But such an agreement could be difficult to attain because of the different perceptions of employers and employees about the terms and fulfillment of this tacit contract (Rousseau, 2004). For example, Jepsen and Rodwell (2012) found that employees’ perceptions of their own and their employer’s obligations are nonsymmetrical.

Many HR practices are thought to be a central component of psychological contracts (Silva & Weerasinghe, 2016), from recruitment and selection to performance management, termination, or retirement. HR practices play an important role in signaling and communicating the content of the psychological contract (Guest & Conway, 2002; Rousseau & Geller, 1994). HR managers have strong incentives to attract and retain people with key competencies for organizational survival (Horwitz, Heng, & Quazi, 2003). The way they formulate HR strategy is extremely important in shaping psychological contracts because HR practices communicate organizational values and expectations (important skills and behaviors) to employees (Guzzo & Noonan, 2006; McDermott, Conway, Rousseau, & Flood, 2013; Silva & Weerasinghe, 2016). Thus, these HR practices are considered as key antecedents of psychological contracts (Rousseau & Geller, 1994) by signaling to employees what organizations can offer to them (Suazo, Martinez, & Sandoval, 2009). Moreover, HR managers may use different HR strategies for key employees in different organizational contexts within the same industry (e.g., Baron et al., 1999; Collins & Kehoe, 2017). These HR strategies may vary even for different types of employees within the same company, as employees are not equally valuable to an organization depending on their firm-specific skills and the strategic importance of their skills (Lepak & Snell, 2002). One single HR strategy can rarely cover all types of employees within the same company (Lengnick-Hall, Lengnick-Hall, Andrade, & Drake, 2009).

To summarize, the psychological contract that conveys the nature of the relationships between employer and employee is dependent on the nature of the job of employees and is changing because of the economic and the organizational contexts (Hiltrop, 1995). Thus, formulating a particular HR strategy is important to shape a psychological contract of a specific profession, such as software developers.

2.2. Software developers as specific professionals

Software developers are young and highly mobile “gold-collar professionals” who earn high incomes, work in modern offices “for enlightened managers and come and go from work as they please” (Barrett, 2001 in Scholars & Marks, 2004). Scholars have pointed out various characteristics of software developers that distinguish them from other professionals as a group of people who consider themselves to be engaged in the same sort of work (Van Maanen & Barley, 1984), associated with a high level of expertise, autonomy and a belief in the regulation of the profession by its members (Christeen, 2015). Thus, most of the time, developers identify with their team and profession more than with their employer (Scholars & Marks, 2004).

First, developers have a strong and constant learning orientation (Fang & Neufeld, 2009) in order to be kept up-to-date with the latest technologies (Marks & Scholars, 2008). Second, they have much higher achievement goals than people in many other professions (Couger et al., 1979). They are motivated by the desire to fix things or to solve a problem and to “think outside the box” (Roberts, Ill-Horn, & Slaughter, 2006), in the same way as creative workers (Marks & Huzzard, 2008). Third, developers participate in various networks such as educational contacts, and work-related networks both inside and outside their companies (Licroish & MacDonell, 2017). They are regularly involved in associations, trade fairs and exhibitions.

Software developers are considered as elite professionals (Marks & Scholars, 2008) and also as archetypal knowledge workers (Barrett, 2004). Dekas, Bauer, and Welle (2013) define a knowledge worker as anyone who deals with continuous innovation and creativity. These workers are those who “think for a living”, they have a “high degree of expertise, education, or experience, and the primary purpose of their jobs involves the creation, distribution, or application of knowledge” (Davenport, 2005, p. 10). Developers spend much of their free time sharing information on internet forums (Luberg, 1999). These communication and cooperation actions are considered to be extremely important for innovation in software development (Balthasar, Battrig, Thierstein, & Wilhelm, 2010). In this respect, developers may differ from other knowledge workers for whom “sharing knowledge is an unnatural act” because they value their knowledge and seek to
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