The impact of Psychological Contract Breach on Organizational Outcomes in Jordanian Insurance Companies from Employees' Perspective

By

Mohammed Daddi Hammou

Engineer in Applied Statistics, National Higher School of Statistics and Applied Economics, Algiers, Algeria, 2010

A thesis submitted in partial fulfillment of the requirements for the degree of master of Business Administration in the Department of Business Administration

Yarmouk University, Irbid, Jordan

Approved by:

Jamal Abu-Doleh..........................Chairman
Professor of Business Administration, Yarmouk University

Hasan Alessa..........................Member
Assistant Professor of Business Administration, Yarmouk University

Ziad Zurigat..........................Member
Associate Professor of Finance and Banking, Yarmouk University
ABSTRACT

Daddi Hammou, Mohammed Yahia. The impact of Psychological Contract breach on Organizational Outcomes in Jordanian Insurance Companies from employees’ perspective. Master of Business Administration, Yarmouk University, 2014 (Supervisor: Prof. Jamal Abu-Doleh).

The psychological contract is an important framework for understanding the nature of employment relationships, and the impact that it can have on organizational outcomes.

In this study, we developed a model that examine the effects of psychological contract breach on organizational outcomes and the moderating effects of personal beliefs on the relationship between psychological contract breach and organizational outcomes. Further we tested the potential differences in employees’ perceptions of psychological contract breach and organizational outcomes due to individual and functional variables. The sample consists of 179 employees working in Jordanian insurance companies. A survey was the main data collection method adopted by this study. The study findings show that psychological contract breach is negatively related to organizational outcomes. Also we found that personal beliefs moderate the relationship between psychological contract breach and organizational outcomes. It was concluded that personal beliefs can aggravate or alleviate the negative effects of psychological contract breach on employees’ organizational outcomes. The study did not find statistical significant differences in employees’ perceptions of psychological contract breach and organizational outcomes regarding: educational level and size of company. However, the study found significant difference in employees’ perceptions of affective commitment, due to tenure. The study recommends managers in Jordanian
insurance companies to: (1) Develop a common understanding of the psychological contract with their employees (what each part expect from the other part). (2) Create set of mutual obligations in order to achieve an alignment between organization’s interests and employee’s interests (win-win situation). (3) Establishing an explicit incentive system regarding: Rewards, benefits and promotions, and performance appraisal. (4) Learn more about psychological contract management, and do more efforts into effectively managing psychological contract in the organization.

Key words: Psychological Contract, Psychological Contract Breach, Personal beliefs, Organizational Outcomes, Insurance companies, Jordan.