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**The Psychological Contract Pyramid Model:  
Insights from Empirical Study in the UK Academia**

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**The Psychological Contract Pyramid Model:  
Insights from Empirical Study in the UK Academia**

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**Track:** Sustainable and Responsible Business

**Summary:** This study explores the interplay between different types of psychological contracts (PCs) - ideological, relational, and transactional - using empirical evidence from 30 interviews with UK academics. Findings reveal that PCs function as a hierarchical and interdependent system, where fulfilment at higher levels strengthens the entire structure, while breaches lead to a regression toward transactional relationships. The study introduces a novel visual model, drawing parallels with Maslow's hierarchy, to conceptualise this dynamic. By recognising the interconnected nature of PCs, organisations can develop holistic strategies that foster trust, alignment, and value-driven engagement. This perspective enhances theoretical understanding while offering practical insights for managing employment relationships for more sustainable workplaces in an era of technological and societal change.

**Keywords:** Psychological Contract Pyramid Model; Sustainable Human Resource Management (HRM); Employment Relationship Strategies; Transactional, Relational, and Ideological Contracts; Employee Engagement and Trust; Strategic People Management; Value-Driven Organisational Alignment; Resilient and Sustainable Workplaces

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# The Psychological Contract Pyramid Model: Insights from Empirical Study in the UK Academia

## Introduction

This paper seeks to address the gap in understanding interrelationships between three types of psychological contract (PC) - ideological, relational, and transactional. Using qualitative empirical data on UK academia, the study develops a visual hierarchical model of PC, highlighting the implications of breaches and fulfilment at different levels of PC. The findings have significant theoretical and practical implications for managing employment relationships via opening the potential to develop holistic strategies for more resilient, mission-driven institutions.

## Literature Review

The PC has emerged as a critical concept in understanding employment relationships. Originating from the work of Argyris (1960) and popularised by Rousseau (1989), the PC encompasses the unwritten expectations between employees and employers. A psychological contract breach (PCB) occurs when employees perceive that the organisation has failed to meet its obligations (Robinson and Morrison, 2000). While the literature primarily focuses on breaches (Conway and Briner, 2005), the fulfilment of these contracts – PCF - is equally critical, especially in fostering long-term positive employment relationships. PCF refers to the perception that the employer has met or exceeded expectations, thereby enhancing trust, commitment, and overall organisational engagement (Rousseau, 1989; Conway and Briner, 2005).

The PC literature distinguishes three types of PC – ideological, relational and transactional:

1. Ideological PCs are rooted in alignment with organisational values and missions (Thompson and Bunderson, 2003).
2. Relational PCs emphasise socioemotional obligations, including trust and loyalty (Robinson, 1996).
3. Transactional PCs are economic in nature, focusing on tangible exchanges such as salary and workload (Braganza et al, 2020).

While the literature has extensively explored transactional and relational PCs (e.g., Herriot et al., 1997; Turnley and Feldman, 1999), less attention has been given to the ideological PC - a dimension that incorporates employees' alignment with organisational values and missions (Thompson and Bunderson, 2003).

Ideological PCs, introduced by Thompson and Bunderson (2003), extend transactional and socioemotional dimensions by considering employees' commitment to organisations' ideology or 'higher cause'. The authors posit that ideology-based PCs differ from transactional and relational PCs by rooting expectations in the intangible realm of shared values as opposed to transactional PCs. These contracts link employees' sense of purpose to organisational goals, creating a moral dimension to their work (Barbieri, 2018). Thompson and Bunderson (2003) argue that ideological PCs often coexist with transactional and relational components, but the interdependence of these dimensions remains underexplored and the visual representation has not been developed.

Thus the introduction of the visual PC Pyramid model addresses the gap identified and marks a significant advancement in psychological contract theory. By mapping the dynamic interrelations among the three types of contracts, the model enhances understanding of how breaches and fulfilments at different levels impact overall employment relationships.

The study's use of a qualitative methodology - as is outlined in the next section - provides rich, contextually grounded insights. Such empirical foundation strengthens the theoretical claims, offering a robust framework for analysing psychological contracts.

## Methodology

This research is grounded in a constructivist ontology and an interpretivist epistemology, acknowledging that psychological contracts are socially constructed through individuals' lived experiences and subjective interpretations. In alignment with this philosophical stance, a phenomenological methodology is adopted to explore the deeper, nuanced meanings participants assign to their employment relationships.

Consistent with the principles of phenomenological inquiry, the study employs an inductive, qualitative research design to investigate how academics in UK higher education experience and interpret the dynamics of psychological contracts within their institutional settings (Smith et al., 2009). A purposive sampling strategy was used to recruit participants with rich, reflective insights into the phenomenon under study.

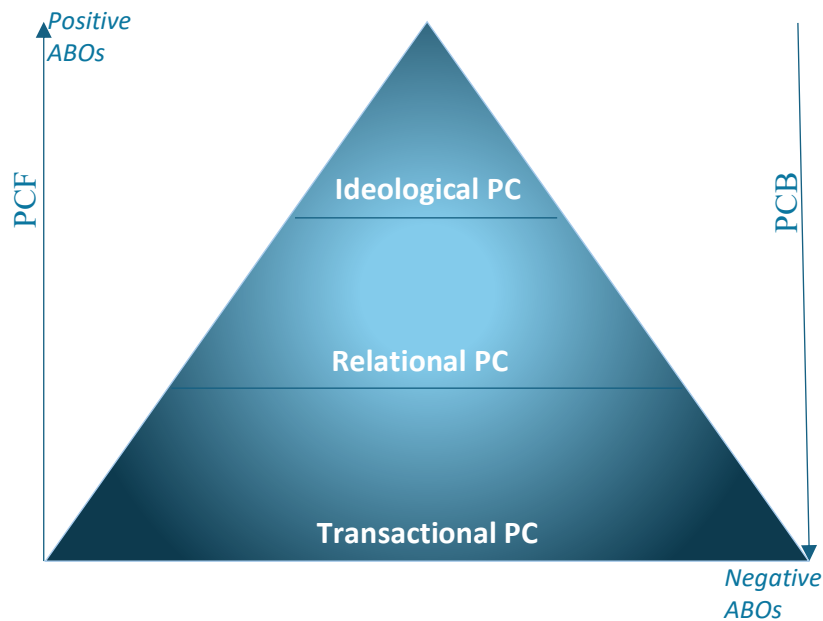
Selection was based on participants' lived experiences of the psychological contract in academic environments, rather than demographic representativeness. This approach prioritises experiential relevance, allowing for smaller samples that support depth of understanding over statistical generalisability - a hallmark of phenomenological research (Creswell and Poth, 2018). The final sample included 30 academics from UK universities, all of whom agreed to participate anonymously to facilitate openness in sharing sensitive experiences.

Data collection representing semi-structured qualitative interviews, each lasting at least 60 minutes was finalised towards the end of 2022. This method enabled the exploration of participants' perceptions of psychological contract fulfilment and breach. The resulting data were analysed using thematic phenomenological analysis, guided by established protocols in the literature (Hycner, 1985; Williams and Moser, 2019; Howitt, 2010), and supported by NVivo software. The analytical focus was directed toward identifying the core components of psychological contracts as well as the interrelations and consequences of their fulfilment and breach.

## Findings

The findings suggest that the three PC types described in the literature—transactional, relational, and ideological - can represent the components of a single, hierarchical system as also supported by the propositions found in the body of knowledge (e.g. Thompson and Bunderson, 2003). Therefore, a PC can be best understood by conceptualising it as a layered system where all of the components present are interrelated. To visualise the hierarchical relationships described the study introduces the “PC Pyramid Model”:

Figure 1. PC Pyramid Model



The interdependence of the three layers of PCs, akin to intercommunicating vessels, highlights significant implications for understanding both breaches (PCBs) and fulfilments (PCFs).

**PCB.** Participants consistently emphasised the guiding role of the ideological PC, with relational and transactional dimensions deriving their meaning and significance from this deeper alignment. Breaches in the ideological components can lead to a "downgrading" of the PC to purely transactional terms, eroding trust and long-term engagement: “I don’t know if I have any expectations anymore, other than just to pay me at the end of the month. It’s awful, isn’t it?” (Interviewee 29). At the same time, breaches in transactional PCs were particularly disruptive, often resulting in severe negative attitudinal and behavioural outcomes (ABOs), such as resignation.

These relationships illustrate that psychological contract breaches at higher levels can be reconceptualised as the downgrading of workplace relationships, where employees retreat to transactional relationships when an initially ideological contract is violated. But if a violation is severe the exit behaviours cannot be excluded. Therefore, by addressing breaches at the highest possible level, organisations can mitigate the risk of severe ABOs. The proposed model enables early identification and intervention in case of PCBs.

**PCF.** To foster PCF and high psychological contract standards, proactively addressing potential challenges and enhancing positive experiences across the hierarchical levels is an effective [preventive] strategy. For instance, transparent communication and equitable workload distribution strengthen relational PCs, while alignment with societal goals reinforces ideological commitments. The fulfilment of transactional and relational expectations supports and enhances ideological PCs, creating a positive effect throughout the entire system. Timely actions at these levels establish a foundation of credibility.

Thus, the study posits that both PC fulfilment and PC breaches at each level - transactional, relational, and ideological - can exert cascading effects on the others. Fulfilment at higher levels (e.g. ideological / relational PC) strengthens the foundation (transactional / relational PC), leading to positive ABOs e.g. positive motivation, effort, altruism (Ahmad et al., 2018) and reinforcing the entire system. Conversely, breaches at higher levels reduce relationships to transactional but might also lead to exit ABOs surpassing the lower levels. It can therefore be concluded, that fulfilment at the foundational levels is the bare minimum, serving as a critical base for the entire structure.

### Analogy with Maslow's pyramid

In Maslow's model, unmet lower-level needs prevent progression to higher levels. Similarly, breaches at the transactional or relational PC levels can disrupt ideological alignment, downgrading the overall employment relationship. Fulfilment, however, creates a foundation for higher levels of engagement, much like satisfying lower-tier needs in Maslow's framework enables individuals to strive for self-actualisation. While fulfilment at any level can strengthen the entire structure, breaches at any level destabilise the system, leading to a cascade of negative effects across all dimensions. This dynamic underscores the interdependence of the PC framework's layers.

An analogy with Maslow's hierarchy of needs provides further clarity for understanding this model. Just as Maslow's hierarchy emphasises that higher-level needs (e.g., self-actualisation) can only be pursued when lower-level needs (e.g., physiological and safety needs) are met (Maslow, 1943), the hierarchical model of PCs suggests that transactional needs form the foundation for relational and ideological commitments. Participants in this study emphasised that sufficient pay and resource support (transactional level PC) allowed them to focus on higher-level missions, such as improving student learning and contributing to institutional research goals. Likewise, neglect at any level risks creating dissatisfaction and disengagement that reverberates throughout the system.

Thus the study extends psychological contract theory by reconceptualising its components as a hierarchical and interdependent system. It proposes their intrinsic interconnectedness via drawing parallels with Maslow's pyramid. The findings suggest that PCs function as a system of 'communicating vessels,' where fulfilment at one level cascades upward, reinforcing ideological commitments, while breaches lead to a downward spiral, reducing relationships to transactional terms. This framework redefines the concepts of psychological contract breach and fulfilment, especially in the context of mission-driven institutions, highlighting their dynamic and interrelated nature.

### Implications and Conclusions

The paper directly addresses critical challenges facing academic institutions today, particularly the impact of psychological contract breaches on trust and employee engagement. It highlights the urgent need / priority for mission-driven institutions in an increasingly competitive environment to align institutional practices with staff values while also observing transactional level commitments.

The disrupted institutional contexts challenge traditional management practices nowadays. For example, rigid workload allocation, output-driven performance metrics, and limited participatory governance have been associated with diminished intrinsic motivation in academic settings (e.g. Archer, 2008; Watermeyer and Rowe, 2021). Institutions that align their policies and practices with the values / aspirations of their staff are therefore better positioned to attract, retain, and engage talent in today's competitive landscape.

Understanding the hierarchical and interdependent nature of PCs that builds upon the PC knowledge provides actionable insights, e.g. enhance communication with regard to the value alignment, implement institutional workshops to co-create values frameworks / mission statements, conduct periodic 'ideological audits' to assess alignment between academic staff values and institutional positioning, design tiered intervention programs targeting transactional (e.g., salary), relational (e.g., mentoring), and ideological (e.g., alignment with mission) aspects of employer-employee relationships. Such measures underscore holistic approach which not only mitigate the risks associated with PCB but also promote virtuous cycles of trust, loyalty, alignment to create more sustainable environments.

Thus, the study advances the theoretical understanding of PCs and offers a novel visual approach reflecting PC interrelationships informing the employment practices. The pinnacle of academics' PCF lies in the ideological realm, where fulfilment aligns employees' work with their values and the organisation's mission. At the same time, the model demonstrates the need for holistic strategies that take into account all the levels of PC when managing employment relationships.

Beyond the immediate context of mission-driven institutions, this model holds significant potential for broader applications. Its implications extend to corporate social responsibility, sustainable development, leadership and management, organisational behaviour, and related fields. By adopting this perspective, organisations across various sectors can develop employment strategies that foster more sustainable and resilient workplace environments.

The visual model developed in this study has the potential to shift perspectives toward a more holistic understanding of the psychological contract as a comprehensive, interdependent system. By synthesising all three types of PC it has developed a structured framework for analysing and managing fulfilment and breach dynamics. Although there are clear conceptual parallels with Maslow's hierarchy of needs, no visual model integrating the hierarchical interdependence of psychological contract types has been developed to date, rendering this approach a novel contribution to the existing body of PC literature.

Future research should consider applying the model across varied organisational settings including non-academic and international contexts. Longitudinal studies could explore how these psychological contracts transform over time and through institutional change. In addition, empirical validation could be obtained through preliminary case studies or qualitative insights from focus groups to strengthen the model's practical applicability.



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