

THE EMPLOYMENT RELATIONSHIP OF SITE AND OFFICE-BASED MANAGERS IN SME CONSTRUCTION FIRMS.

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A positive employment relationship forms the cornerstone of a successful business within today's construction industry. Tight labour market conditions and an increasing tendency towards inter company mobility have necessitated firms to go to efforts to ensure that the needs of their employees are met effectively. This paper reports on research which investigated the nature of the employment relationship of managers working for a medium sized construction company. Interviews were carried out with managers based in both project and office environments and a comparison made of their motivation and attitude towards their employing organisation. The results indicate that site managers tend to exhibit less commitment, have lower expectations and less satisfaction than those in office based positions. Reasons for the breakdown of the employment relationship stems from the distributed nature of construction projects and the failure of employers to recognise the needs of their employees based in remote locations. Tentative recommendations are provided as to how construction firms might address such issues in the future through their HRM approaches in relation to career development.

Keywords: Commitment, Employment relationship, Project managers, Psychological contract, SMEs.

INTRODUCTION

Construction organisations have experienced fundamental changes throughout the last two decades as they have attempted to respond to prevailing market conditions and fluctuating demand cycles (Loosemore et al 2003; Dainty et al 2004). Such changes are very likely to have placed significant pressures upon the employment relationship of construction organisations (Dainty et al 2004). These have reconstituted employees and employers' expectations of the less formal aspects of this relationship, known within the HRM literature as the "psychological contract". This is defined by Stiles et al. (1997) as a "*set of reciprocal expectations between an individual employee and the organization*". Understanding the psychological contract provides a framework for understanding the changes in the nature of the relationship (Davidson 2002; Conway and Briner 2002 and Coyle-Shapiro and Kessler 2000, Turnley et al. 2003 and Sparrow and Cooper 2003). The fulfilment or breach of the psychological contract has profound effects on organisational behaviours and attitudes of employees, particularly in relation to commitment, well being and retention. Although, in recent years the attention given to the psychological contract has increased, its impact upon the

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employment relationship in UK organisations requires further examination. In the construction management literature, for example, there has been a paucity of research which has explored the nature of the employment relationship of this industry. Whilst some work has explored the content of the psychological contract of project managers within large construction employers (Dainty et al 2004), this has not examined the nature of implications of its fulfilment/breach with regards to smaller employers. Given that the vast majority of those working within the industry are employed within small and medium-sized businesses (Chileshe and Watson 2004) this is an important gap in the extant literature.

This paper reports on research which explored the employment relationship of high performing managers in small and medium construction firms. By examining problems which occur within the employment relationship within such firms, the aim was to develop practicable HRM strategies for improving the retention, commitment, satisfaction, well being and extra role performance of key construction managers and professionals. These will be developed in such way as to engender positive employment relationships, particularly amongst the highest performing managers within construction firms. It will compare and contrast the approaches currently adopted by construction companies in order that shortcomings in existing approaches can be overcome. The research draws upon the principles of the *psychological contract* in order to understand causes of turnover and how these can be mitigated in the future. This is a theoretical construct which provides a framework for the examination of the employment relationship from both the employer's and employee's perspective. By using this as a conceptual framework, the research will provide a better understanding of what motivates people, how their continuing commitment can be secured and how they can be encouraged to contribute more to the growth and development of small and medium construction firms in the future.

THE EMPLOYMENT RELATIONSHIP

The terms and conditions of the employment relationship are defined by both formal and informal employment contracts (Loosemore et al. 2003). According to Sparrow and Cooper (2003), Rousseau defines a contract between individuals and organizations as a set of individualistic perceptions regarding “*exchange agreement between the individual, the employing firm and its agents*”. According to Rousseau (1995) a contract is positioned along a continuum bounded by transactional and relational contracts at its extremes. Economic issues such as rewards for hard work and normally short-term relations are characteristics of a transactional contract, whilst at the other side of the continuum are relational contracts characterized by reciprocal exchange between the parties. Herriot and Pemberton (1995) suggest that a relational contract evolves when each party trusts the other to go beyond the formal contract as a result of a successful transactional relationship (see Herriot 2001).

As was discussed above, a new term has been introduced that separates the employment relationship from the formal or legal contract known as *psychological contract* (Herriot 2001). Psychological contracts constantly evolve during the time of the employment relationship, whilst the changes of the formal contract are more stable and few (Robinson and Rousseau 1994: 245-59). An organization seeking to understand the psychological side of the contract has to determine in the first instance

whether the transactional aspect is satisfied in order to avoid the influence of hygienic factors upon the relational part Herriot et al. (1997: 151-62).

The psychological contract construct

Although the notion of the psychological contract is fairly new, many different definitions have already been proposed. For instance, Rousseau (1995) defined it as “*individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization*”. Herriot (2001), however, suggested that it embodied the obligations that both employees and employer owe to each other. Guest (1998) and Conway (1996) suggested that perception, expectations, beliefs and promises are terms embodied within the concept, (see Anderson and Schalk, 1998). Rousseau and Robison (1994) however, argued the assumption of expectations being part of the psychological contract as these only delineated what an employee expects to obtain from the employer. They also suggested that promises and mutual obligations are what denote particular types of psychological contract. Recent research has sought to reveal the content of the psychological contract and how its fulfilment or violation can diminish the employment relationship and other organisational attitudes (i.e. job security, commitment, satisfaction) and behaviours (i.e. organisational citizenship behaviour (OCB), turnover and motivation).

Herriot et al. (1997: 151-62) reported that disagreements occur regarding the obligations that both employers and employees owe to each other. They found that a “fair deal” was achieved when a range of mutual obligations were met as summarised below:

<i>Employees obligations should be:</i>		<i>Employer’s obligation should be to provide:</i>
To work contracted hours.	} Delivery of the deal	Training
To do work of good quality.		Fair procedures
To deal honestly with customers & clients.		Equity
To be loyal to the organization.		Discipline & pay
To treat property properly.		Consultation
To dress and behave correctly.		Degree of autonomy
To go beyond one’s job description when necessary		Support
		Recognition
		Safety
		Degree of job security

Mutual obligations are not the only important issue related to psychological contracts as its *contents* and *processes* also merit consideration (Makin et al. 1996; Davidson, 2002). The *content* is the essence of what is exchanged and what is open to negotiation. It can be in the form of economic rewards or less tangible perceptions of fair treatment (Davidson, 2002). These include lifestyle, job security, challenges, development opportunities, fair treatment, working conditions and contracted hours. The *process* refers to organizational issues such as operational requirements and legal obligations which can impact upon employee views (Davidson, 2002). Organizations should consider both elements important as they influence the nature of the psychological contract equally (Herriot, 2001).

Competition-induced pressures have brought about fundamental changes in the psychological contract in recent years (Pate et al, 2003; Coyle-Shapiro and Kessler,

2000). Long-term relational contracts have shifted towards becoming more transactional and short-term in nature. This has created an environment where breach and violation of the psychological contract have started to increase Davidson (2002), which in turn leads to mistrust, dissatisfaction and disappointment (Argiris, 1960). The corollary of a breakdown in the psychological contract is cessation of the employment relationship (Robinson and Rousseau 1994: 245-59; Herriot 2001; Turnley and Feldman, 1999). In contrast, fulfilment of the psychological contract increases employee's satisfaction, commitment, motivation and extra role performance (Huczinsky and Buchanan 2001: 670). Coyle-Shapiro and Kessler (2000) established that a positive relationship existed between the fulfilment of the psychological contract and an employee's organisational citizenship behaviours. Thus, a positive psychological contract therefore influences the degree to which employees will work beyond their formal job description for the benefit of their employer.

Understanding the employment relationship has challenged organisations and researchers for many decades (Davidson 2002). The pressure to develop richer understanding has significantly increased in the last 20 years as a result of global changes experienced by many industries during that period (Huczinsky and Buchanan 2001, CIPD 2004, Dainty et al. 2004). Restructuring, downsizing, de-layering, merging and de-merging to survive such turbulent market conditions and rapidly changing demand cycles has put significant pressures, challenges and restrictions on the construction's industry employment relationship (Dainty et al. 2004). A possible consequence of this has been the high rate of turnover of managers in the industry which at 32.7% is the highest for any sector (CIPD 2003). Although the direct costs for recruitment and induction is undoubtedly significant for construction firms, the indirect costs of high levels of staff turnover is likely to have far reaching implications for their operational effectiveness. The retention of high performing and skilled employees is therefore a key business imperative for many contracting companies.

In order to begin to examine the psychological contract within the construction sector, this research explored the nature of the contract for a range of site and office-based managers within the industry. The aim was to establish whether the nature of remote, project-based working had an adverse effect on an employer's ability to fulfil psychological contract needs and if so, how these issues could be overcome in the future.

METHODOLOGY

To explore the nature of the relationship between high performing managers and their employers, the psychological contract was used as a framework for exploring commitment, satisfaction, wellbeing, organisational citizenship behaviours and retention. Exploring the psychological contract requires a range of data to be collected on the informants personality types and disposition towards their employer and the work they undertook. A medium sized contractor based in the East Midlands provided the case study organisation for this initial study. They operated throughout the region and directly employed around 120 employees. Data were collected via structured questionnaires and semi-structured interviews aimed at identifying employees' career aspirations and future intentions, together with interviews with employers aimed to explore the expectations of their staff. Each employee completed a structured

questionnaire and then answered additional open questions designed to reveal the nature of their psychological contract. The questionnaire was based on Conway and Briner's (2002) instrument, which explored not only promises made and kept to employees but also other attitudes and behaviours related to the fulfilment of the psychological contract. This was supplemented with a personality profiling tool akin to the Myers Briggs human metric instrument. The open questions that followed aimed to establish whether each informant's needs and aspirations were being met by their employer, as well as the extent to which they were willing to work beyond their formal employment contract. The questionnaire and interview data were analysed using SPSS and NVivo respectively.

All of the interviews were carried out within a single case study organisation. The interview sample (n=16) comprised eight site-based employees and eight based in the head-office. Of the site-based employees, five were site managers and three were foremen supervisors. Those from the head-office included a Financial Controller, a Senior Quantity Surveyor, a Quantity Surveyor, a Human Resource Officer, a General Contracts Manager, a Senior Contracts Manager, a Senior Buyer and a Project Manager. The majority of respondents were aged between 31 and 50 years of age and three quarters were married. Table 1 provides a profile of the respondents.

Table 1. Profile of the interview sample

Variable	Description	No.	Valid %
Age	51 >	1	6.3
	41 - 50	6	37.5
	31 - 40	7	43.8
	20 - 30	2	12.5
	Total	16	100
Length of service	21 > Years	2	12.5
	11 - 20 Years	3	18.8
	6 - 10 Years	3	18.8
	4 - 5 Years	3	18.8
	1 - 3 Years	2	12.5
	1 Year	3	18.8
	Total	16	100
Highest Qualification	Professional	2	13.3
	Degree	7	46.7
	HND	3	20.0
	City and Guild	2	13.3
	GCS+GCSE	1	6.7
	Total (1 missing)	15	93.8
Marital status	Divorced	2	12.5
	Separated	2	12.5
	Married	11	68.8
	Single	1	6.3
	Total		100.0

RESULTS AND DISCUSSION

The results are presented below under relevant sections of the research instrument.

Personality profile

The personality profiling tool was similar to the Myers Briggs human metric instrument (Humanmetrics.com 2004; Psychometric.com 2004) in that it classified respondents into various categories depending upon their answers to an attitudinal questionnaire. The vast majority of the participants (n=11) were found to accord with Type ENTJ, who are known to be *extroverted, intuitive, thinking and judging*. They tend to be leaders with the skill to organise and direct others. They are self-motivated and flexible and so require very little encouragement to work effectively. A negative trait of ENTJ types is that they can become confrontational when faced with stressful situations. It is also interesting to note that they are often ambitious with a will to reach senior positions, and therefore often prioritise their work over aspects of their personal lives. The personality types of the other office and site based managers were ESFJ (n=2), ESTJ (n=1), ISTJ (n=1) and ENFJ (n=1). This shows that the company appears to attract particular types of managers with a particular ability to function well, both in relative isolation from their organisational support structures and in the head office environment. Alternatively, the results could suggest that the industry is actually producing these particular types of managers. However, the validity of these suggestions could not yet be ascertained as the results presented in this paper were obtained from a preliminary study. A further study will be carried out to determine whether the findings are either an isolated incident in one company or if they are applicable to the whole industry.

Employee's commitment

This section of the questionnaire revealed whether employees were committed to the company based on their desire to remain with the organisation in the long-term (known as 'affective commitment'). The results showed that 75% of the respondents believed that the organisation deserved their loyalty with over half stating that they would be happy to spend the remainder of their career with the organization. The findings suggested that most employees felt a strong sense of belonging to the company and hence, were unlikely to actively seek new opportunities in the near future. However, those that did express a desire to leave the company were all site-based employees. This suggests that site based staff are more difficult to retain and hence, are likely to have a more transactional psychological contract with their employer.

Employee satisfaction and psychological contract

The analysis revealed that almost 70% of the participants were both satisfied with their job and with the company. This was corroborated by the findings emerging from Section 5, which examined the extent to which the organisation had met employee expectations. Satisfaction in relation to a total of 12 different items were explored, including salary and status. A second scale assessed the degree to which the organisation had kept its promises, and the extent to which senior managers had honoured their commitment to them. In general, employees felt that their expectations and promises had been met. The only factors which were negatively rated were salary (31.3%) and occupational stress (31.3%). Stress was a particularly interesting category as the responses were evenly distributed across the three categories (not met, met and

exceeded) showing a high variability in opinion on this issue. However, site-based workers were more likely to experience stress than their office-based counterparts.

Retention

The results showed that none of the office-based participants intended to leave the company. However, of the site-based employees, over half implied that they were intending to leave the firm within the next few years.

Employee behaviours

The majority of participants indicated that they were eager to contribute more to the company than just the obligations contained within their formal job description. These high levels of 'organisational citizenship behaviour' were found across the sample interviewed for both office and site-based staff. This infers a high degree of self-motivation and commitment to their work on behalf of all of the informants. No significant differences existed between site and office-based managers.

Impact of work on employee well being

The well being of employees was explored by positioning employees along two scales. The first measured whether they were tense or relaxed within their role and the second, whether they were depressed or optimistic with regards to their future prospects. The results showed that site-based employees in particular tended to experience a high degree of stress in their job roles. However, there was a strong propensity for optimism amongst these respondents. This suggests that the operating environment comprised a relatively high stress climate, but that the employees were well suited to coping with the pressures of their job role.

Other significant factors

Different analyses were carried out in order to determine any relationship between the variables explored within the interviews. It should be noted that no definitive findings can be presented as the small sample size would render any such assertions spurious. Nevertheless, the analysis did not reveal a significant relationship between the gender, age, marital status or length of service of the employees with any of the issues discussed above. However, it did indicate some significance with regards to seniority. Senior employees (i.e. head office-based managers and project managers overseeing larger projects) indicated greater satisfaction with both their jobs and the company and hence, had less intention to leave than their junior colleagues. They also were found to be more likely to engage in activities which extended beyond their job role requirements.

QUALITATIVE RESULTS

The interviews revealed a clear difference of opinion between site and office-based managers as to the nature of the employment relationship. There was a general consensus amongst office-based staff that the company empowered its employees to work independently and were flexible with regards their employment. The perceptions of both trust and empowerment (regarding decision making and meeting deadlines) were significant in increasing their commitment, performance and organisational citizenship behaviours. However, this positive opinion and attitude contrasted with the site-based managers who generally felt that they operated in relative isolation of the

company. They perceived that they worked longer hours than their office-based colleagues, which had caused resentment from some of the managers interviewed. Moreover, they could not see clear career pathways for them to reach senior management positions, particularly as the firm was relatively small with no significant plans for expansion.

Despite these problems, a key attraction for working for the company was that the company tended to work within a short geographical distance from the head office. All employees saw a tangible benefit of working for a local company, particularly in terms of facilitating work-life balance. The advantage of not having to travel long distances was seen as fundamental to their positive relationship with their employer. Similarly, their success in winning exciting projects was highlighted as an influence behind employee commitment, as this was affording them with opportunities to take on new challenges and responsibilities. Any feelings of insecurity that did exist stemmed from poor communication between senior managers and site-based staff. It would seem, therefore, that the remote nature of site-based working forms a fundamental challenge for the firm in managing the employment relationship.

Overall, the vast majority of employees perceived that promises and expectations that had been fulfilled by the company indeed influenced their commitment, satisfaction, well being, OCB and their intentions to stay with the company. However, site-based managers tended to experience more transactional contracts where extrinsic rewards and opportunity to develop were the key factors maintaining their loyalty. It would seem that site-based managers' perceptions concerning the degree to which the company only fulfil their promises to a partial extent may be a factor in undermining the strength of the employment relationship of this key group. An obvious way in which companies could address this challenge to the employment relationship is to provide improved career pathways within site-based roles. Enabling managers to develop their careers without having to move into office-based roles should maintain their loyalty whilst utilising their skills and abilities within the production environment.

CONCLUSIONS

This research has explored the nature of the employment relationship between managers and medium sized construction firms. It was suggested at the outset of this paper that implications of the fulfilment of the psychological contract (promises and expectations) of high performing managers could explain their organisational attitudes and behaviours, such as the case of affective and continuance commitment, satisfaction, intentions to stay, citizenship and well being in SMEs construction firms. The results of the investigation have showed that the employment relationship within the case study firm was generally positive. The company comprised highly committed employees, who are satisfied with both their individual jobs and the opportunities and benefits afforded by the company. The vast majority of the managers interviewed (both site and office-based) were type ENTJs, who are known to be *extroverted, intuitive, thinking and judging*. This suggests that the company tend to recruit managers with a particular inherent disposition and ability to function in any type of organisational environment. Characteristics included a strong affiliation with the company's culture and the high levels of discretion afforded to managers seemingly underpin a positive employment relationship. In particular, the company was praised

for not making promises that it couldn't keep with regards career development or financial remuneration. Nevertheless, there remains some discontentment amongst site-based managers within the firm. These tensions were found to affect their citizenship behaviours as well as their intentions to remain with the company. Another factor concerned feelings of isolation that were expressed by some of the site-based staff. Poor communication and a lack of feedback on their performance had led some to feel isolated from the company.

Clearly the findings of this research must be treated with some caution as they are based on a study within a single firm and with a limited number of participants. However, on the basis of this case study, the location of managers in construction does appear to influence the psychological contract and hence, both the employee's intention to leave and job satisfaction. None of the office-based employees had intentions to leave, and they also exhibited a greater degree of satisfaction than site-based employees. Site based participants were less committed, had lower expectations, were less satisfied and were hence, less likely to engage in any extra role behaviours than their office based counterparts. A key causal factor behind the dissatisfaction of the site-based managers could be grounded on the majority's belief that the company moderately fulfil their expectations and promises as opposite to office-based employees that perceived them fully meet. From an HRM perspective this infers that construction firms must develop career pathways within site-based roles which enable managers to develop their careers without having to move into office-based positions. In this way they should be able to maintain their loyalty whilst utilising their skills and expertise within the production arena where they best function.

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