

# PSYCHOLOGICAL CONTRACT VIOLATION – CUSTOMER PERSPECTIVE

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***Abstract - Most of the studies about Psychological Contract Violation (PCV) adopt a employee – organization perspective. In this study we look at PCV from customer perspective. We apply the concept of PCV to perceived mutual obligations, and how such fulfilment of obligations or failure to fulfil those can make or break a customer – seller relationship.***

***Keywords: Psychological contract violation, breach, customer, seller, trust, satisfaction***

## I INTRODUCTION

A customer-seller relationship comprises two key components: psychological and legal. A psychological contract can be defined as ‘an individual’s belief in mutual obligations between the person and another party’<sup>1</sup>. Psychological contracts are based on perceived promises and arise when one party is obligated to perform certain behaviour <sup>2</sup>. From a customer’s perspective, psychological contracts comprise the customer’s perceptual beliefs about the seller’s contractual obligations. So customer’s individual perception of psychological contract violation (PCV) may occur if they think they are not getting what has been promised by a contractual agreement <sup>3</sup>. So, PCV damage the bond between customer and seller and has a negative impact on customer satisfaction and loyalty <sup>4</sup>.

## II RESEARCH BACKGROUND

While PCV has been studied mainly in the context of employee–organization relationships, Pavlou and Gefen (2005) examine PCV in customer–seller relationships <sup>5</sup>. Every customer–seller interaction can be characterized by the psychological contract that features the customer's perceptual beliefs about the seller's contractual obligations, which may not be included in the formal legal terms of the exchange <sup>3,5</sup>.

### **III PCV – CUSTOMER PERSPECTIVE**

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#### ***A. SOURCES OF PCV***

According to psychological contract theory, violations are inevitable in contractual relationships. A violation occurs when one party in a relationship perceives another to have failed to fulfil promised obligations <sup>2</sup>. Thus, in a customer – seller scenario PCV occurs when customer thinks that seller's failure has violated the psychological contract<sup>7</sup>. Customers may perceive PCV even when the actual contract rules may have not been violated. PCV can also be caused by misunderstandings regarding the contractual obligations. <sup>5</sup>

According to Pavlou and Gefen the common sources of PCV are fraud, product misrepresentation, delivery delay, defaulting contracts, violating payment policy and product guarantees. They are not related and so the sources in isolation or in combination contributes to PCV.

#### ***B. FACTORS CONTRIBUTING TO PCV***

PCV is rooted in two contributing factors: reneging and incongruence. Reneging is intentional failure to meet obligations. It can be readily observable. When a seller wilfully defaults a obligation such shipping a defective product, misrepresenting advertisements. This can be done by the seller for the purpose of cutting costs and reaping profits. <sup>6</sup>

Incongruence refers to perceived violation of psychological contract. According to Morrison and Robinson (1997) <sup>7</sup>, three factors contribute to incongruence : ambiguity in terms of relationship, prior experiences, and lack of communication between buyer and seller.

#### ***C. SEVERITY OF PCV***

The feelings associated with violation is directly correlated with PCV to the extent the violation deviates from acceptable norms. Norms are expressed as ethical or unethical behaviour and provide context for the relationship. Only ethical dimension should be considered because relationships grow only with compliance with norms that increase trust <sup>7</sup>.

## IV CONCLUSION

The psychological contract theory suggests that PCV causes negative outcomes<sup>2</sup>. Psychology directly affects behaviour, so PCV may affect trust and satisfaction of customers.<sup>8</sup>. Perceptions of customers should be maintained by sellers since perceptions are important driver of feelings of psychological contract violation and trust levels<sup>10</sup>.

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