

CHAPTER I

INTRODUCTION

1.1. Background

The high level of employee commitment on organization will provide an assurance of organizational survival and development in the future. The reason is that the employees with high level of commitment toward their organization will work harder in order to expand and to stay within the organization. Mathis & Jackson (2015) define organizational commitment as the degree in which the employees believe and accept the organizational objective and thus will stay in the organization. Departing from the statement, one of the management responsibilities that should be executed is improving the organizational commitment of the employees.

Allen, Meyer & Smith et al. (2000) propose that one of the dimensions in the organizational commitment is affective commitment. Affective commitment refers to the emotional attachment, the identification and the involvement of an employee in an organization. Affective commitment appears when the employees want to be the part of his or her organization due to the emotional attachment. The employees with high level of emotional involvement and the strong sense of being part of the organization will work better in order to expand the organization. Such condition shows that affective commitment is an important dimension within the organizational commitment that should be improved.

There are many ways that might be pursued for improving the affective commitment of the employees. Hassan et al. (2017) state that affective commitment of the employees might be improved by meeting the psychological contract that has been made with the employees. The term psychological contract is different than the term job contract. The term psychological contract was first introduced by two psychologists namely Argyris & Menninger (Conway & Briner, 2015). Kotter (2015) defines the term psychological contract as an implicit contract between an individual and his or her organization that specifies the expectation of each party in mutual take and give relationship within the job performance. The capacity of the two parties (the employees and the organization) in meeting the psychological contract will contribute to the improvement of the affective commitment among the employees (Hassan et al., 2017).

Hassan et al. (2017) in their study measure the dimension of psychological contract into four dimensions, namely trust toward employees, fulfilment of mutual responsibility, perception of fairness and duration of job contract, on the affective commitment of the employees. Trust toward employees is related to the concept of fairness and the theory of social trade in which an individual carries out his or her compulsory tasks under the expectation that the other parties will not fail in carrying out their responsibility. In performing their job, employees are responsible to work in accordance to their position and their duty. The capacity and the willingness to work in accordance to their job description will develop the company trust toward the employees. The higher level of company trust thus

contributes to the improvement of affective commitment among the employees (Hassan et al., 2017).

The second dimension in the variable “Psychological Contract” is the fulfillment of mutual responsibilities. The fulfillment of mutual responsibilities refers to the form of employer or employee belief that they owe each other through the actions that have been related to each party. A good understanding between the employees and the company might be that the established relationship is a mutual relationship in which each party needs one another in order to achieve the common objectives. The belief among the employees that they owe the company has caused the employees to work willingly for expanding their organization. The influence of mutual responsibilities toward the affective commitment has been significantly proven in a study by Hassan et al. (2017).

Another dimension in the variable “Psychological Contract” that influences the affective commitment is the perception of fairness. The perception of fairness is related to the individual perception toward the fairness within the regulations and the procedures which, in turn, will define the results. In performing their job, the employees are expected to be treated fairly by the organization. The fair treatment will provide positive contribution to the organization. One of the positive contributions is the increasing affective commitment. The influence of the perception of fairness on the affective commitment has been concretely found in the study by Hassan et al. (2017).

In addition to the three dimensions, in their study Hassan et al. (2017) test the influence of the duration of job contract on the affective commitment. The

duration of job contract is related to the company willingness in meeting the duration of job contract that has been agreed with the employees or not. The capacity of the company to meet all agreements that have been made during the job contract with the employees will influence the improvement of the affective commitment. The reason is that the employees feel completely safe in performing their job and, consequently, the employees will seriously strive to achieve the organizational objectives that have been formulated.

The important role of the psychological contract for an organization has caused each organization to put high orientation on the implementation of the psychological contract. Similar situation also applies to the orientation of the management of Enagic Indonesia Company on with regards to the implementation of the psychological contract. As a national-scale company, Enagic Indonesia company strives that the company affords well-qualified human resources with high commitment toward the organization. The orientation on the improvement of organizational commitment is focused on the emotional attachment, the identification and the involvement of an employee into an organization. The implication is that the affective commitment will occur if the employees have the will to be the part of the organization because of the strong emotional attachment with the organization. The high level of contribution from the affective commitment results in the employees' willingness to work harder and to be more attached to the organization.

In order to improve the affective commitment of the employees, Enagic Indonesia Company gives serious attention on the implementation and the

execution of the psychological contract. The management of Enagic Indonesia Company always treats the employees fairly, meets all the agreements during the job contract, gives high level of trust to the employees, and has a relationship that is built on the basis of the contribution that has been provided by the employees to the company.

In relation to the statement, this study is a replication from the study by Hassan et al. (2017) and aims at testing the influence of the dimensions within the psychological contract, namely trust toward employees, fulfilment of mutual responsibility, perception of fairness and duration of job contract, on the affective commitment of the employees in Enagic Indonesia Company.

1.2. Problem Formulation

Based on the background of the study that has been elaborated in the previous section, the researcher would like to formulate the problems as follows:

1. How is the influence of trust toward employees on the affective commitment of the employees in Enagic Indonesia Company?
2. How is the influence of fulfilment of mutual responsibility on the affective commitment of the employees in Enagic Indonesia Company?
3. How is the influence of perception of fairness on the affective commitment of the employees in Enagic Indonesia Company?
4. How is the influence of duration of job contract on the affective commitment of the employees in Enagic Indonesia Company?

1.3. Problem Limitation

The variables and the samples that will be investigated in the study will be explained as follows:

1. The samples in the study are the employees of Enagic Indonesia Company.
2. The variables that will be investigated in the study are as follows:
 - a. Trust toward employees is defined by Hassan et al. (2017) as the concept of fairness and the theory of social trade in which an individual meets their own responsibility under the expectation that the other party will not fail in meeting their responsibility.
 - b. Fulfilment of mutual responsibilities is defined by Argawal (2014) as the belief of the employer or the employee that they owe each other through the actions that have been related to each party.
 - c. Perception of fairness is defined by Rosen et al. (2009) as the perception of an individual on the fairness within the regulations and the procedures which in turn will define the results.
 - d. Duration of job contract is defined by Hassan et al. (2017) as the willingness or a company to meet the duration of the job contract that has been agreed with the employees
 - e. Affective commitment is defined by Allen et al. (2000) as emotional attachment, the identification and the involvement of an employee in an organization.

1.4. Objective

Through the conduct of the study, the objectives that the researcher would like to meet are as follows:

1. Identifying the influence of trust toward employees on the affective commitment of the employees in Enagic Indonesia Company
2. Identifying the influence of fulfilment of mutual responsibilities on the affective commitment of the employees in Enagic Indonesia Company
3. Identifying the influence of perception of fairness on the affective commitment of the employees in Enagic Indonesia Company
4. Identifying the influence of duration of job contract on the affective commitment of the employees in Enagic Indonesia Company

1.5. Benefit

The study is expected to provide several benefits in the following aspects:

1. For Enagic Indonesia Company

The results of the study are expected to provide feedback for the management of Enagic Indonesia Company with regards to the importance of meeting the psychological contract that has been made as the form of company commitment toward the employees. Through the fulfilment, it is expected as well that the affective commitment of the employees might be improved.

2. For the future studies

The results of the study are expected to expand the insight and the knowledge about the significance of meeting the psychological contract in order to build better organizational life.

1.6. Writing Systematics

Chapter I: Introduction

This chapter explains the background of the study, the problem formulation, the problem limitation, the objectives of the study, the benefit of the study and the writing systematics.

Chapter II: Theoretical Foundation

This chapter contains the theoretical elaboration that has been benefitted as the foundation of the theories that support the study, the results of the previous studies, the research framework and the hypotheses that have been developed within the study.

Chapter III: Methodology

This chapter explains the nature and the site of the study, the population and the sample in the study, the data gathering method, the data measurement method, the instrument testing method and the data analysis method.

Chapter IV: Data Analysis

This chapter elaborates the test and the analysis toward the respondents' responses that have been gathered from the questionnaire that has been distributed and the results that have been gathered in the study.

Chapter V: Conclusions

This chapter contains the conclusions, the managerial implications and the suggestions that the researcher would like to propose to the parties of interest altogether with the limitations within the conduct of the study.

