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Get What You Give? Investigating Employer and Young Professionals' Psychological Contracts in European SMEs

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Abstract

This paper looks at psychological contracts in small and medium-sized enterprises, an underrepresented topic in the psychological contract literature. Adopting a multi-perspective approach, we explore what employers and young professionals expect regarding their employment obligations. The results of a qualitative research design and interviews conducted in four European countries reveal the importance of competence and performance-enhancing behaviours on one side and support for performance and development, good working conditions, autonomy, flexibility, work–life balance, and relationships on the other. Moreover, we identify what is offered and expected by both members of the dyad and shed light on the changing dynamics of today's psychological contracts. Our findings hold implications for both employers wishing to retain their best young professionals and individuals interested in understanding what small and medium-sized enterprises are offering prospective candidates.

Keywords: Psychological contract, Employers, Young professionals, SMEs, Expectations, Obligations, Qualitative analysis

JEL classification: M1, M12

Introduction

In a VUCA (volatile, uncertain, complex, and ambiguous) world, organisations seek to maintain a competitive advantage and provide value to customers by employing talented individuals. By 2025, three-quarters of the global workforce will belong to the Millennial generation (Catalyst, 2019) and in the US, they are already the largest cohort in the workforce (Fry, 2018). Their values, attitudes and ways of working and living (Ng, Lyons, & Schweitzer, 2018; Parry & Urwin, 2011) tend to differ from those of other generations. This makes work relationships more complex and warrants new organisational

structures and routines. Researchers and practitioners alike are searching for ways to attract, manage and retain Millennials, hence headlines in the popular press such as “what do young employees really want?” (Goler, Gale, Harrington, & Grant, 2018; Hewko, 2018; Pfau, 2016) are not surprising and indicate the general curiosity and business interest in this area.

Small- and medium-sized companies (hereafter SMEs) employ 60–70% of workers in the world and play an important role in job creation (OECD, n.d.). They often find it challenging to compete against large and multinational organisations, when it comes to employing talented people (Cardon & Stevens, 2004; Festing, Harsch, Schäfer, & Scullion, 2017). One way of acquiring and retaining talented employees is

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by managing not just their employment contracts but also psychological contracts. A psychological contract (PC) is a mental model (Baruch & Rousseau, 2018) defined as “individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization” (Rousseau, 1995, p. 9). As the definition implies, psychological contracts are implicit. Therefore, PCs are very relevant for studying employment relationships in SMEs, since only a few obligations are typically stipulated in written contracts and relationships tend to be more informal than in large organisations (Kitching & Marlow, 2013).

In a standard employment relationship, the psychological contract has two dimensions: 1) the employer's obligations and 2) the employees' obligations. Knowing the contents of psychological contracts and (re)acting in line with perceived obligations on both sides is important for effective talent management (Baruch & Rousseau, 2018). This can lead to psychological contract fulfilment, which in turn fosters productive employment relationships and helps keep talented employees in organisations, thereby supporting organisational success (Coyle-Shapiro, Pereira Costa, Doden, & Chang, 2019) and, more broadly, the success of a society. Conversely, if PCs are not managed well, perceived breaches result in lower productivity, commitment and greater turnover intentions (Estreder, Tomás, Chambel, & Ramos, 2019; Zhao, Wayne, Glibkowski, & Bravo, 2007).

Drawing on the psychological contract literature (Baruch & Rousseau, 2018; Coyle-Shapiro et al., 2019; Guest & Conway, 2002; Rousseau, 1995), the purpose of this study is to better understand the nature and substance of employer/employee psychological contracts in SMEs by adopting a multi-perspective approach (Guest, 2002). This means that we explore 1) two aspects of psychological contracts (i.e. the expectations and the offers), and consider 2) two stakeholders of the employment relationship (i.e. the employer and the employee). We develop the narrative of mutual employment obligations through a qualitative research design and by analysing the contents of interviews with individual SME representatives and young professionals working in SMEs. This paper makes three main contributions to the literature.

First, extant research on psychological contracts and their fulfilment generally focuses on employees, whilst the employer perspective is considerably less studied (Baruch & Rousseau, 2018). Further, more research can be found about what each party expects to get from the other, but less on what they are willing to give in return. In this study, we offer an insight into the current state of psychological

contracts between young professionals and their employers in SMEs.

Second, we focus on SMEs, which are relatively underrepresented in the psychological contract realm (Atkinson, 2008; Nadin & Cassell, 2007), even though it is clearly recognised that context matters while studying PCs (Guest, 2004). We, therefore, complement the existing literature by critically evaluating current perceived reciprocal obligations in the SME context. This is relevant because SMEs have long faced challenges in the area of employee management, especially with regard to attracting and retaining talented employees (Festing et al., 2017) for whom psychological contracts hold important implications (Höglund, 2012).

Finally, we consider young professionals, namely, university graduates who working in their field of expertise (Lattuch & Young, 2011) shed light on what they desire and need, when it comes to an employment relationship with an SME. This is important because young professionals are often a key resource for SMEs and understanding their expectations may improve SMEs' ability to successfully attract, manage and retain them. Research has explored what young students or employees expect to obtain from employers (De Hauw & De Vos, 2010) and not so much what they are willing to give in return. In addition, most studies utilise deductive survey methods and thus rely on previously determined frameworks. As such, they may omit some emerging and important issues for understanding the current state of PC. Therefore, a qualitative approach provides an opportunity to add fresh insights of relevance.

1 Theoretical background

1.1 Psychological contracts

A psychological contract is most frequently conceptualised as the individual beliefs regarding mutual obligations in an employment relationship (Guest, 2004; Rousseau, 1995). These beliefs encapsulate both expectations expressed explicitly (e.g. verbal and nonverbal agreements) as well as implicit promises (interpretations of behaviours) (Coyle-Shapiro et al., 2019). The concept of mutual obligations/psychological contracts is rooted in social exchange theory (Cropanzano & Mitchell, 2005), where this theoretical perspective is associated with the terms mutuality and reciprocity.

According to Rousseau (1995), psychological contracts can be classified either as transactional (i.e. short-term with a mostly materialistic focus) or relational (i.e. long-term and not restricted to

economic exchange). Later, a balanced type was added (i.e. dynamic and open-ended employment arrangements that include both the economic success of the firm and employees' opportunities to develop their career advantages). This was because the usual transactional – relational continuum was not sufficient to accommodate changes in the employment relationships due to flexibilization, new forms of work, knowledge economy, globalization, etc. (Rousseau, 2004).

A psychological contract is a framework useful especially for understanding individuals' work behaviours and career decisions (Sturges et al., 2005). Over time, the psychological contract develops into a mental model, ranging from specific beliefs about the obligations (e.g. learning and growing to be employable) to general beliefs that add meaning to an employment relationship (e.g. a calling, a familial relationship) (Baruch & Rousseau, 2018). McNulty (2014) asserts that, unlike written contracts, PCs have no official start and end date and are subject to ongoing and constant renegotiation (McNulty, 2014). PCs change because the interests and goals of both parties change over time (Rousseau, Hansen, & Tomprou, 2018), also as a response to shifting social and economic realities (Ramirez, Vélez-Zapata, & Madero, 2015). Due to our focus on young professionals, it is interesting to observe their transition from school to work. Upon organizational entry, newcomers undergo socialization and are exposed to the reality of inducements they get from employers, and subsequently their expectations adapt, and become lower, and more realistic (De Vos et al., 2003). The next section outlines the specifics of employment relationships in SMEs.

1.2 *Employment relationship characteristics in SMEs*

SMEs are heterogeneous and operate in different sectors, economic conditions, social and familial norms, and institutional contexts (Edwards, Ram, Gupta, & Tsai, 2006). Therefore, generalisations are difficult and might be misleading, if caution is not applied. High levels of informality, spatial and social proximity, and resource poverty distinguish SMEs from larger corporations. Due to having fewer employees, each employee must make a visible contribution and there is little room for social loafing (Nadin & Cassell, 2007). In a small setting, the interaction between owner managers and employees is more frequent and direct (Kitcing & Marlow, 2013), friendly relations can develop over time and there is often an overlap between the personal and employment relationship. In SMEs,

the owner's philosophy and actions considerably affect both formal relationships and psychological contracts (Atkinson, 2008).

For SMEs, it is challenging to compete for talented professional with larger companies for various reasons: lack of professional HR resources for recruiting (Festing et al., 2017); poor owner and supervisor awareness of the newest HR processes and practices (Skoumpopoulou, Stalker, & Kohont, 2019); lack of resources (Harney & Alkhalaf, 2020) to access latest formalized external training and developmental opportunities (Skoumpopoulou et al., 2019); fewer possibilities to hire best HR specialists (Atkinson, 2007); high workload, interruptions in workflows, and expectations to work on different tasks requiring generalist rather than specialist knowledge (Festing et al., 2017); fewer benefits, less attractive compensation packages (Festing et al., 2017) and little opportunities for promotion; poorer knowledge in cross-cultural issues (e.g. effective onboarding of an employee from a different culture) (Harney & Alkhalaf, 2020); and, last but not least, a management style (e.g. authoritarian) which does not assume cooperation and negotiations with employees (Harney & Alkhalaf, 2020).

Due to SMEs' heterogeneity, it is also impossible to depict a typical employment relationship (Atkinson, 2008). In general, two opposing views of the effect of SME characteristics on employment relationships exist. One stresses the need for harmony and good treatment of the employees, since the success of SMEs depends heavily on their employees' skills, commitment and loyalty (Ram & Edwards, 2003). The other view asserts that fierce competition pushes owner-managers to treat the employees more harshly to minimise costs (Rainnie, 2016). Informality may be viewed as a key characteristic of employment relationships in SMEs associated with either harmonious or autocratic managerial styles.

Another useful way to describe and evaluate employment relationships is by considering the implementation of HRM practices (Harney, Dundon, & Wilkinson, 2018). In this respect, SMEs are often described as not having sophisticated and formalised HR practices nor employing HR professionals and experts (Harney et al., 2018). It seems that informal practices are the preferred mode of SMEs' operations (Atkinson, 2008). The absence of HR specialists or formalised strategies may be due to owner-managers' perception that these reduce agility (Dundon & Wilkinson, 2009) or that they possibly even lack managerial skills.

Research also shows that HRM in SMEs is largely focused on operational, day-to-day work issues (e.g.

lack of skills, underperformance) rather than being strategic and long-term (Dundon & Wilkinson, 2009). Recruitment occurs mostly through informal and cost-effective channels (e.g. personal and professional networks); besides skills, employers are looking for candidates that “fit the team” (Eurofound, 2015), while in family-owned firms the focus is even more on a cultural match than on skills (Dyer & Panicheva Mortensen, 2005). Similarly, learning and development are also mostly informal, reactive and short-term (Nolan & Garavan, 2016; Tam & Gray, 2016). Overall, SMEs provide significantly less formal training than larger firms (Kotey & Folker, 2007). In addition, pay is mostly determined by owner-managers based on their gut feelings and available resources, and individually negotiated (Gilman, Raby, & Pyman, 2015).

1.3 Young employees and the changing employment relationship

There are many challenges and opportunities for young employees joining the modern workforce. On one hand, they face greater job insecurity, fewer chances of accumulating wealth, and ambiguous career paths (Coyle-Shapiro & Kessler, 2000). On the other hand, young employees benefit from more flexible work arrangements and higher autonomy (Hess & Jepsen, 2009). Therefore, researchers are increasingly interested in what implications these changes in the world of work hold for young employees' PCs. Existing research on Millennials as current representatives of young people at work has given mixed results and empirical evidence seems to be “confusing at best and contradictory at worst” (Deal, Altman, & Rogelberg, 2010, p. 191).

While meta-analyses have found more similarities and few differences between generations (Costanza, Badger, Fraser, Severt, & Gade, 2012), some studies point out meaningful differences that must be taken into account while working with Millennials. For Millennials (Ng et al., 2018), the work environment and working conditions (e.g. work–life balance, job security, salary and benefits, supportive supervisor) are important. However, their top priorities are interesting work, achievement and advancement. Further, Rawlins, Indvik, and Johnson (2008) established that Millennials pay less attention to financial returns from their jobs and more to working for an organisation that is socially responsible and offers personal satisfaction. According to Dries, Pepermans and De Kerpel (cited in Macky et al., 2008), Millennials value meaningful work more than other generations do. Deal and Levenson (2016) suggest that Millennials want to be both happy and perform

well at work; they wish to do interesting work with people whose company they enjoy, but they also want to be paid well and have enough free time to live their lives. Myers and Sadaghiani (2010) describe Millennials as thriving in a team-based culture, enjoying close contact and communication with their superiors, and wishing to receive frequent feedback.

Hess and Jepsen (2009) investigated generational effects on psychological contracts and found small, yet significant effects of individuals' career stage and generational cohort on their PC perceptions. Overall, their study found that younger employees placed bigger emphasis on their employer's obligation to provide balanced incentives (corresponding to opportunities for personal development) rather than relational incentives (corresponding to opportunities for long-term stability and job security), or transactional incentives (corresponding to short-term benefits, pay, and specific employment conditions). Fulfilment of the balanced obligations of employees' psychological contracts, in turn, related more positively to their commitment and job satisfaction and more negatively to their turnover intentions than the fulfilment of relational or transactional obligations (Hess & Jepsen, 2009).

De Hauw and De Vos (2010) found that young employees' optimistic expectations with respect to work–life balance declined in times of economic instability. Still, their high expectations of fulfilling job content and personal development remained unchanged. Thus, it appears that while young employees are willing to make certain concessions in their psychological contract obligations, violating their high expectations on developmental opportunities and self-actualisation can negatively impact the organisation–employee employment relationship (De Hauw & De Vos, 2010).

2 The present study

The current state of research on the characteristics of employment relationships, specifically in SMEs, and what is currently known about the youngest generation in the workforce, and their side of employment relationship, were outlined above. This existing body of knowledge is the foundation for the present study. Following the psychological contract framework (Coyle-Shapiro et al., 2019), we employ a multi-perspective approach (Guest & Conway, 2002) to obligations and consider both stakeholders of the employment relationship: the expectations and offers of the employer and the expectations and offers of young professionals. In particular, we are interested in gathering specifically the opinions and

beliefs of the youngest members of the Millennial generation who are currently in their twenties.

To account for the fact that the employment relationship is dyadic in nature, we also investigate the employers' side. In SMEs, which are understudied in this context, most employer–employee obligations emerge informally and are often implicit, more part of a psychological rather than an explicit, formal, employment contract. Hence the importance of understanding and managing psychological contracts may be even greater for SMEs than for larger firms (Nadin & Cassell, 2007).

Given the above, it is important to explore continuously current perceptions of, and stances on, psychological contracts, since they change over time (Alcover, Rico, Turnley, & Bolino, 2017). This is also important due to shifting economic realities, constantly altering for both employers and employees. We took the above as the basis for our orienting research questions that guide the empirical analysis in the next section, namely:

- RQ1: *What do SME employers expect to obtain from young professionals and what do they offer in exchange?*
- RQ2: *What do young professionals expect to obtain from SME employers and what do they offer in exchange?*
- RQ3: *How do the expected obligations overlap/differ for both stakeholders?*

3 Method

3.1 Sample and procedures

Data were collected from the SMEs located in the following four European countries: Ireland, Poland, Slovenia, and the United Kingdom. Purposive sampling through personal networks of participants in an international project consortium was used. Participants were managers (i.e. employers' agents) and young professionals working in various SME settings.

The dataset includes a total of 22 interviews (10 managers and 12 employees; see Table 1 for a detailed description). The interviews were semi-structured to ensure an authentic understanding (Yin, 2015) of the obligations perceived by managers and young professionals captured in their thoughts, perceptions and opinions. They took place on the company premises and lasted from 1 to 1.5 hours

each. The respondents (i.e. representatives of employers and employees) came from the same organisation in a given country. The interviewer acquainted the interviewee beforehand with the study's purpose and the interview protocol, and provided the necessary consent forms. Further, the participants were explained the recording and data handling, and were thus assured that their comments and remarks would be treated confidentially and that the source of opinions would in no circumstance be identified. An information sheet containing a consent form was given to each interviewee prior to the interview. The audio files were transcribed verbatim and anonymised.

3.2 Analytical procedure

In terms of the analytical approach, the data were analysed to identify emerging themes and sub-themes. Atlas.ti software was used to structure the empirical material. We applied two types of triangulation in order to authenticate and validate the terrain material: data and researcher. An interpretative perspective was adopted with the main focus on explaining and understanding the studied populations (Burrell & Morgan, 2016). We used an open coding method, followed by the building of categories, which we present in what follows (Saldaña, 2015).

4 Results

This section offers findings of the interviews with employers (i.e. managers as their agents) and young professionals regarding what they expected by way of mutual obligations¹ in line with the proposed research questions.

4.1 What employers expect of young professionals

First, we inquired about employers' expectations of young professionals (Table 2). The initial response was often along the lines of: “*I expect hard work*” [IreM2]. This was followed by behavioural cues, which are important for doing one's job well, such as reliability, punctuality, responsibility, professionalism and speed. A Polish manager mentioned: “*I expect them to be reliable, to be fast. At the beginning, to do the job as they are told and then later to come up with ideas and improvements*” [PolM1]. A few employers indicated that reliability, punctuality

¹ We provide quotations to illustrate the findings and use the following codes to identify respondents: country abbreviation (Ire-for Ireland, Pol-for Poland, Slo-for Slovenia, and UK- for the United Kingdom), M for managers, E for employees (i.e. young professionals), and the number assigned to an interviewee.

Table 1. Sample characteristics by country and company.

	Ireland	Poland		Slovenia	UK		
Company size	50	5	12	95	3	80	18
Sector	Biochemistry/ Biotechnology research	Marketing/ Web design	Accelerator/ Biotech	Food Supplements	Consulting	Software	Technology
Company age in years	15	5	11	70	8	12	5
Number of managers interviewed	3	1	1	3	0	1	1
Gender* of managers	IreM1 M IreM2 M IreM3 F	PolM1 M	PolM2 F	SloM1 M SloM2 F SloM3 M	–	UKM1 M	UKM2 M
Number of young professionals interviewed	3	2	1	2	1	3	0
Young professionals' gender* and tenure in years	IreE1 M 4Y IreE2 M 4Y IreE3 M 3.5Y	PolE1 M 1Y PolE3 M 2Y	PolE2 F 0.1Y	SloE1 M 1Y SloE2 M 10Y	UKE1 M 0.2Y	UKE2 M 2.5Y UKE3 M 3Y UKE4 F 2.5Y	–

Note: *M-Male, F-Female.

Table 2. Employers' expectations of young professionals: Attributes and quotes.

Desired Attribute	Indicative Quote
Hard-working and proactive	<p>"I expect hard work." [IreM2]</p> <p>"We are at an early stage, so we expect them to give more than what is required, also in terms of time spent at work to finish a certain project." [PolM1]</p> <p>"... we expect them to be independent and proactive. We encourage them to try new ideas and new ways of working, we always try to follow the best ideas." [PolM3]</p>
Reliable (punctual, responsible, professional, fast)	<p>"I expect them to be reliable, to be fast. At the beginning, to do the job as they are told and then later to come up with ideas and improvements." [PolM1]</p> <p>"I would rather have a responsible person who can think and be constructive and join the team and cooperate with the team than the most skilful employee." [SloM3]</p>
Learning Mindset (enthusiastic, taking initiative, independent)	<p>"... they really have to be enthusiastic, motivated, self-motivated. Because everyone is trainable. Plus, if you don't have that enthusiasm, that desire to learn, willingness to learn and willingness just to jump on board, no amount of training is going to make that person a really successful employee." [IreM2]</p>
Soft Skills (teamwork, problem-solving, creativity, communication and empathy)	<p>"We want them to be empathetic. We want them to be supportive. We want them to be a great communicator, we want them to be proactive. We aren't bothered about whether they have not got their Prince2 qualification in project management or have not even worked in the sector." [UKM2]</p>
Values (honesty and a positive attitude)	<p>"I expect honesty, honest feedback or information when stuff will be done or not. I encourage everybody to even tell me about problems because if I know that we can adjust. ... if they have some lack of knowledge or experience, if they don't know how to do it, to just tell it straight." [PolM1]</p>

and responsibility may be challenging for young people, forcing them to make these aspects more explicit, while describing expectations of employing young people.

Enthusiasm and taking initiative were also frequently mentioned as a Polish manager explained: "... we expect them to be independent and proactive. We encourage them to try new ideas and new ways of working, we always try to follow the best ideas" [PolM3]. Commitment and engagement seem to be

more important for the employers than specialist technical skills [UKM1], which can be acquired fairly quickly with professional development. However, when employers' business depends on specialist knowledge or professionals working in R&D then they do seek those with strong technical skills and expertise. Some rely more on a general ability of the employee. For example, one Irish manager said: "I'm not necessarily looking for the person that has honours and was top of her class at school. ... I'm looking

for someone who has a reasonable level of intelligence and capability.” [IreM1].

4.2 What employers offer young professionals

On the other side of expectations, one finds the employer's offer: what are they willing to give to young professionals (Table 3). Overall, the impression is that employers recognise the importance of a balanced exchange: “We not only want to have our expectations met, but also for the employees to get what they want out of the employment relationship.” [PolM1] They understand that in return for good work they need to support young professionals' performance: “... it's not a one-way street; in return, I also expect in terms of a two-way street to provide them with resources, support, training.” [IreM2].

Employers claim that they offer young professionals good working conditions, including flexible working hours, good office space, and options to work from home. [PolM1, IreM1, UKM2] They also mentioned some simple ideas that appeal to young professionals, such as fruit baskets [SloM1], rest areas and healthy food [PolM2]. Employers see the importance of a good work climate, open cooperation and positive relationships among team members [IreM1] and providing employees with a sense of security, stability [PolM2] and general care [SloM2].

We noted a few cases where managers were aware of young professionals' expectations, but also described limitations imposed by the SME's characteristics. For example, with regard to advancement within SMEs, opportunities are limited: “the difference in large and small companies is that you have many, many more management levels in large companies. ... We only have two levels, so you cannot get much higher.” [SloM3] Several employers acknowledged that young people have high expectations, especially with respect to pay and other benefits, so that as SMEs they too find it hard to compete with large firms to attract talent: “They expect lots of money, really, it's like lots of money, lots of free time, flexible

working hours.” [PolM1] This contrasts with what we found when discussing pay with employees.

4.3 What young professionals expect of employers

Development, training, mentoring and learning opportunities were frequently mentioned by the young professionals in connection to what they expected from employers (Table 4). Young people are looking for “... a good job that gives you amazing opportunities, constant growth is really important.” [PolE3] One Irish employee was clear: “The first one is respect as an employee. But that's the baseline, right? You have to meet those expectations before you can even talk about what I want as development. I would expect to have someone with whom I can discuss ideas. I expect some form of personal development in addition to the work I'm doing.” [IreE1].

Another common observation was the need for interesting, challenging work, that is work that makes a difference. As one Irish young professional stated: “So the must-have would definitely be that the job, the tasks, are exciting, motivating. ... it's long hours you spend at work so what you're doing has to be fulfilling.” [IreE2] To do something new and exciting makes a job attractive. Young professionals also expect “... flexibility and autonomy ... If you are a creative person, you do not like getting told what to do.” [UKE1] But, at the same time, they also appreciate guidance and instructions, or as one Irish employee described it: “When I say that an employee must have freedom, that doesn't mean absolute freedom, but structure has to be put in place and boundaries are to be defined.” [IreE1].

In the interviews, recognition and respect were repeatedly mentioned. One UK young professional stated that “... even though obviously you are young, you are entry level, you still want to be treated like a professional.” [UKE2] Here, the role of a supervisor becomes crucial: “I think it's very important that he motivates his employees so you have constant affirmation that you're doing a good job, that you're going in right direction.” [SloE2] Young professionals are in fact

Table 3. Employers' offer to young professionals: Attributes and quotes.

Offer Attribute	Indicative Quote
Flexibility (flexible hours, options to work from home)	“... flexible working hours, good office space, options to work from home, but we prefer at least twice a week for all of us to be in the office.” [PolM1]
Work environment (collaborative and high-quality work space)	“We also have fruit. All the time we have this basket in every production hall. Baskets with fresh fruit and once or twice per week is filled with fresh fruit.” [SloM1]
Stability (job security)	“They usually mention that they like that this is a stable company, that's been around for 65 years and that it's family oriented. I think they don't feel like we would sell the company to some multinational company, so they feel safer.” [SloM2]
Development (personal and professional opportunities)	“... the opportunity to do good science and the opportunity of advancing their career with maybe a good postdoc or a good industry position subsequently ...” [IreM2]

Table 4. Employees' expectations of employers: Attributes and quotes.

Desired Attribute	Indicative Quote
Development opportunities (personal, professional, technical skills, mentoring)	"... to build skills that will help them progress in the next stage of their employment. Life experience as well. Experience of working just in the workplace in general, which is quite different from, like, university. I think just learning general skills and getting experience." [UKE2]
Affirmation (appreciation, recognition, respect)	"... it mostly comes to get good recognition for what you do. It kind of positively reinforces you to do better things again. And respect. The company should give respect to people and people should be allowed to make mistakes; you should not judge people." [IreE3]
Meaningful work (personally fulfilling, making a difference in the world)	"What I like is that you get a chance to explore or at least look at something new every day. ... so you have the possibility of finding something that nobody has looked at, and it has the potential to change somebody's life." [IreE3]
Stability	"... you have to get the feeling that the company is good for you, that they are like parents to you; I mean, that the company cares for you. ... because if you don't have this feeling, you will always be: 'Oh' and you will always be scared. You will never know what tomorrow brings." [SloE1]
Salary/Work-life balance	"At the beginning, I was mostly thinking it was interesting projects and salary. Now I have children and I also need some stability. Also, to go home early enough, to have a good work–life balance." [PolE2]

well aware that building high-quality relationships with the employer is a good path to self-development. Some respondents even seem to have high expectations, one of them stating that "... it's very important to have a good relationship, you know, that the superior constantly motivates you and talks to you and, if you have any problems, that he's very open with you. It is really important." [SloE1] In addition, there should be "... fairness in the building ... there should be no favouritism." [IreE2].

Interestingly, in the interviews not many young professionals mentioned salaries or, if at all, only along the lines: "... money is important, but it is not the top priority." [PolE1] Salary needs to be at an appropriate level, even in the first few months. A fair salary is important." [PolE3] Finally, young professionals mentioned a good culture and work environment, with opportunities to socialise. It matters to them to have "a cool environment to work in. So that it doesn't look like a boring office ... and flexibility, socials-are a big thing for making friends at work." [UKE2] Another interviewee emphasised company picnics as an opportunity to develop good relationships. "I think

it's really important to get to know other colleagues not only to speak about work, but to get to know them on a more personal level." [SloE2] Table 4 summarises all the attributes sought by employees.

4.4 What young professionals offer the employers

The last part of the empirical material was devoted to exploring what young professionals are willing to offer their employers (Table 5). It is worth noting that, compared with their expectations, they did not talk much about this side of the exchange. They mentioned the time they invest in work by simply stating: "I give my time." [UKE4] One UK employee simply responded to the question of what he gives to his employer by stating: "I enjoy the work I am doing." [UKE2] Such a positive attitude was also mentioned by a Slovenian young professional: "... whenever I arrive, I get a smile on my face, we can talk if there's a problem, we can solve it, we communicate. And I think that is the best way for such a small company, to communicate, to cooperate, and solve problems together." [SloE2] One Polish employee mentioned loyalty:

Table 5. Employees' offer to employers: Attributes and quotes.

Offer Attribute	Indicative Quote
Time	"I give my time." [UKE4]
Positive Attitude (passion, commitment, energy)	"... whenever I arrive, I get a smile on my face, we can talk if there's a problem, we can solve it, we communicate." [SloE2]
Knowledge and Skills (specific to role)	"... I bring my main work to the employer which is very much intertwined with the community work that I do there and deliver results, expand the science that the company is working on." [IreE3]
Creativity (problem-solving, experimentation)	They're very good about saying I have this funny idea for a new app, let's develop it and see what happens. They're willing to take greater risks as a result." [IreE1]

Table 6. Perceived employee and employer obligations: Perspectives of managers and young professionals in SMEs².

Type	Themes	Subthemes	
		Managers' perspective	Young professionals' perspective
Employee obligations	Competence	Specialised (technical) knowledge, soft skills	
	Performance-enhancing behaviour	General capability, learning on the job, developing independence	Loyalty, taking risks
Employer obligations	Job characteristics	Investment of time, hard work, idea sharing, creativity, enthusiasm/passion, positive attitude	Work that makes a difference
	Support for performance	Reliability, punctuality, responsibility, professionalism, speed, motivation, commitment, engagement, taking initiative, honesty, matching values	Support from supervisor, recognition
	Development	Interesting and challenging work, autonomy/freedom, modern technologies	Opportunity to learn, mentorship
	Working conditions and pay	A safe environment allowing learning from mistakes	Training programmes, to get experience, to diversify skills, international opportunities
	Relationships/Culture	Flexible time and space of work, good office space, work–life balance, stability, general care	Fair salaries
		Benefits (e.g. fruit, healthy meals), security	Good relationships (with supervisors and team members)
			Respect, appreciation, authenticity, fairness, socialising at work

“Loyalty, to speak well about your company. ... you don't need to work there all your life, but speak well about it when you do.” [PolE1].

Some interviewees mostly focused on their work contributions: “I bring my main work to the employer which is very much intertwined with the community work that I do there and deliver results, expand the science that the company is working on.” [IrishE3] Others describe more specifically the skills and specific knowledge they bring to the organisation. (PolE2).

When asked about what they give to their employers, many mentioned: “ideas, a lot of them.” [IrishE3] The young professionals in our sample are also ready to share their ideas and bring creativity, saying that young people are “pretty creative, they're pretty on point in turning like ideas into some kind of realised product. They're very good at that, I'd say. And that no matter what it would be, maybe it's like they're opening up their own beauty salon or they have an idea for a new app.” [IreE1] They also referred to problem-solving, expressing that: “Also, when you see problems”, one should “report them and try to solve them. Reporting problems can help you and the company.” [PolE1].

5 Discussion

5.1 Summary of the findings and theoretical implications

This study contributes to a better understanding of PCs for young professionals, which are at large understudied in the literature. Moreover, by focusing on SMEs, which have not received much scholarly attention in this context, we draw attention to the complexities of the employment relationship in smaller organisations that attract young employees with an entrepreneurial mindset at the start of their careers. SME employers are careful when selecting young employees to ensure they obtain those who are willing to work hard, take initiative, be creative and share the company's values. They realise that it is difficult for them to compete for talent with large corporations regarding the financial aspects of the job offer, but they compensate for this by providing good work opportunities (e.g. interesting and challenging work, working with new technologies or making positive contributions) and good relationships (with the supervisor and other employees).

² In merged cells, one finds mutually expressed obligations or overlaps, and in separate columns for employers and young professionals there are those that only one party identified, allowing us, therefore, to see the differences in perceived obligations.

By answering the three research questions, we contribute to the existing body of knowledge by exploring the PCs of young professionals who are in the early stages of their careers and will soon assume decision-making positions in organisations. While much of the literature explores only employee expectations, this paper also delves into obligations, thereby painting a more comprehensive picture of PCs. The results presented in [Tables 2–5](#) show the characteristics of psychological contracts from both employer (RQ1) and young professional (RQ2) perspectives. The multi-perspective approach taken in our study allows us to compare employer and employee views of mutual obligations (RQ3), thus providing a unique contribution to PC literature. The emerging themes and subthemes regarding employer and employee obligations from the managers' and young professionals' perspective, as well as their pertaining overlap or potential gaps are presented in [Table 6](#). Overall, we observe that many more themes and subthemes emerged with respect to employer obligations, with managers proving more specific about employee obligations than young professionals, and the reverse being true for employer obligations.

For *employee obligations*, two main themes emerged for both sides, which we named competence (i.e. the ability to do a job well) and performance-enhancing behaviour. There is a considerable overlap of perceived obligations among employers and employees. Yet, employers were much more specific about what kind of behaviour they expect from employees. In general, despite development being highly valued by young professionals, they do not see it as their own obligation towards the employer. Instead, young professionals expect employers to provide sufficient opportunities for training and development and as they perceived these to be lacking they also wished for more structured programmes. Interestingly, loyalty was mentioned by the young professionals only, but not in a sense of staying with the employer but rather as protecting the employer's good name. In addition, employers expect their employees to be self-reliant and independent. Young professionals expect validation for their work, would like greater recognition and expect supervisors to provide support to accomplish their tasks.

Regarding *employer obligations*, both intrinsic and extrinsic items emerged that were collapsed into five themes: job characteristics, support for performance, development, working conditions and pay, and relationships/culture. The young professionals had additional expectations in all themes, to name just a few: the opportunity to do

meaningful work, development beyond the current job, recognition and respect. However, contrary to the belief that money is very important for them (e.g. [Twenge, 2006](#)), salary was not mentioned as a priority by the young professionals in our study and only when combined with other factors. Above and beyond a good salary and interesting projects, young employees seek stability and predictability and a good work–life balance that allows time for family and friends. Yet, not all young employees in our study clearly separate their professional life from their private life. Instead, some interpret work as constituting part of their personal identity and therefore expect the relationship to be more than just transactional. Interestingly, both the managers and young professionals see stability as an employer obligation, yet the young ones seem unwilling to commit to stay with the employer unless they get what they need in terms of development and opportunities. When it comes to relationships and culture, the young professionals were very specific and the fact that the managers did not even mention any of these aspects may pose a serious threat to the psychological contract fulfilment. In any case, our results also confirm that the young wish to contribute and make a difference, which is similar to what is proposed by [Rawlins et al. \(2008\)](#).

We extend the existing body of knowledge by exploring the overlap between expectations and obligations, as enabled by the unique research design. Due to the relatively large overlap of employer obligations as perceived by managers and young professionals, it seems that young professionals' expectations were not unrealistic or too high, as has been a popular claim for Millennials. It may be that the effect of the crises at the start of the last decade saw them adopting more realistic views of the employment relationship exchange as proposed by [De Hauw and De Vos \(2010\)](#). Our study also suggests that we need to distinguish the time of one's first entry to full-time work and later years of employment. Our results confirm that psychological contracts are dynamic and change over time and suggest that young professionals move quite quickly from naïve perceptions of obligations, when they first enter the workforce, to more realistic ones.

While cross-cultural comparisons were not the primary focus of this study, we found no major differences between the components of PCs. This could suggest that European SMEs operate in a similar context, where national culture characteristics are not the leading driver of the employment relationship. For young professionals, culture may be converging, due to their international mobility

and global experiences regarding education, work, and consumerism, which results in similar generational values and mind-sets (Lichy, 2012; Rašković, Ding, Hirose, Žabkar, & Fam, 2020).

Our study confirms the need to use the multiple perspective approach (Guest & Conway, 2002), when investigating PCs. More specifically, when it comes to employee obligations, for both employers and young professionals the dominating themes are competence and performance. This is understandable if we take into account the fact that in SMEs the contribution of each employee is relatively more important, due to a smaller workforce. The typical SME characteristic, described by Wapshott and Mallett (2015) in terms of high degree of informality, spatial and social proximity, and resource poverty, seems to have both a positive connotation when we consider good relationships due to informality and proximity, as well as a negative connotation as young professionals would sometimes prefer a more formal, structured approach to training and development and pertaining resources.

Given our focus on young professionals, it is understandable that harmony and good treatment of employees are at core of employment relationships (Ram & Edwards, 2003). Our results also confirm previous findings that SMEs are mostly focused on operational, day-to-day performance issues (Wapshott & Mallett, 2015). A lack of long-term perspective may be problematic for retaining young professionals, as they want and expect development beyond current job.

Taking into account how managers and young professionals described their mutual obligations, it becomes obvious that a binary view of psychological contracts being either transactional or relational is not particularly useful. Namely, performance and development, which Rousseau (1995) identified as elements of a balanced type of psychological contracts, were most clearly expressed as mutual obligations. This is in line with the results of a previous study of young employees (Hess & Jepsen, 2009), as well as with anticipatory psychological contracts of young entrants to labour market (Zupan, Dziewanowska, & Pearce, 2017), where the balanced type of psychological contract was the prevalent form. Although external marketability as the third element of a balanced psychological contract was not directly mentioned, it was implicitly assumed by the young employees, as they linked development to career opportunities beyond current job and employer. All in all, our study revealed very few indications of the transactional type of PC,

nevertheless, stability as a relational construct has been quite strongly expressed, which was less so in Hess and Jepsen (2009) study.

5.2 Practical implications

This study offers practical recommendations for employers in terms of workplace design, personal development, supervisor support, and recognition. First, young employees place significant value on their personal development. This falls broadly into two categories; technical knowledge and soft skills. Historically, employers tend to invest training budgets in the former because it is easier to draw a direct line between this investment and billable activity (e.g. specific software training to support the delivery of a new service). Investing in developing individuals such that they may become more attractive targets for poaching by competitors may be counterintuitive, but the evidence brought by this study suggests that such activity would directly benefit the employer by way of enhanced performance and strengthening the psychological contract in both balanced and relational terms. Such training need not be company-specific and could be developed and delivered through local consortia to help minimise costs and open up opportunities for the employees of smaller and micro SMEs. Personal development training can be delivered in a variety of ways and does not need to be over-demanding: providing employees access to on-line learning resources, such as MOOCs, gamified challenges and targeted 'bite-sized' assets, is of assistance. Interactive workshops that would enable self-inquiry and reflection could help employees better assess the gaps in own critical skills. Similarly, ensuring that employees have ownership of their own development is just as important—establishing a mentoring programme with well-trained mentors where facilitating the mentee to co-construct their development needs is vital. To gain an insight into what a founder's job actually entails, young employees could spend two weeks with the founder(s), observing their engagement in activities, i.e. shadowing. Investing in mentor training would not only benefit both the employer-manager (who is trained) and the young employee, but also deliver halo benefits across some of the other perceived obligations, such as those forming the support for performance and performance-enhancing behaviours themes.

The third recommendation concerns supervisor support and recognition, where supervisors could

provide two forms of support that help retain employees (Eisenberger, Stinglhamber, Vandenberghe, Sucharski, & Rhoades, 2002). One form is instrumental in nature and corresponds with young professionals' expressed wish for guidance. Supervisors could task employees with brief weekly check-in sessions, where approach to solving current challenges could be revised and further instructions given. The second type of support is emotional. During informal meetings, supervisors could inquire about employee well-being, thereby demonstrating care and compassion. Offering specific advice and sharing own experience on how to overcome work-related challenges (for example, those related to increased overload in peak season) could help increase employee resilience and provide information on different coping strategies. When it comes to recognizing employee contributions, supervisors could also employ different tactics. They could organize celebrations for important achievements (i.e. finished projects), but also for crucial milestones during long projects. These informal celebrations could be held with the entire staff or only department members, depending on SME size, whereby the purpose would be to have fun. Handwritten notes with expressions of gratitude could help improve morale and increase engagement. Similarly, mentioning an individual's success during a regular weekly meeting and showing appreciation would make employees feel not overlooked and serve as a resource in times when demands are high (Stocker et al., 2019).

Aside from mentoring schemes recommended above, SMEs could also engage in reverse mentoring (Kaše, Saksida, & Mihelič, 2019), where young employees could transfer their expertise to their older counterparts, for example digital skills. This would increase their self-efficacy and also fulfil their desire to contribute to the SME and make an impact.

Finally, both employees and employers view a high-quality working environment as important. Making small investments in this regard can serve to improve productivity and improve the health and well-being of staff. A well-designed physical workplace can promote many of the values that both employers and employees reported as important; collegiality, social interaction, idea-sharing, innovation, openness, teambuilding and agility, and soft-skills acquisition more broadly. Recommendations here include configuring the space to enable high-quality connections (e.g. seating areas in the hallways that enable short conversations, while “on the go”), designing rooms for brainstorming with a playful atmosphere, communal gathering spots that enable impromptu

meetings, and huddle spaces with audio and video conferencing equipment.

5.3 Limitations and future research

Whilst this study considered SMEs in four European countries with a focus on young professionals, it has several limitations. First, it does not take account of country-specific cultural factors which might bias the responses. Instead, it is limited to the two-party reciprocal model of the psychological contract and does not consider other social or familial factors that may influence respondents' relationships with their work environments. The overall sample size is relatively small and typically focused on only one or two SMEs in each country. Hence, this paper does not attempt to make any generalizations. While the contextual variability in terms of the countries involved may be problematic, our findings indicate substantial consistency in answers across countries, suggesting cultural convergence. That said, more research is needed, employing larger samples to further validate the presented findings. The range of sizes and types of industry of SMEs, including the associated organisational structures and cultures, makes it difficult to make generalised observations.

Further research is needed to address these limitations. Specifically, individual studies building from these generalised results could be useful within specific country contexts and differentiated across SME types regarding size, industry, whether it is a family-owned or non-family SME, etc. Another interesting avenue would be to compare PCs for traditional and non-traditional employment relationships (e.g. part-time, temporary, gig) since these relationships are becoming very common for young professionals. Such studies would provide a platform for engagement with education providers and policymakers to bring about a positive, evidence-based change in this area.

Conflict of interest statement:

The authors have no conflicts of interest to declare.

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