The evolution of psychological contract research and the missing linking of the developing world

Abstract— Whilst many studies of the psychological contract and its breaches are set in a Western context, this paper focuses on the evolution of psychological contract research and the missing link of the developing world. In an era of globalization which is seeing the emergence of developing economies such as China and India that have overtaken many western countries economically, it is worth looking at how the psychological contract is exemplified in those economies about which little such research has been conducted. The article also found that the context of high unemployment, unsatisfactory working conditions, absence of trade unions and the cultural context in which loyalty are significant, could well be parameters that shape the notion of psychological contract differently in the developing world.

Keywords—Psychological Contract; Individual Performance; Retention; Organisational Performance, developing countries, emerging economies
Introduction

This research scrutinizes the evolution of the psychological contract research and the missing link of the developing world. Whilst psychological contract can be viewed as highly context-specific (Aldossari and Robertson, 2016), the extant literature on psychological contract has predominantly focused on adopting main cause-effects approach in investigating the psychological contract-outcome relationship and so doing various individual and situational variables were largely ignored (Agarwal and Bhargava, 2013).

The psychological contract, unlike expectations, entails a belief in what the employer is obliged to provide, based on perceived promises of reciprocal exchange (Robinson and Rousseau, 1994). Some critical issues that need careful consideration before any attempt to define the psychological contract can be made. Some of these issues include whether this was about the promise that is believed to be made to the other party in an exchanged relationship or whether the psychological contract is about an obligation that one party in the relationship thought that they have towards the other party. Researchers argue that if promises are not the determinant of employees’ perception (the psychological contract) then the construct ‘psychological contract breach’ might lack utility (Montes and Zweig, 2009). Another significant factor to consider is whether psychological contract is perceptual or if this is purely based on expectation. In general, psychological contract captures the wide range of beliefs including those discussed above. When employees join organizations a formal and written employment contract is often made. The terms of that contract elucidate what both parties (the employees and their employing organizations) will receive in return for the fulfilment of their obligations. For example, the organization offers pay, training, respect and promotion, etc. in return for employees’ offer of flexibility, effort, creativity and skills. When the terms are written down, they are called a legal contract. However, when some terms or obligations are not written down
anywhere, then these forms the content of the psychological contract. The psychological contract, however, is much broader than a legal or employment contract where employee can only consciously think of a few elements of the contact (Kotter, 1973). Most definitions of the psychological contract posit that it is subjective in nature and exists ‘in the eye of the beholder’ (Rousseau and McLean Parks, 1993).

In the psychological contract process one party tries to understand the psychological standpoint of the other party. However, employees cannot fully understand and interpret the behaviour of the organization and similarly an organization will never be able to understand or interpret its employees’ attitudes and behaviour completely. Such interpretations will remain subjective and incomplete (Conway and Briner, 2005). Consequently, the nature of the psychological contract will mostly depend on how the researcher conceptualizes the concept of the psychological contract. As most psychological contract researchers so far emanate from the developed world, this origin is likely to influence the way PC is conceptualized. This then calls for fresh input into the understanding of PC, particularly with globalization and its ensuing complexities. According to Welch (2003), psychological contract has resurfaced as an explanatory framework in various studies involving employee reactions and workplace relationships which according to Welch (2003) is the consequence of the somewhat universal changes that now define 21st century organizations.
Even though the research context (e.g. business and labour conditions, workplace characteristic or individuals) and sector (e.g. private sector) might be similar for the researchers, the result in relation to the understanding of the psychological contract is likely to be different if the psychological contract is conceptualized differently in the developing world. To further clarify this issue, it is important for research to apprehend what the psychological contract is not. For example, in an exchange relationship (the psychological contract) if one party has hope, hunches, vague expectations or desires towards the other party then these measures will not be treated as the psychological contract. Defining psychological contract is becoming more and more elusive despite many papers published in this area; this is owing to the complexity of contemporary workplaces and relations.

Acknowledging the point that the western-centered papers engrossed on the limited dimensions while conceptualizing psychological contract, this paper focuses on the evolution of psychological contract research and the missing link of the developing world considering Bangladesh as a case country. In this paper the evolution of psychological contract has been presented in six general themes; this is followed by a discussion section on the Western-centered literature and the missing developing world perspective.
Successive waves in psychological contract research

Rousseau (2001) introduced a paradigm shift by incorporating the concept of ‘promise’ in explaining psychological contract from previously used concept of ‘expectation’. Her research focused on involving individual perceptions (idiosyncratic) rather than previously believed involvement of two interconnected parties. Guest (1998) explained ‘the psychological contract’ through the lens of human resource management. For example, Guest and Conway (2002) consistently and firmly argued that Human resources practitioners and managers are increasingly utilizing psychological contract in the workplace to manage their employment relationship. Further to this argument, Guest (2004) also placed the emphasis on putting greater weight to context and to the state of the psychological contract incorporating fairness, trust and the deal delivery claiming these at the heart of the employment relationship. Conway and Briner (2005) differentiate Rousseau’s conceptualization of the psychological contract from that of previous researchers and in so doing they considered the concept to be an employee’s subjective understanding of promissory-based reciprocal exchanges between him or herself and the organization. Among recent researchers Wellin (2016) discussed different types of deals, their process and simplify the difference between organizational deal and personal deal where ‘personal deal’ refers to employees’ individual obligations to their employer and similarly ‘organizational deal’ refers to the employer’s obligations to their employees. Regarding psychological contract, the author discussed how psychological contract can be viewed as a personal deal and thereby he argued that psychological contract is about the obligations of the parties (employee and the employer) into the relationships concerning the keeping of each party’s deal. Considering the origin and the historical development of the concept will help to shape and formulate the research concepts in a meaningful way.
The psychological contract research direction has taken many turns since its inception. Like many other researches on a specified area, first wave of researchers (e.g. Herriot, Manning and Kidd, 1997; Rousseau and McLean Parks, 1993; Rousseau, 1998 and other years) within the psychological contract domain had concentrate on defining the concept 'the psychological contract'. Regrettably, until now the researcher has not been agreed to a single definition of the concept. The conceptualization of the concept is still ongoing. There is a clear reason for this scenario. Since psychological contracting process starts is in the mental schema of the people within the organization and not all people within the organization can be categorized in one single group due to the variant nature of human minds, it was entirely impossible to have a single dimension of the concept 'the psychological contract'.

The second wave of researchers (e.g. Tekleab and Taylor, 2003; Suazo and Stone-Romero, 2011; Lapalme, et al., 2011; Harney and Jordan, 2008; Coyle-Shapiro and Kessler, 2000) focused on determining ‘who is upholding the psychological contract?’ in the workplace relationship. For example, whether it is the employee or the employer or both? Researchers on this category has also focused on determining the parties into the contract. In other words, they were divided in setting their perspectives. Another significant sub-category within these types of research was to investigate ‘who the employee has their psychological contract with?’ For example, on the one hand employee's psychological contract may exist with their employing organization. On the other hand, this contract can be with their line manager or supervisor. It has also come into research attention that individual’s psychological contract can be very different from various professional groups’ psychological contract (Sia, 2013; George, 2009).
The third wave of researchers focused on the significance of the ‘psychological contract’
construct (e.g. Guest, 2004). While doing this, the researchers in this category were divided
into two clear sub-groups. One sub-group focused on the benefits that psychological contract
brings to the organization when it is upheld and nurtured appropriately (e.g. Bal, et al., 2013;
Liu, et al., 2012; Turnley, 2003). The other sub-group focused on the consequences of the
psychological contract for the organization when it is breached (e.g. Abu-Doleh, 2015;
Agarwal, 2013; Restubog, 2008; Si, 2008; Kickul, 2004; Turnley, 2004).

The fourth wave of researchers had focused on the various factors that influence and shape
the psychological contract in people within the organizations. These factors determine
employees’ psychological contract and the reasons for its breaches. Likewise, in some cases
they also explain the process in which the psychological contract breaches take place. For
example, people's age (Bal, 2011 and 2013), sex (Blomme, 2010), tenure (Agarwal, 2013;
Bal, 2013; Conway, 2012), personal beliefs (Abu-Doleh, 2015), cultural orientation (Thomas,
2003), educational level (Agarwal, 2013) previous experience of contract violations (Ng,
2012) etc. play a significant role in the psychological contracting process.
The fifth wave of researchers were keen to explore the psychological contract construct through the lens of the other commensurate theories. For example: Social exchange theory (Ng and Feldman, 2015; Suazo, 2011; Bal, 2010; Dulac, 2008; Johnson, 2003) where psychological contract was an exchange process between the employee and the employer, Organizational justice theory (Jones and Skarlicki, 2012) where psychological contract was employees’ response to unfair treatment by their employer as well as the way employees’ respond to both fair and unfair outcome distribution, Attribution theory (Peng, et al., 2016; Ahmed, 2009) whereby it was investigated whether the reasons for an organizational situation (psychological contract breach) was internal or external to the organization, Sense making theory (Parzefall and Marjo-Riitta, 2011) where psychological contract was employee’ sense making of their environment through an ongoing process of conversation, Signaling theory (Suazo, 2009) whereby it is argued that organizations create psychological contract amongst employees by generating weak signals. While doing these explorations, the researchers in these categories also investigated the consequences of psychological contract among various work or professional groups, industrial sectors and geographic locations.
The sixth wave of psychological contract researchers largely examined the performance issue within the organizations in the case of psychological contract breach or fulfillment. These researchers were divided in two main categories. One group, was concerned with determining the impact of psychological contract in the financial performance (Huselid, 1995) of the organization while the other group focused on the non-financial performance (Xiaojing, 2012; Turnley, 2003; Becker, 1996; Delaney, 1996; Agarwal, 2013; Bal, 2013; Bashir, 2013; Epitropaki, 2013; McDermott, 2013; Shih, 2013) of the organization both at individual and group level (e.g. various indices of organizational outcomes such as Organizational citizenship behavior, commitment and retention).
Possible plausibility of culture impact on psychological contract breach

While most previous research on psychological contract has been conducted in the western context where cultures are typically individualistic and low in power distance (Agarwal and Bhargava (2013), the current paper has been extended to cover cultures of high power distance which in turn has provided the grounds by drawing on the case of Bangladesh. There are few reasons for this. Firstly, in a Bangladeshi cultural context employees’ loyalty is paramount and the power distance is very significant in the workplace and in society at large. An investigation into the consequences of the psychological contract after it is breached at an individual level is worth pursuing. Secondly, the situational context in Bangladesh where there is limited influence of the trade unions, unemployment rate is very high and working conditions are generally unsatisfactory, an investigation into the nature of the psychological contract and its breaches could yield interesting results. Thirdly, based on the review of the psychological contract literature in developing countries as detailed in Table-1 in Appendix, we can posit that to date no substantial research work has been undertaken on significant low skill industry sectors such as the garments sector where most of the employees are women and operate in poor working conditions. Dynamics of these typical demography and working conditions remain unexplored. This paper considers these as worthy of investigation. Finally, to the best of the researcher’s knowledge, no significant psychological contract research has been done in the developing world with a very few exceptions (e.g. Mahmood, 2004; Abdullah, et al., 2010 and Ahmed, 2011). The importance of developing and maintaining the psychological contract has been largely ignored in collectivist societies (as described by Mahmood, 2004 and Abdullah, et al., 2010) where researchers and policy planners have not yet paid sufficient attention to this area. Consequently, the dynamics of the issue remains poorly understood.
Western-centered literature and the missing developing world perspective

A plethora of empirical research (Kraak et al., 2017; Stormbroek and Blomme, 2017; Paille et al., 2016; Suarthana and Riana, 2016; Guchait et al., 2015; Maycock and Amasi, 2015; Manxhari, 2015; Liu et al., 2012; Guchait and Cho, 2010) provides links between psychological contact breach and employees’ retention intention. While some studies (Umar and Ringim, 2015; Clinton and Guest, 2014; Turnley et al., 2003; Robinson, 1996, Robinson and Resseau, 1994) provides a positive association between these two constructs, other recent studies (Suarthana and Riana, 2016; Manxhari, 2015; Liu et al., 2012; Conway, Guest and Liefooghe, 2005) found no association amongst them.
Similarly, a plethora of empirical research (Zagenczyk, 2015; Epitropaki, (2013) Alfes, et al., 2012; Bal, et al. (2013) Haggard, 2012; Cassar and Briner, 2011; Blomme, et al., 2010; Ho, V. T. 2005; Turnley, et al., 2003) has provide links between psychological contract breach and organizational performance in general and particularly on employees’ individual performance outcomes in a western context. Likewise, in a non-western context literature (Li, et al., 2016; Agarwal and Bhargava, 2013; Wang et al., 2013; Cohen, 2012; Liu et. al., 2012; Krishnan, 2011; Chang and Hsu, 2009; Restubog, et al., 2008; Steven et al., 2008) also tapped into this breach-performance relationship. However, in non-western context studies predominantly (except in India) focused on the dominance of cultural factors (such as, traditions, collectivist society, power distance and individual values) in this relationship whereas studies in a western context predominantly focused on demographic (age, gender, ethnicity etc.) and other external (e.g. global financial crisis) and internal (e.g. perceived organizational support, leader member exchange, mentoring) institutional factors. These studies contended that psychological contract breach results in a wide array of negative outcomes for the employees within an organization. This negative outcome entails reduced job satisfaction and reduced trust in the organization one the one hand and on the other hand it increases cynicism about organizational life in general and increased turnover intention.
The theoretical frameworks used for explaining the relationship between psychological contract breach and organizational performance failed to provide a holistic structure that outlines exact mechanism through which psychological contract affect the various indices of organizational performance at an individual level such as individual performance and retention (Clinton and Guest, 2014). On the other hand, the majority of research investigations reporting the consequences of the psychological contract breach were conducted in a western context where employees’ loyalty may be a norm. Likewise, most previous research was also conducted in an individualistic cultural context where people are generally individualistic and the power distance is low (Agarwal and Bhargava, 2013). Therefore, their findings may not have the similar implication in a non-western context where employees are traditionally loyal to their employing organizations, they are generally collectivistic and the power distance are generally high. This view has also been supported by a recent study by Zagenczyk (2015) whereby it is claimed that employees with high power distance orientations are less likely to leave the organizations as a response to their psychological contract breach which is quite the opposite of the western conception in which power distance is low and people are more likely to leave the organizations because of the psychological contract breach.

While some researchers focused on certain demographic aspects (for example, Bal et al., 2013 on age, Blomme et al., 2010 on gender, Dadi, 2009 on ethnicity) and discussed their importance to understand the psychological contract, the others emphasized on the external societal factors such as collective society (Steven, et al., 2008), traditional society (Liu et. al., 2012) and power distance (Wang et al., 2013) to understand the same. Existing empirical research demonstrates that the impact of psychological contract breach (PCB) in the context of the developed countries is quite evident. For example, Coyle-Shapiro and Kessler (2000) tried
to relate PCB with organizational commitment in the UK. Whereas, Robinson (1996) relates it with employee’s trust in the US context. Rousseau (1994) found contract breach is significant for job satisfaction in the US context as well. Similarly, Pate, et al. (2003) found it pertinent with employee attitude (but not behaviour) in the UK. However, limited significant research has been observed in the context of developing countries. For example, Chang, (2009) conducted an investigative research on psychological contract of temporary employees in Taiwan that suggest management practices need to focus on the improvement of the welfare of workers. On the other hand, Lo, Susanna (2003) adopted an integrative approach to explore the impact of the psychological contract breach in a Chinese context suggesting psychological contract breach is related to turnover intentions, psychological withdrawal behaviour and civic virtue.

Conclusion

This conceptual paper has examined the other side of the coin by focusing on the developing country context. It questions the assumption that the western conceptualization of the psychological contract, the reason for its breaches and outcome of those breaches are universal and therefore, there is a potential for this conceptions to be different in its counterpart such as in developing countries and in Bangladesh particularly. To the best of the author’s knowledge, to date, no credible work on the effect of gender on psychological contract has been identified within the tripartite relationship amongst psychological contract breach, individual performance and employee retention. To address this, the current paper is urging to conduct research in a typical industry in Bangladesh where four-fifths of employees are women. This paper therefore is a call to fill this research gap through more vigorous investigations into the role of the cultural and situational contexts of the psychological contract in the developing world. With the insurgence of business in the developing world and the penetration of global
corporations in those cultural spheres, and understanding of such phenomena is likely to steer preparedness, employee motivation and performance.
# Table 1: Moderators and Mediators in psychological Contract Research:

<table>
<thead>
<tr>
<th>Western Country</th>
<th>Moderating/Mediating Aspects</th>
<th>Sources</th>
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<tbody>
<tr>
<td>UK</td>
<td>Trust</td>
<td>Alfes et al. (2012)</td>
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<td></td>
<td>Professional group</td>
<td>George, (2009)</td>
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<td></td>
<td>Ethnicity</td>
<td>Dadi, (2009)</td>
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<td></td>
<td>Exchange imbalance</td>
<td>Cassar and Briner, (2011)</td>
</tr>
<tr>
<td>USA</td>
<td>Mentoring</td>
<td>Haggard, (2012)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Gender</td>
<td>Blomme et al. (2010)</td>
</tr>
<tr>
<td></td>
<td>Age</td>
<td>Bal et al. (2013)</td>
</tr>
<tr>
<td>Greece</td>
<td>Organizational identification</td>
<td>Epitropaki, (2013)</td>
</tr>
<tr>
<td>Australia</td>
<td>Global financial crisis</td>
<td>Metz et al., (2012)</td>
</tr>
<tr>
<td>Canada</td>
<td>Promise</td>
<td>Montes and Zweig, (2009)</td>
</tr>
<tr>
<td>Belgium</td>
<td>Perceived organizational support (POS), Leader-member exchange (LMX)</td>
<td>Dulac et al., (2008)</td>
</tr>
<tr>
<td>Non-Western Country</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>Traditionality</td>
<td>Liu et. al., (2012)</td>
</tr>
<tr>
<td></td>
<td>‘Guanxi’-based culture</td>
<td>Steven et al. (2008)</td>
</tr>
<tr>
<td>Country</td>
<td>Cultural factor, individualistic/collectivistic orientation, power distance, Competitive organizational climate, Leader-Member Exchange (LMX)</td>
<td>Reference</td>
</tr>
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<tr>
<td>Philippines</td>
<td>Group Value, organizational membership</td>
<td>Restubog et al., (2008)</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Age</td>
<td>Sharif, et al., (2017)</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Employee tenure</td>
<td>Chang and Hsu (2009)</td>
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<tr>
<td>Israel</td>
<td>Individual values</td>
<td>Cohen, (2012)</td>
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</tbody>
</table>

Source: Develop by the Authors
References


