



The changing nature of the traditional expatriate psychological contract

Judy Pate

Department of Management, University of Glasgow, Glasgow, UK, and

Hugh Scullion
NUIG, Galway, Ireland

Abstract

Purpose – The purpose of this paper is to examine whether traditional conventions of the expatriate psychological contract have altered from both employer and employee perspectives. In essence to what extent have multi-national corporations adjusted organisational practices to reflect changing circumstances and to what extent have expatriates altered their mindset towards employers' obligations and requirements.

Design/methodology/approach – The paper draws on findings of three organisational case studies and is based on in-depth interviews with HR managers, line managers and expatriates.

Findings – The findings reveal that the overall tone of the psychological contract from the employers' perspective is transactional. From an employee perspective, preliminary evidence suggests that the dynamics of the employment relationship is changing and that employees have responded to contract changes by seeking to ensure their employability and reduce their dependence on a single organisation.

Practical implications – The paper focuses on four areas for managers: first, pro-actively influencing expatriates' expectations thereby minimising misunderstandings; second, organisations should be very aware of "the remuneration market rate" for a particular location; third, policies of support and contact would aid feelings of integration. Finally, more attention should be paid new approaches to strategic talent management.

Originality/value – This paper contributes theoretically and empirically to the literature on expatriates' psychological contracts, an area where there is a dearth of empirical research. The paper also increases the understanding of the variety of expatriate perceptions in different contexts, thereby deepening the understanding of the importance of context in this area.

Keywords Expatriates, Psychological contracts, Human resource management, Qualitative methods

Paper type Research paper



Introduction

A key theme in the international human resource management (IHRM) literature concerns global staffing. At the level of managing the individual employee, a significant volume of research has centred on the "expatriate cycle" of adjustment (Scullion and Brewster, 2001) and while this research enhances the theory and practice of specific expatriate HR policies, there is little research that depicts the underpinning character of the expatriate employment relationship, where a key challenge is to harmonise expectations of both head office and individual employees (Rousseau, 1995).

The psychological contract is a valuable construct to examine the employment relationship (Rousseau, 1995; Guest and Conway, 2002), and essentially is concerned

with employees' and employers' perceptions of the other party's obligations. A growing volume of research has examined different dimensions of the psychological contact (de Vos *et al.*, 2003; Johnson and O'Leary, 2003; Rousseau, 2001) and although this work provides clues to the spirit of the expatriates' employment relationship it falls short of addressing all facets of this discrete association. What is distinctive about the expatriate psychological contract, and sets them apart from other forms of employment, is the scope of the relationship. International assignments, regardless of length, have a significant impact on all aspects of an individual's life; indeed, the affect on home life has been well documented in the literature (Guzzo *et al.*, 1994).

The few studies of expatriates' psychological contracts draw on the relational and transactional typology and advocate that expatriate contracts are relational, with strong affective commitment from both parties (Guzzo *et al.*, 1994; Lewis, 1997). The relational argument, however, contradicts national trends that propose that employment relationships are becoming more calculated and transactional (Rousseau, 1995; Millward and Brewerton, 1999).

The explanation for the shift towards transactional and individualistic relationships lies mainly in the fiercely competitive international business environment. Organisational strategies, such as reducing expatriate packages and downsizing, have prompted two particular responses from employees, both resulting in a transactional psychological contract. The first and more common reaction has been anger and resentment, which has resulted in the severing of the emotional attachment to an employer and relationships becoming calculating and transactional (Robinson and Rousseau, 1994).

A second response from employees has been to place less emphasis on job security and take more responsibility for their career development by building competences and networks in order to remain employable and attractive to the external labour market (Baruch, 2001). In this boundaryless career (Arthur and Rousseau, 1996), employees recognise that it is desirable and indeed essential to change positions every two to four years in order to augment their expertise. Recent evidence advises that such a concept has resonance with expatriates where the merits of international assignments, and the skills it develops, are often valued more by other MNC employers operating in the external labour market than by their current employers (Stroh *et al.*, 2000). This notion is of growing importance given that shortages of international managers, which is increasingly constraining corporate efforts to expand abroad (Scullion and Collings, 2006).

Therefore, if the traditional conventions of the employment relationship have altered from both employer and employee perspectives, to what extent have MNCs adjusted organisational policies and practices to reflect changing circumstances and to what extent have expatriates altered their mindset towards employers' obligations and requirements? This paper attempts to increase our understanding of this important area and is shaped by the following research questions:

RQ1. How do expatriates interpret the psychological contract with their employer?

RQ2. How do HQ interpret psychological contract with expatriates?

The contribution of this paper is fourfold: first, it contributes theoretically and empirically to the literature on expatriates' psychological contracts, an area where there is a dearth of empirical research. Second, the paper contributes to our understanding

of the links between two separate literatures, from the psychological contract and IHRM fields, yielding important insights into complex managerial problems. Third, by drawing directly on the perception of expatriates, the study sheds some light on expatriate psychological contract over the duration of the international assignment thus highlighting the dynamic nature of the relationship. Finally, the study increases our understanding of the variety of expatriate perceptions in different contexts, thereby deepening our understanding of the importance of context in this area.

Literature review

The literature review will first examine debates surrounding the definition and conceptualisation of the psychological contract. Second, the literature on expatriate psychological contracts and relevant IHRM studies will be examined. The final section examines human resource management (HRM) practices surrounding the psychological contract from the employer perspective.

Defining the psychological contract

The concept of the psychological contract was introduced by Argyris (1960) and despite a rich history, one difficulty of the psychological contract is the inconsistency with which the term has been applied and the construct has drawn criticism for being "all things to all people" (Roehling, 1997; Cullinane and Dundon, 2006). Two issues appear to be particularly controversial in the literature: the terminology in defining the construct and whether both employee and employer viewpoints should be taken into account.

In defining the psychological contract, authors have utilised different terms: expectations (Levinson *et al.*, 1962), promises (Rousseau, 1989) and obligations (Herriot *et al.*, 1997). With the exception of expectations, these terms suggest a degree of agreement between the two parties, although the idea of "promise" takes the notion a stage further in that not only is there an assurance of fulfilment of a specific deal but a moral pledge. Owing to the speed of change in the current business context, few organisations make explicit promises to employees (Grant, 1999) thus perceived obligations would appear to be a more useful term.

A further issue in the debate on psychological contracts is the extent to which the relationship is unilateral (i.e. the relationship through the eyes of only the employee) or bilateral (i.e. a two way understanding between employee and employer). Recent conceptualisations have tended to follow Rousseau's (1989) unilateral perspective. In contrast, early writers imply the contract consists of mutual perceptions (Kotter, 1973; Levinson *et al.*, 1962) where both employee and employer perspectives are considered; an approach that has been increasingly advocated (Guest and Conway, 2002).

This paper makes a case for the bilateral perspective and draws on definitions proposed by Herriot *et al.* (1997, p. 151) who state "the perceptions of mutual obligations to each other held by the two parties in the employment relationship, the organization and the employee". This viewpoint does not seek to undervalue an employee's feelings and attitudes, but in order to assess the extent to which alignment of perceived obligations exists, both parties must be considered. Furthermore, by mapping employee and employers perspectives there is scope to assess the power differential between the two parties, an issue that has been neglected in the psychological contract literature (Cullinane and Dundon, 2006).

By adopting a bilateral view of the psychological contract, the complex issue of anthropomorphising the organisation is raised, i.e. who or what represents the organisation. The employer element of the psychological contract is open to confusion as multiple agents may represent the “organisation’s view”. It is important to take into account the views of multiple agents (e.g. line, senior and HR managers) in order to evaluate consistency of messages from perceived organisational representatives. A failure of organisations to communicate and set realistic expectations is potentially problematic as employees use such signals to assess the state of the employment relationship; irregularities may result in psychological contract violation. For example, research indicates that HR managers frequently face problems in their dealings with discontented expatriates (Paik *et al.*, 2002).

Expatriate psychological contract research

This section will critically review the few existing empirical studies of the expatriate psychological contract and will highlight the varieties of ways the concept has been applied. Lewis (1997) has drawn on the psychological contract in the development of her “breakdown model” that presents key components of the relationship, such as the degree of employer support, to isolate potential assignment problems. Unfortunately, the model is limited to the timescale of an individual international assignment rather than an expatriate’s employment relationship pre- and post-assignment. Guzzo *et al.* (1994), in contrast, use the psychological contract as a mediating variable in a model that examines the relationship between management practices and commitment/retention thus does not examine the psychological contract *per se*. In summary, these studies fail to provide the subtle insights required in order to further our understanding of the complex issue of the expatriate psychological contract.

Lewis (1997) and Guzzo *et al.* (1994) draw on the transactional-relational typology. Transactional contracts are based on a short-term horizon with defined responsibilities and are characterised by economic self-interest from both parties. Relational contracts, in contrast, are established on a long-term, open-ended relationship where there are both economic and emotional ties. Studies contend that, because the scope of the job cannot be specifically defined, as it affects both work and non-work life, that the psychological contract must be relational (Lewis, 1997; Guzzo *et al.*, 1994).

This typology is useful in the broadest sense of depicting the overall nature of the relationship. However, the typology does not help with detailed analysis, as each category encompasses a range of variables (e.g. time frame, emotional attachment and definition of contract), and all variables must be consistent for the typology to be meaningful. Care must be taken in applying this typology as some variables may be in conflict with each other. For instance, individuals may have a short contract but identify with the organisation, and equally there could be an extended contract with no emotional attachment.

An examination of the methodologies of these studies also reveals some useful insights. Lewis’ (1997) qualitative research moves beyond a single case study approach but does not examine variation along organisational lines or explore the influence of “industry norms”. The important point is that perceived obligations have no universal or objective meaning but are interpreted according to the values in a particular time and space (Rousseau, 1995). Guzzo’s (1994) methodology is a real strength of this study, with a 77 per cent response rate from a population of 209 expatriates in a study

that spanned 63 organisations; thus, the study has considerable breadth and the validated survey scales point to a high degree of reliability. The findings confirmed that the psychological contract mediated organisational practices and attitudes towards retention and organisational commitment but does not comment on context or the character of the relationship.

Our review of the literature reveals that two key questions remain unanswered. First, how do expatriates and employers interpret and understand the relationship? Second, to what extent do different contexts and the more competitive environment of recent years affect the nature of the psychological contract?

HR policies for psychological contract management. Managing employment relationships is highly challenging for many organisations and frequently employee perceptions will be shaped by custom and practice regardless of significant changes in the business situation (Rousseau, 2001); essentially expatriates will expect what others have been promised in the past. The literature suggests that traditionally expatriates have been managed through the provision of enhanced rewards packages and promised career acceleration (Holt and Wigginton, 2002). In recent years, many organisations can no longer offer the same "deal" due to the imperative of cost-reduction strategies (Coyle-Shapiro and Kessler, 2000). This development implies a disparity between expectations of expatriates and their employers' institutions as employees may feel that the arrangements have been changed without their consent (Rousseau, 1995).

The notion of divergent expectations is borne out in the IHRM literature. Paik *et al.* (2002, p. 646) argued that:

[...] the expatriate accepts the assignment for career advancement, compensation and adventure as opposed to the company who sends an expatriate for the purpose of transferring the home corporate culture and meeting project objectives.

This mismatch of perceived obligations clearly has the potential for the breakdown of the psychological contract.

Research suggests that clear and consistent communication is vital for managing the psychological contract and places particular emphasis on the personal and job-related communication rather than more general information (Guest and Conway, 2002; Rousseau, 2001). In addition, particularly for highly skilled professionals, meritocracy (i.e. rewards based on merit) had the greatest impact on the psychological contract outcomes of organisational commitment and retention (Flood *et al.*, 2001).

As suggested earlier, the outlook for expatriates on completion of their assignments abroad is often far from optimistic, confirming Forster's (1994) study of 124 high flyers where one in five found themselves out of work on repatriation to the UK. However, research indicates that some expatriates are coming to terms with the changing employment deal and are re-evaluating their career on repatriation (Black, 1992) and increasingly searching for work elsewhere when expectations are not met (Linehan, 2000). This research follows the notion of the boundaryless career (Arthur and Rousseau, 1996), which suggests that employees are active rather than passive in their career management. The implication of this mindset is that employees do not necessarily wish to remain with an employer on a long-term basis, a notion that is alien to the traditional HRM literature (Beer *et al.*, 1984). In short, expatriates seek to continually utilise and build their skill set and networks, which requires a variety of assignments and business contexts, which cannot be achieved by working in one organisation (Bolino and Feldman, 2000).

In summary, our study seeks to address some of the gaps in our knowledge which exist as to the nature of expatriates' psychological contracts, and in particular addresses the failure of the recent literature to examine:

- both employee and employer perspectives of their mutual obligations; and
- contextual variation.

Methodology

This section outlines the methodology of the study by describing the research design, data collection and finally the background context of the case study organisations.

Research design

This paper draws on findings of three in depth, qualitative case studies; two European MNCs and one North American MNC. The selected companies reflected different industries (manufacturing, banking and brewing) and employment traditions; only the banking company had a strong tradition of employment security. There was also considerable variation in the geographical focus of the companies, the brewery company was mainly focused on Europe, the banking organisation mainly the USA and Eastern Europe, and the manufacturing MNC centre of gravity was rapidly shifting from Europe towards Asia-Pacific.

Case study 1

Case study organisation 1 was a manufacturing subsidiary of a US MNC. The industry was characterised by intense competition, and cost reduction was an imperative for business survival. More recently, the UK subsidiary of the US parent had enjoyed considerable market success and relative independence as a result of developing a very successful product. However, the pressures of cost reduction had recently led to a shift of manufacturing from Europe to the Asia-Pacific region, resulting in employees from the UK subsidiary being assigned to China and India. The length of assignments varied from six months to four years. A further important characteristic was the majority of employees had tenure of over 15 years.

Case study 2

Case study 2 was a medium-sized European international bank which enjoyed a major and settled market share of a small domestic market and was seeking to internationalise primarily through acquisitions in the USA, the UK and more recently in Eastern Europe. International assignments varied between three and five years and international experience was strongly valued in the bank. On completion of international assignments, repatriated managers were guaranteed employment on return, but there were no guarantees of a specific job or a promoted post. Security of employment was a key part of the organizational culture and important to encourage international mobility.

Case study 3

Case study 3 was a UK-based international brewing company which had established a strong European profile. A key element of the strategy was to develop strategic partnerships and these often lead to friendly takeovers. A feature of these acquisitions was the high quality and performance of local management and in practice the

company rarely changed the management team post-acquisition, the use of expatriates limited to the early stages of entry into new foreign markets.

Expatriates normally had three-year contracts and there was no guarantee of employment on return and the company specifically wanted to avoid creating false expectations which could not be met when commercial circumstances changed. Expatriates recognised that employment relationship was changing and that their experience of developing their skills and building relationships and networks in fast growing markets would be increasingly valuable in the external labour market.

Data collection

Semi-structured interviews were conducted in the three case study organisations 2005-2007 with HR managers and line managers responsible for staff involved in the various forms of international assignments. In addition, interviews were conducted with a number of expatriates. The details of the interviewees are described in Table I.

Given the inherent challenge of conducting face-to-face interviews with individuals participating in international assignments, convenience sampling was used. In total, 12 interviews with expatriates were conducted: six in the manufacturing organisation, four in the brewing case and two in the banking institution. Each interview was approximately an hour and a half in duration.

Findings

The following section presents the findings of the study by outlining the employer perspective before examining the expatriates' perspective.

The employer perspective

Three facets of the employer perspective should be highlighted:

- (1) the employer's perception of the employment arrangement;
- (2) the management of international assignments; and
- (3) their views on expatriates' reactions to "the deal".

It is also worth emphasising that line and HR manager's views were alike in all three organisations and therefore consistent messages were disseminated from the three case study organisations.

Employer perspective of the psychological contract. Cost pressures dictated that local staff rather than expatriates were used and where possible expatriates were moved to local terms and conditions. This approach was adopted by all three case study organisations, however, implementation varied considerably. In the banking context,

Table I.
Interviewee sample

	Brewing case	Manufacturing case	Banking case
HR manager	1	1	1
Line manager	1	1	1
<i>Expatriates</i>			
Currently on assignment	2	2	0
Repatriated	2	4	2
Total	6	8	4

as a result of spiralling costs whereby expensive expatriate's packages continued regardless of length of assignment, the bank decided to change its policy where expatriates must transfer to local terms and conditions after four years working abroad. The manufacturing and brewing MNCs by comparison for some time required expatriates to transfer to local terms and conditions after three years.

With regards to remuneration, the corporate view in the brewing and manufacturing firms was that expatriates should be "no worse off" than if they were working in their home country; individuals would not receive substantial additional payments. In contrast, the bank was still able to offer substantial remuneration benefits for expatriates.

The more turbulent business environment had also made forward planning more complex. For example, finding jobs on repatriation was made even more difficult due to rationalisation in the domestic market. In the manufacturing and brewing companies, employees had been given no guarantees of employment on return, which was explicitly stated in contractual agreements. The banking organisation, by contrast, continued to guarantee employment, the HR manager commented:

Each expatriate receives a repatriation letter before the start of the international assignment which outlines the guarantee employment on return. This approach has been introduced fairly recently.

In practice, the bank had recently reinforced the employment guarantee, which reflected the strategic talent management reality in that sector, in order to attract top talent guarantees of employment security were necessary (Scullion and Collings, 2006).

Management of overseas assignments. All three case study organisations adopted an informal and largely *ad hoc* approach to managing expatriates. The bank's more paternalistic approach was highlighted through the provision of cross-cultural training, individual counselling prior to departure and mentoring on repatriation. On re-entry, however, even in the banking organization, unlike in the past, promotion was not guaranteed to the expatriates on re-entry to the domestic organization.

HQ perceptions of expatriates' reactions. HQ perceptions of expatriates' response to repatriation varied considerably in the companies. The HR manager's view in the manufacturing company differed sharply from the other cases in that he felt that expatriates expectations had diminished in recent years due to the realities managerial downsizing. In contrast, the banking and brewing companies felt that expatriates still had very high unrealistic expectations particularly with regards to promotion. One comment summarised the majority of managers' viewpoints:

Despite enjoying the expat benefits while abroad, some expats feel that the company still owes them because they worked abroad and their expectations of a new job in terms of status and salary are unrealistic.

Frequently, expatriates left the company within a year of repatriation. In the banking case, managers had noticed a change in expatriates' attitudes over recent years:

In the past an international assignment was closely linked to career development, the focus was the long-term. Currently, the focus is more short-term. The expatriates push to maximise what they can get out of the situation before they accept the assignment.

This suggests that expatriates in the banking case had become more single minded and calculating in their negotiation with the organisation, which largely arose from

the perceived failures of career planning and from witnessing prior expatriates' disappointments on repatriation.

Our research findings highlight that the banking organisation had maintained a paternalist approach and provided an expatriate package which was highly competitive. It is something of a paradox that despite offering by far the most favourable terms and conditions of the three organisations in the study, the bank has also experienced the highest levels of discontent amongst expatriates, the main focus of which was centred on the failure of the bank to meet their expectation for promotion on repatriation.

The psychological contract: the expatriate view

Two facets of the expatriate view will be assessed: the expatriate perception of the employment relationship; and the extent to which the expatriates perceive their employer to be fulfilling their obligations to them.

Expatriate's perception of the psychological contract. The motivation of expatriates to undertake an assignment were twofold, first, the "adventure" of living in a different country and the subsequent experiences this affords. Second, and more importantly, for the majority of expatriates was career progression. There was an implicit assumption that undertaking international assignment would be rewarded with promotion, reflecting the traditional expectation that the bank "owed them for their overseas service". One bank employee commented:

The company was highlighting that international experience would be very good for your promotion chances and for your career development.

In contrast, in the manufacturing and brewing cases, there was no assumption that international experience would lead to a promoted post, indeed there was no assumption that employment would continue on completion of the international assignment. Our empirical work highlights the considerable variation in expatriate perceptions of the psychological contracts in different contexts and suggests the need for future research to pay particular attention to this area.

Monetary reward did not appear to be the major motivator, although there was an assumption that expatriates would not "lose" money by going abroad and that they would be paid "fairly" according to location and span of responsibility. However, it is interesting to note that none of the expatriates in our sample felt that they had a "good" remuneration package and there was a general view that their organisations were falling short in their obligations.

With regards to job security, a range of responses was highlighted by the interviews. In the bank, a typical expatriate comment was:

There is no suggestion that there will not be jobs as the bank sort of provides a job for life in return for loyalty and flexibility [...] If the bank failed to provide jobs for expats on return that would be a major breach of trust and the whole system would need to change.

Typical comments by expatriates from other organisations were "they would find me another job although it hasn't been promised". Therefore, although many recognised the constraints facing organisations, the majority of expatriates still expected that they would continue to work for the organisation on completion of the international assignment.

Fulfilment of employer obligations through the eyes of the expatriate. Interviewees focused on a two key matters, the management of the assignment, and the erosion of

“the deal” being offered by their employer. On the whole, expatriates were very dissatisfied with the way the organisation managed their overseas experience, and a particular concern was the lack of information relating to the job and the location before the assignment. A typical quotation was:

They had no idea at all, clueless! They had no idea or information on locations to live, cost of living or visas!

During the assignment, many employees felt a growing sense of isolation and remoteness from HQ. One expatriate reflected that:

I don't think it did my career a lot of good staying for 4 years because you get side tracked and miss networking opportunities in (the company), knowing what is going on in the UK, you don't see the bigger picture.

Moreover, many expatriates felt that their social capital had been diminished in the domestic organisation as illustrated by the following comment:

You don't get exposure to the right people and I still feel that I haven't got the contacts that I would have had if I had stayed in [head quarters] [...] which potentially has a bearing on future career opportunities within the organisation.

A further area of contention for expatriates was the perceived reduction in terms and conditions as cost reduction became an increasing imperative for organisations. One expatriate's comment summarised this concern:

There has been a lot of looking at what we are offered in terms of the expat deal, cutting back on certain benefits. They have cut it back from the days when I was first an expat.

Thus, the issue of the power differential between employee and employer emerged as an issue of growing concern. At the outset of an assignment, expatriates felt that “the company see that you are privileged to be offered an expat contract and that it is set by them – you sign it or you don't”.

Repatriation was the most problematic phase of the international assignment for expatriates in all three organisations and the lack of effective career planning was a particular problem as illustrated by the following comment:

You come back having set up factories, given the company a record increase in production, an appraisal that is second to none and they still say there's no job for you.

Much of the frustration relating to repatriation focused on the lack of recognition for undertaking international assignments, which is illustrated by the following comment:

[The company] don't value overseas experience. You come back and you are fighting for the promoted posts with people who have never been away!

The majority of expatriates felt a considerable degree of frustration with both the process and outcome of repatriation. A common response was the unwillingness to undertake international assignments in the future which could lead to problems filling vacancies and talent management problems. The MNC organisations were experiencing more difficulty in attracting executives to accept foreign assignments and that a major contributing factor in this reluctance to go abroad is the ambiguity that often surrounds executives' careers on repatriation (Scullion and Collings, 2006).

A minority of individuals resigned themselves to the situation and the power base of their employer, one person commented:

[...] for the past three years I don't know where I will be in two months time. I am now used to it, immune to it! It's more difficult for my family to understand.

Others were more determined to get a "fairer deal" on future assignments and were prepared to negotiate more aggressively in the future. One expatriate (from the manufacturing organisation) remarked, "I've learned from the experience. This time I've asked for a 12 month notice to give me or them time to find a me a job." Therefore, expatriates seem to have the confidence in their own skills and were happy to look for employment elsewhere rather than be placed in a dissatisfying job.

It is something of a paradox that despite having the best terms and conditions of the three cases, psychological contract violation was particularly evident in the banking sector, as illustrated by the following comment:

The response of the expats is to bargain harder for better salaries and allowances before the international assignment starts [...] so the focus is more on the short-term than in the past when the assumption was that career development would follow an international assignment.

The paradox of the banking case is that the organisation paternalist strategy offered better tangible rewards than many organisations (i.e. good remuneration package and job security) and also provided a range of services for supporting expatriates (including mentoring and counselling). Yet, expatriates in the banking organisation were the most dissatisfied expatriates in the three case organisations and were also the most inclined towards more robust bargaining with an individualistic and calculating interpretation of the employment relationship. This reflected the significant reduction in promotion opportunities in a context where senior positions would have been relatively readily available (and expected) for expatriates until fairly recently.

Two points are worth highlighting from the discussion above. First, our research supports the notion that the psychological contract is socially constructed and therefore based on individual interpretation rather than on rational, tangible building blocks, a point which is well demonstrated by the banking organisation offering the most favourable terms and conditions and at the same time experiencing the highest levels of dissatisfaction among expatriates. Second, the source of discontent was based on perceived inequity and the lack of value placed on the overseas experience. Therefore, in the eyes of the expatriates, they have substantially expanded their skills, knowledge bases and international networks in ways not possible by remaining at HQ, yet those who did not undertake overseas assignments were frequently deemed by the organisation to be more equipped for senior posts. This sense of injustice had led to psychological contract breach and violation in many cases and a hardening of attitudes towards their employer.

Discussion

This paper contributes to the debate on the nature of the employment relationship between expatriates and their employers by connecting the IHRM and the psychological contract literatures. The few empirical studies that have examined the psychological contract of this group of employees were grounded on the business context of the mid-1990s (Guzzo *et al.*, 1994; Lewis, 1997) and we suggest that a reassessment is both timely and necessary. Moreover, this study examines the different character

of the expatriate psychological contract and the employment relationship in different contexts through empirical case study organisations in three different industry sectors.

Previous research on the psychological contract of expatriates focussed on the employee perspective, which we argue was at the expense of the corporate view; as a consequence, no directly comparable studies exist that examine the MNC HQs' perspective (Guzzo *et al.*, 1994; Lewis, 1997). Indicators of the employer perspective may however be gleaned through the IHRM literature, which highlights the competitive challenges MNCs experience in the contemporary environment (Holt and Wigginton, 2002).

The HQs' view of the employment "deal" with expatriates was rooted in the business needs of the day and unsurprisingly the primary focus was on the functions performed by the expatriates rather than their emotional needs, a view that supports Paik *et al.*'s (2002) findings. From an organisational perspective, the role of expatriates was to preserve the organisation's interests in international markets and, to provide specialist skills, thus confirming the strategic importance of expatriates (Scullion and Brewster, 2001).

From a corporate perspective, the primary motive for expatriates accepting foreign assignments in the manufacturing and brewing companies was for personal reasons, such as challenge. Financial rewards was not to be a major motivator, and whereas the organisation would make sure that expatriates were "no worse off" financially, additional generous overseas payments were viewed as unnecessary. Human resource managers appeared to be confident in their practice in both setting expatriate expectations and portraying the organisation's perspective, which were often conducted on an informal basis. In addition, MNCs have increasingly taken the view that given the pace of the business environment, any employer would be foolish to guarantee future employment far less promotion on return. This reflects the employers' view that the business context may change rapidly in even one or two years time with the added complexity that many MNCs are downsizing at home at the same time as they are growing abroad (Scullion and Starkey, 2000).

It would be misleading to suggest that all organisations, regardless of sector, espoused this position. It was evident in the banking case that paternalistic practices were still largely in place with provision of a very comprehensive expatriate package that guaranteed employment on return. In this context, it was felt that the culture of employment security was necessary in order for the company to recruit and retain top talent, which reflects the importance of industry norms. There were however signs of change even in this setting. Despite adjustment to terms and conditions being relatively minor when compared to organisations in other industries, expatriates were very dissatisfied and increasingly vigilant in attempts to erode their favourable contract; behaviour that suggests psychological contract violation in some cases (Robinson and Rousseau, 1994).

Despite an open-ended employment contract and the high degree of autonomy in overseas assignments, the overall tone of the psychological contract from the employers' perspective was transactional in all key respects: specified contract length, terms and conditions were fixed and were set purely in the organisation's interests. The only aspect that could be considered relational was the autonomy that expatriates experienced; a virtue of expatriates being lead players in developing new international markets. Our findings therefore challenge earlier interpretations of a purely relational contract between expatriates and their employers (Guzzo *et al.*, 1994; Lewis, 1997).

The notion of a transactional arrangement between expatriate and employer was once more supported by the move towards “tighter” organisational practices in recent years, e.g. no real additional payment and no guaranteed job on return. These conditions draw attention to the balance of power in the relationship, the reality of which suggests that despite broken organisational promises, many employees are dependent on their employer, which explains why individuals remain with an employer after psychological contract violation has occurred (Sparrow and Cooper, 2003). What was also noteworthy was that in many instances there appeared to be an inability on the part of the organisation to even understand expatriate concerns as opposed to a case where the employee perspective is acknowledged but the organisation is powerless to satisfy expectations (Coyle-Shapiro and Kessler, 2000).

The study highlights, however, that increasingly expatriates are adopting a more critical and robust reply to organisational led changes by negotiating their contract more aggressively. Moreover, many adopted a mindset where they expected to move employers at the end of an assignment and are therefore are less reliant on any one organisation, thus altering the power dynamics between the two parties. The study therefore raises some important questions regarding the complex matter of the power dynamics in the psychological contract, an under researched area, which we highlight as a fruitful line of inquiry for future research (Cullinane and Dundon, 2006).

From an employee perspective, expatriates’ expectations and experiences largely concur with prior studies. Expatriates expected enhanced remuneration, promotion on return and recognition of skill development (Holt and Wigginton, 2002), although these seldom came to fruition (Paik *et al.*, 2002; Mayerhofer *et al.*, 2004). On a superficial level, it could be argued that expatriates still hold a relational psychological contract, for instance in that the scope of the assignment was undefined. However, in many other respects the relationship can be deemed transactional and it was evident that expatriates were increasingly becoming more astute in their negotiations, particularly in the banking case, as the unfulfilled expectations of repatriates was more widely recognised (Arthur and Rousseau, 1996).

Our research therefore contributes new insights into problems associated with the dynamics of managing international assignments. It was evident from the findings that while similarities existed among expatriates’ psychological contracts, the importance of variation of viewpoints among expatriates was also highlighted. Several factors appeared to be important in explaining different perceptions. First, context appeared to shape expatriate perceptions of the deal, for example employment security was taken for granted in the banking case but was far from being the norm in the manufacturing and brewing cases. One limitation of the study is that only one organisation has been examined from three different sectors and therefore the findings of the study are not representative. However, our study does highlight the importance of contextual variation for future research in this area.

Second, from an employee perspective location and the degree of responsibility were key features of the assignment, and there were strong expectations of being reimbursed for “hardship” locations. In their minds, employees calibrated a different deal depending of the nature of the assignment. Finally, personality is also a factor in explaining different standpoints; the idiosyncratic nature of psychological contracts indicates that two employees may view the same situation differently (Raja *et al.*, 1994). This was

revealed through the varying reactions to employers changing the deal, for example "acceptance versus fighting back".

This study contributes to the discussion of the nature of expatriate psychological contracts and suggests that the issue of whether the relationship is relational or transactional in character appears to be more complex than was suggested in prior research. The study contributes to the psychological contract literature in two main respects. First, unlike most studies of the psychological contract, the study examines the bilateral employment relationship as both employee and employer viewpoints have been considered. Second, by considering the two standpoints, it is possible to begin to unpick aspects of the power differential that lie between employer and employee, an issue under researched in the psychological contract literature (Cullinane and Dundon, 2006). In most scenarios, the employer would appear to be dominant although there is some preliminary evidence to suggest that the dynamics of the employment relationship is changing and that employees have responded to contract changes by seeking to ensure their employability and reduce their dependence on a single organisation, and we suggest that further work in this area is required.

Implications for practice

Managing employees' psychological contracts continues to be a major challenge for managers in all organisations. The implications for practice arising from the study are fourfold. First, and arguably most importantly, organisations should seek to proactively influence expatriates' expectations thereby minimising misunderstandings. Second, dissatisfaction with remuneration was a recurring theme therefore being aware of "the market rate" for a particular location and shaping expectations is important. Third, expatriates often felt isolated from HQ while on their assignments. Policies of support and contact would aid feelings of integration and also feed important information on particular markets back into to broader organisational discussions. Finally, the tricky issue of career development and promotion on return, more attention should be paid to influencing expectations at the outset and also by new approaches to strategic talent management.

References

Argyris, C. (1960), *Understanding Organizational Behaviour*, Dorsey Press, Homewood, IL.

Arthur, M.B. and Rousseau, D.M. (Eds) (1996), *The Boundaryless Career: A New Employment Principle for a New Organizational Era*, Oxford University Press, New York, NY.

Baruch, Y. (2001), "Employability: a substitute for loyalty?", *Human Resource Development International*, Vol. 4 No. 4, pp. 543-66.

Beer, M., Spector, B., Lawrence, P.R., Quinn Mills, D. and Walton, R.E. (1984), *Managing Human Assets*, The Free Press, New York, NY.

Black, J.S. (1992), "Coming home: the relationship of expatriate expectations with repatriation adjustment and job performance", *Human Relations*, Vol. 45 No. 2, pp. 113-22.

Bolino, M.C. and Feldman, D.C. (2000), "Increasing the skill utilization of expatriates", *Human Resource Management*, Vol. 39 No. 4, pp. 367-79.

Coyle-Shapiro, J. and Kessler, I. (2000), "Consequences of the psychological contract for the employment relationship: a large scale survey", *Journal of Management Studies*, Vol. 37 No. 7, pp. 903-30.

Cullinane, N. and Dundon, T. (2006), "The psychological contract: a critical review", *International Journal of Management Reviews*, Vol. 8 No. 2, pp. 113-29.

de Vos, A., Buyens, D. and Schalk, R. (2003), "Psychological contract development during socialization: adaptation to the reality and the role of reciprocity", *Journal of Organizational Behavior*, Vol. 24, pp. 537-59.

Flood, P.C., Turner, T., Ramamoorthy, N. and Pearson, J. (2001), "Causes and consequences of psychological contracts among knowledge workers in the high technology and financial service industries", *International Journal of Human Resource Management*, Vol. 12 No. 7, pp. 1152-65.

Forster, N. (1994), "The forgotten employees? The experiences of expatriate staff returning to the UK", *International Journal of Human Resource Management*, Vol. 5 No. 4, pp. 405-27.

Grant, D. (1999), "HRM, rhetoric and the psychological contract: a case of 'easier said than done'", *International Journal of Human Resource Management*, Vol. 10 No. 2, pp. 327-50.

Guest, D.E. and Conway, N. (2002), "Communicating the psychological contract: an employer perspective", *Human Resource Management Journal*, Vol. 12 No. 2, pp. 22-38.

Guzzo, R.A., Noonan, K.A. and Elron, E. (1994), "Expatriate managers and the psychological contract", *Journal of Applied Psychology*, Vol. 79 No. 4, pp. 617-26.

Herriot, P., Manning, W.E.G. and Kidd, J.M. (1997), "The content of the psychological contract", *British Journal of Management*, Vol. 8, pp. 151-62.

Holt, D.H. and Wigginton, K.W. (2002), *International Management*, 2nd ed., Hardcourt, Orlando, FL.

Johnson, J.L. and O'Leary, K. (2003), "The effects of psychological contract breach and organizational cynicism: not all social exchange violations are equal", *Journal of Organizational Behavior*, Vol. 24, pp. 627-47.

Kotter, J.P. (1973), "The psychological contract: managing the joining-up process", *California Management Review*, Vol. 15, pp. 91-9.

Levinson, H., Price, C.R., Munden, K.J. and Solley, C.M. (1962), *Men, Management, and Mental Health*, Harvard University Press, Cambridge, MA.

Lewis, K.G. (1997), "Breakdown – psychological contract for expatriates", *European Business Review*, Vol. 97 No. 6, pp. 279-93.

Linehan, M. (2000), *Senior Female International Managers: Why So Few?*, Ashgate, Aldershot.

Mayerhofer, H., Hartmann, L.C., Michelitsch-Riedl, G. and Kollinger, I. (2004), "Flexpatriate assignments: a neglected issue in global staffing", *International Journal of Human Resource Management*, Vol. 15 No. 8, pp. 1371-89.

Millward, L.J. and Brewerton, P.M. (1999), "Contractors and their psychological contracts", *British Journal of Management*, Vol. 10, pp. 253-74.

Paik, Y., Segaud, B. and Malinowski, C. (2002), "How to improve repatriation management: are motivations and expectations congruent between the company and expatriates?", *International Journal of Manpower*, Vol. 23 No. 7, pp. 635-48.

Raja, U., Johns, G. and Ntalianis, F. (2004), "The impact of personality on psychological contracts", *Academy of Management Journal*, Vol. 47 No. 3, pp. 350-67.

Robinson, S.L. and Rousseau, D.M. (1994), "Violating the psychological contract: not the exception but the norm", *Journal of Organizational Behavior*, Vol. 15 No. 3, pp. 245-59.

Roehling, M.V. (1997), "The origins and early development of the psychological contract construct", *Journal of Management History*, Vol. 3 No. 2, pp. 204-17.

Rousseau, D.M. (1989), "Psychological and implied contracts in organizations", *Employee Responsibilities & Rights Journal*, Vol. 2, pp. 121-39.

Rousseau, D.M. (1995), *Psychological Contracts in Organizations Understanding the Written and Unwritten Agreements*, Sage, London.

Rousseau, D.M. (2001), "Schema, promise and mutuality: the building blocks of the psychological contract", *Journal of Occupational & Organizational Psychology*, Vol. 74 No. 4, pp. 511-41.

Scullion, H. and Brewster, C. (2001), "The management of expatriates: messages from Europe", *Journal of World Business*, Vol. 26 No. 4, pp. 346-65.

Scullion, H. and Collings, D.G. (2006), *Global Staffing*, Routledge, London.

Scullion, H. and Starkey, K. (2000), "In search of the changing role of the corporate human resource function", *International Journal of Human Resource Management*, Vol. 11 No. 6, pp. 1061-81.

Sparrow, P.R. and Cooper, C.L. (2003), *The Employment Relationship: Key Challenges for HR*, Butterworth Heinemann, Oxford.

Stroh, L.K., Gregersen, H.B. and Black, J.S. (2000), "Triumphs and tragedies: expectations and commitments upon repatriation", *International Journal of Human Resource Management*, Vol. 11, pp. 681-97.

Further reading

Adler, P. (2004), "Market, hierarchy and trust: the knowledge economy and the future of capitalism", in Starkey, K., Tempest, S. and McKinlay, A. (Eds), *How Organizations Learn, Managing the Search for Knowledge*, Thomson, London.

Collings, D.G. and Scullion, H. (2008), "Employee resourcing in the international firm", in Brewster, C., Sparrow, P. and Dickmann, M. (Eds), *International HRM: Contemporary Issues in Europe*, 2nd ed., Routledge, London.

Collings, D.G., Scullion, H. and Dowling, P.J. (2009), "Global staffing: a review and a thematic research agenda", *International Journal of Human Resource Management*, Vol. 20 No. 6, pp. 1253-72.

Collings, D.G., Scullion, H. and Morley, M.J. (2007), "Changing patterns of global staffing in the multinational enterprise: challenges to the conventional expatriate assignment and emerging alternatives", *Journal of World Business*, Vol. 42 No. 2, pp. 198-213.

Dean, J.W., Brandes, P. and Dharwadkar, R. (1998), "Organizational cynicism", *Academy of Management Review*, Vol. 23 No. 3, pp. 341-53.

Dick, P. (2006), "The psychological contract and the transition from full time to part time police work", *Journal of Organizational Behavior*, Vol. 27, pp. 37-58.

Doz, Y. and Prahalad, C.K. (1986), "Controlled variety: a challenge for human resource management in the MNC", *Human Resource Management*, Vol. 25, pp. 55-71.

Guest, D. (1998), "Is the 'psychological contract' worth taking seriously?", *Journal of Organizational Behavior*, Vol. 19, pp. 649-64.

Harris, H. (1999), "Women in international management: why are they not selected", in Brewster, C. and Harris, H. (Eds), *International HRM Contemporary Issues in Europe*, Routledge, London, pp. 258-76.

Harvey, M., Speier, C. and Novicevic, M.M. (1999), "The role of inpatriation in global staffing", *International Journal of Human Resource Management*, Vol. 10, pp. 459-76.

Herriot, P. and Pemberton, C. (1995), *New Deals: The Revolution in Managerial Careers*, Wiley, Chichester.

King, R.C. and Bu, N. (2005), "Perceptions of the mutual obligations between employees and employers: a comparative study of new generation IT professionals in China and the United States", *International Journal of Human Resource Management*, Vol. 16 No. 1, pp. 46-64.

Lawler, E. (1992), *The Ultimate Advantage: Creating the High-Involvement Organization*, Jossey-Bass, San Francisco, CA.

Liden, R.C., Wayne, S.J., Kramer, M.L. and Sparrowe, R.T. (2003), "The dual commitments of contingent workers: an examination of contingent commitment to the agency and the organization", *Journal of Organizational Behavior*, Vol. 24, pp. 609-25.

Morris, J. (2004), "The future of work: organizational and international perspectives", *International Journal of Human Resource Management*, Vol. 15 No. 2, pp. 263-75.

Morrison, E. and Robinson, S.L. (1997), "When employees feel betrayed: a model of how psychological contract violation develops", *Academy of Management Review*, Vol. 22 No. 1, pp. 226-56.

Peltonen, T. (1999), "Repatriation and career systems: Finnish public and private sector repatriates in their career lives", in Brewster, C. and Harris, H. (Eds), *International HRM Contemporary Issues in Europe*, Routledge, London, pp. 241-57.

Robinson, S.L. and Morrison, E. (1995), "Psychological contracts and OCB: the effect of unfulfilled obligations on civic virtue behavior", *Journal of Organizational Behavior*, Vol. 16 No. 3, pp. 289-98.

Scullion, H. (1994), "Staffing policies and strategic control in British multinationals", *International Studies of Management & Organization*, Vol. 4 No. 3, pp. 18-35.

Scullion, H., Caliguri, P. and Collings, D.G. (2010), "Global talent management", *Journal of World Business*, Vol. 45 No. 2 (in press).

Scullion, H., Collings, D.G. and Gunnigle, P. (2007), "International HRM: emerging themes and contemporary debates", *Human Resource Management Journal*, Vol. 17 No. 4, pp. 309-19.

Stroh, L.K., Gregerson, H.B. and Black, J.S. (1998), "Closing the gap: expectations versus reality among repatriates", *Journal of World Business*, Vol. 33 No. 2, pp. 111-24.

Tekleab, A.G. and Taylor, S. (2003), "Aren't there two parties in an employment relationship? Antecedents and consequences of organization-employee agreement on contract obligations and violations", *Journal of Organizational Behavior*, Vol. 24, pp. 586-608.

Thompson, J.A. and Bunderson, J.S. (2003), "Violations of principle: ideological currency in the psychological contract", *Academy of Management Review*, Vol. 28 No. 4, pp. 571-86.

Tsui, A., Pearce, J., Porter, L. and Hite, J. (1995), "Choice of employee-organization relationship: influence of external and internal organizational factors", in Ferris, G.R. (Ed.), *Research in Personnel and Human Resource Management*, Vol. 13, JAI Press, Greenwich, CT, pp. 77-114.

Urbach, D., Halbrook, R., Medear, D., Stuchlik, M. and Thorpe, S. (1991), "Employee and customer attachment: synergies for competitive advantage", *Human Resources Planning*, Vol. 14 No. 3, pp. 89-103.

Winter, R. and Jackson, B. (2006), "State of the psychological contract, manager and employee perspectives within an Australian credit union", *Employee Relations*, Vol. 28 No. 5, pp. 421-34.

Yan, A., Zhu, G. and Hall, D.T. (2002), "International assignments for career building: a model of agency relationships and psychological contracts", *Academy of Management Review*, Vol. 27 No. 3, pp. 373-91.

About the authors

Judy Pate is currently a Senior Lecturer, School of Business and Management, University of Glasgow. Her research surrounds the subject of the employment relationship and published in the areas of psychological contract, organisational identity and intra-organisational networks. Judy Pate is the corresponding author and can be contacted at: J.Pate@mgt.gla.ac.uk

Hugh Scullion is a Professor of International Management at National University of Ireland, Galway. He is a specialist in international human resource management and has published in leading journals such as *Academy of Management Journal*, *Journal of World Business* and *Human Resource Management Review*. He is currently the Guest Editor for the *Journal of World Business* special issue on Global Talent Management. He works with groups of HR directors in the UK and Ireland.

**Expatriate
psychological
contract**

73

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints

