THE ROLE OF CULTURE IN INFLUENCING EMPLOYEE PSYCHOLOGICAL CONTRACT: A BANGLADESHI STORY

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Abstract

This study identifies and investigates culturally significant elements of human resource management (HRM) practices among Multi National Corporation (MNC) employees in Bangladesh. The study focuses on how the cultural context influences the shaping of the employment relationship as identified in the psychological contract. The study uses Hofstede's work in regard to Pakistan and India as a framework to extrapolate the most likely cultural dimensions to be found in Bangladesh. Analysis of interviews of management employees from three major MNCs operating in Bangladesh identified five critical elements of HR practices that can affect employee expectations (psychological contract) significantly. These emerged themes are: work environment, high wages and benefits, family considerations, career growth and work flexibility, and were found to be directly or indirectly affected by the cultural orientation of the employees.

Keywords: Psychological contract, employment relationship, cultural context, human resource management, Bangladesh.

INTRODUCTION AND BACKGROUND

In today's world, no matter how easy to enter into a new market due to the free trade agreements and other trade treaties between countries, there are still numerous complexities. International managers of Multinational Corporations (MNCs) today face an external environment that is fast changing, complex, uncertain and more vigorously competitive than before (Thomas, 2002). Internationalization of a company's operations results in competitive advantage only when companies integrate local differences in human resource management, realize global economies of scale, and effectively transfer knowledge and technology across borders. Without significant understanding of the organizational and socio-economic and cultural factors, MNCs will not succeed in taking full advantage of available resources and opportunities (Gupta & Govindarajan, 2001). Therefore, the

major challenge for MNCs operating in different markets is to adapt to different socio-economic and cultural contexts (Tayeb, 1998).

One key aspect to consider in the management of human resources is the employment relationship itself. Cultural context can play a significant role shaping the employment relationship because many aspects in the employment relationship are unwritten or not formally established between the employee and employer (Rousseau, 1989). The unwritten or informal aspects of the employment relationship are based on the employees' perceptions and interpretations of the communication about promises made by the employer (Rousseau, 1989, 1995). This portion of the employee-employer relationship is in the minds of the employees and is defined as the psychological contract (Rousseau, 1989). An employee's psychological contract develops from either explicit or implicit promises made by an employer during the employment relationship, as well as how those implicit promises are interpreted in a given context (Rousseau & Schalk, 2000).

Psychological contract has emerged as an important element of the employment relationship and plays a significant role in shaping employees' behavioral and cognitive outcomes and performance in the workplace. In recent years organizational researchers have focused mainly on the issues associated with the unfulfilled psychological contract (Chelliah & Davis, 2007; Rousseau, 1998). While the direct outcomes of psychological contract breach have been studied extensively, only few studies have been conducted on the impact of psychological contract fulfillment on employees' cognitive, behavioral and attitudinal outcomes. The few studies that have been conducted exploring the consequences of psychological contract fulfillment on employee outcomes in the Western context have found that fulfilled psychological contracts have positive influences on employees' behavioral and cognitive outcomes (Coyle-Shapiro & Conway, 2005; Kickul & Lester 2001, Turnley et al., 2003; Lo & Aryee, 2003). There is however little research to study the consequences of psychological contract fulfillment on employee outcomes in the non-Western context. Additionally, less attention has been paid to the sense-making process through which employees' psychological contract breach or fulfillment affects their behavioral, attitudinal, as well as cognitive outcomes (Lester, Turnley, Bloodgood, & Bolino, 2002; Restubog, Bordia, & Tang, 2006). Reviews of the psychological contract

literature reveal that organizational researchers have studied various factors that may influence and shape employees' perceptions of psychological contract breach or fulfillment. For instance, the role of national culture (Kickul, Lester & Belgio, 2004) has been studied in the Western context as a factor influencing the employees' perception about fulfillment or breach of psychological contracts. However, there is a lack of research about the impact of national culture on the employees' perceptions of psychological contract fulfillment or breach in non-Western cultures and more research is needed in this area (Rousseau & Schalk, 2000). Therefore, the purpose of this study is to identify the culturally congruent elements of HR practices that affect employee psychological contract and resultant cognitive and behavioral outcomes of the employees.

CULTURAL CONTEXT AND PSYCHOLOGICAL CONTRACT

Cultural norms and values can play a significant role in the psychological contract formation process and its related logical obligations within a given culture (Kickul, Lester & Belgio, 2004). National cultural context can shape how individual employees receive and process information within their cultural environment (Kickul et al., 2004). Consequently, culture can influence perceptions about employee expectations and related obligations that usually define an employee's psychological contract with his or her employer (Kickul et al., 2004). According to Rousseau & Schalk (2000),

"Psychological contracts are subjective phenomenon not only individually but culturally. They are based on promises that can take many forms. Although we frequently think of promises as verbal (e.g., "I agree to work for 8 hours a day"), they can also be inferred (e.g., by observing how co-workers are rewarded). Workers and employers tend to believe that past practices, such as basing pay on performance or seniority, and employees' willingness to accept these practices indicate the actions they can expect from each other in the future. Reliance on words as opposed to observations of behaviour in inferring promises can vary from country to country" *(p.6).*

Usually societies comprise of political, religious, familial and economic institutions that are closely intertwined with the phenomenon of "Culture," each of which can powerfully shape

employment practices and how individuals experience them (Carnoy, 1993; Castells, 1996). Rousseau and Schalk (2000) have identified three major cultural factors that can affect the nature of psychological contracts. The first one is "Zone of Negotiability" that represents the degree to which employees in a particular culture have the freedom to enter into various exchange agreements (Kickul et al., 2004). The zone of negotiability can be influenced by social customs, laws, and/or the status and family responsibilities of an employee (Rousseau & Schalk, 2000). For instance, culture may determine acceptable work and family roles based on gender (Kickul et al., 2004).

The other two factors identified by Rousseau and Schalk (2000) are: the extent to which a culture influences whether members perceive promises as binding and the way in which culture can influence the identification of and interaction with in-groups and out-groups. In rigid cultures, promises are believed to be guaranteed fulfilled (perceived binding contract). On the other hand, in relaxed cultures, promises mean that the promise making party will try to do something, meaning the result is not guaranteed (Rousseau & Schalk, 2000). This perception of the binding and non-binding nature of promises made can certainly affect the employees' perception about how the promises are fulfilled. In rigid cultures, employee expectations are usually high about complete fulfillment of the promises made by the employer, while expectations of fulfillment of promises are quite low in more relaxed cultures (Rousseau & Schalk, 2000).

The current study reported here has been conducted in a non-Western context of Bangladesh, an emerging South Asian economy.

BANGLADESHI CULTURE IN THE LIGHT OF HOFSTEDE'S STUDY

Hofstede's (1980) study did not include Bangladesh however two significant neighbors, India and Pakistan, were included. Despite some differences, Bangladeshi culture is quite similar to Indian and Pakistani culture due to historical and religious bindings amongst the people of these three countries. Bangladesh had been both part of the undivided Indian subcontinent and for a time, part of Pakistan from 1947 to 1971. Pakistan, a predominantly Muslim (about 90%) country has many common practices with Bangladeshi Muslims in terms of their societal practices (CIA Factbook, 2008). While India has a good representation of both Islam and Hinduism, it too possesses cultural similarity with

Bangladesh. Therefore, it is useful for this study to use Hofstede's in regard to Pakistan and India as a framework and extrapolate from this the most likely cultural dimensions to be found in Bangladesh. Table 1 (see Appendix – A) provides a summary of the predicted Cultural Dimensions found in Bangladesh in relation to Hofstede's (1980, 1993) studies.

Insert Table 1 here

METHODOLOGY

For this study, semi-structured interviews were conducted among management level employees of three participating MNCs operating in Bangladesh. Each interview was 30-45 minutes in duration and was recorded by a digital voice recorder. A tentative interview protocol was used to conduct the interviews (see Appendix-B).

Demographic and Sample Profile

Twenty-seven employees from three major MNCs operating in Bangladesh participated in this study. All interview participants are full-time management level employees of the MNCs. Of the 27 interviewees, 22 (81.48%) were male and 5 (18.52%) were female. The participants' average age was 35.8 years and their average tenure with the current company was 4.89 years. The majority of the participants (88%) stated that their current employer was their first and only employer. Only 12% of the participants had worked for a company other than their current company. All the participants were highly educated with 19 (70.37%) having masters degrees and 8 (29.63%) having bachelor degrees. Those who hadn't finished their masters yet were aspiring to do so in the near future. The interviewees came from different departments of the MNCs namely: marketing department, finance department, human resource department, information technology department, and customer service department. In terms of hierarchical levels, 10 (37.04%) of the respondents were senior managers, 12 (44.44%) were mid-level managers and remaining 5 (18.52%) were entry-level managers (refer to Appendix-C for details of demographic profiles of the participants).

Data Analysis

When asked about their considerations behind taking their current jobs and their expectations from the employers, participants' responses revealed several key themes related to the socio-cultural context. These key themes which represent the culturally congruent elements of HR practices are: work environment (n=23), family considerations (n=15), work flexibility (n=10), high wages and benefits (n=6) and career growth (n=7). In the following sub-sections, these evolved themes are discussed in detail with at least one specific personal narrative provided for each theme.

Work Environment

Work environment refers to the milieus around employees. It is the social and professional environment where organizational employees interact with each other. Reicher and Schneider (1990) defined the organizational environment as "the shared perception of the way things are around here" (p. 22). In Bangladesh, where people are collectivist in nature, employees prefer a peaceful and harmonious work environment. A helpful and sympathetic work environment is the one which most of the Bangladeshi employees expect, rather than the more individualistic and competitive Western style environment. The desire for a congenial work environment can be understood from the following statements,

"I miss the caring environment I got in my previous company."

"I put more emphasis on job environment than money. I would rather take less salary and stay in a company where I feel comfortable and I get the support from others when needed. I have rejected some attractive job offers just because job environment in this company is good. "

Out of twenty-seven interviewees, twenty-three (n=23) mentioned work environment as an important consideration for taking a new job or staying in the same company. Six (n=6) interviewees mentioned that they had left their previous job because that work environment was not up to their expectations. On the other hand, eleven (n=11) respondents mentioned that they hadn't switched their current jobs only because they loved the work environment in their present companies. Feeling comfortable in the work environment also appears very important for the Bangladeshi workers. In their own words:

"I feel very comfortable in this company."

"I am quite satisfied here because we are like a family in this company. If anyone of us faces any problem we tackle that as group."

Family Considerations

Family orientation is an important trait of a collectivist culture (Wagner & Hollenbeck, 2005; Hofstede, 1984). Being a collectivist society, family considerations play a very crucial role in the life of every employee in Bangladesh where it is a social norm that people will make sacrifices for the sake of their families. Very often Bangladeshi employees have to forgo some of their career related aspirations to take care of their ageing parents, young children, or other significant family members. Importance of family considerations were very well reflected in the interviews conducted for this study. Fifteen (n=15) participants specifically mentioned that family consideration is a very significant issue for them in deciding about their jobs and career goals. They also expect their employers to provide them with ample opportunities to take care of their families. The following statements will provide some insights about the significance of family matters to the Bangladeshi employees.

"I have taken this job for family reasons. I had better offers than this, but due to my family considerations it wasn't possible for me to take any of those opportunities."

"I left my previous job to streamline my career with other members of my family."

"Taking care of the family is a big thing for me. I will not sacrifice my family time for the company. In the future, I will only look for jobs that will allow me to take care of my family on a priority basis."

"I can't take a job outside of Dhaka because health and schooling facilities for my kids are not good in other cities."

"My father is old. It is not possible for me to take a job that has very strict office hours. This job allows me to spend time for my family whenever it is needed."

High Wages and Benefits

Being a country of poor economic condition, Bangladeshi culture is characterized by high uncertainty avoidance (Abdullah et al., 2010). Hence, Bangladeshi employees place high value on wages and other related benefits. In the absence of monetary or any other form of social benefits from the government, employees cannot afford to maintain their dependants without a steady income and other benefits from their jobs. Therefore a secure and good paying job is a prime goal for most of the employees in Bangladesh. Employees are likely to perceive a fulfillment of psychological contract if the organization does provide them with salaries and benefits they expect from their employers. According to an employee who was very happy with the salary he was getting from his employer:

"During the interview the senior management asked me about my expected salary. I didn't give them any figure, but told them that I would be happy to get the prevalent market rate for the post I would be holding. Finally, when I got the job offer letter I was very surprised to see the amount they had offered me. It was way more than what I was expecting. I must admit that the salary and benefits I get are unparallel to other companies in Bangladesh. "

Among the interviewees, eight (n=8) participants mentioned that wages and benefits are extremely important for them. Six (n=6) participants categorically stated that one of the reasons they were satisfied with their current employer was the high wages they were getting from their respective organizations. In their own words:

"The reason I don't think of moving from this company is the wages and benefits I am getting from my company. No other company in Bangladesh pays that much salary."

"I selected this job because of high salary. Our salary and benefits are in top 10% of the sector."

Career Growth

Employee promotion or career growth can be defined as an upward movement within an organization's formal hierarchy (Medsker & Berger, 1990). Promotion can also refer to "organizational inducement" awarded to the employees in return for their contributions to the organization. Employees' career advancement through promotions provides unique opportunities to the employees and the employer to strengthen their relationship. Being a masculine society, Bangladeshi people have a strong craving for power and position. Hence, promotions are highly valued by employees, their co-workers, as well as by the society in general, as a symbol of high achievement. Seven (n=7) out of twenty-seven interviewees mentioned that quick promotions and career advancement are highly important for them and they expect their employers to provide them with the opportunity to advance their career fairly quickly. In their own words,

> "*Career growth, salary and recognition were my main considerations for joining this company.*"

> "*I am quite motivated to work here because long-term career prospect is good here.*"

> "*Current job can help me in the future. I have the opportunity to learn so many new things here. The new things I am learning here can actually help me to get a better position in another company if not in this company.*"

Work Flexibility and Work-life Balance

Work-life balance refers to having enough time for work and enough time to have a comfortable life (Stebbins, 2009). The term work-life balance was first used in the late 1970s to describe the balance between an individual's work and personal life (Stebbins, 2009). In Bangladesh, where the culture is characterized by collectivism, individuals have many social commitments to keep outside of their work-life. Although most of the social commitments are family related, the numbers of non-family related commitments are also significant. Most of the non-family related commitments are in-group related commitments whereby group members take care of each other. Substantial amounts of personal time are needed to honor those commitments. Hence, Bangladeshi employees expect a substantial amount of flexibility from their employers to deal with family and other social

commitments. More than half of the interviewees (n=15) mentioned that they expected some form of flexibility from their employers. In their own words,

> "*Even though I am getting significantly less salary from the company than the banks, I am quite happy with this job. I have substantial amount of free time here to take care of my family and other social commitments. Had I joined in a bank, I would have made plenty of money, but I had to work from 8:00 am in the morning till 10:00 pm at night six days a week. Free time is a luxury in the banking job.*"

> "*I enjoy working here because I have plenty of flexibility here in terms of work time. Unlike most people I don't have to maintain 8:00 am – 5:00 pm office hours. If work pressure is low I only work few hours. Only during busy season I work long hours for few days.*"

DISCUSSION AND CONCLUSION

This study has identified five critical elements of HR practices that can affect employee expectations (psychological contract) significantly in the non-Western context of Bangladesh. These emerged themes are: work environment, high wages and benefits, family considerations, career growth and work flexibility. These emerged themes are directly or indirectly affected by the cultural orientation of the employees.

Work environment has emerged as the most significant culturally congruent element of HR practices as 85% (n=23) of the interview participants have identified it as one of the critical things they expect their employers to provide. Bangladeshi employees' preference for a harmonious, helpful, and caring work environment is consistent with the traits of a collectivist society as outlined by Wagner and Hollenbeck (2005). Some interviewees stated categorically that they were satisfied with their current organization despite getting relatively low salaries and benefits compared to their peers working in other organizations because of the work atmosphere they enjoyed in their current organizations. This finding is consistent with Rose and Griffin's (2002) study which found strong links between work environment and employee reactions such as: job satisfaction, commitment, retention, well-being of the employees. These findings also reveal the sharp contrast between

collectivist and individualistic cultures. In individualistic cultures, people prefer a more competitive and productive environment rather than a congenial, caring and low performance work environment (Hofstede, 1984).

The second most important theme that has emerged from the qualitative study is 'family considerations'. Almost 55% (n=15) of the interviewees mentioned that they expect their employers to provide them with high level support (i.e., time, monetary and non-monetary support) to take care of their families. The notion that people are more concerned about their families in the collectivist cultures (Wagner & Hollenbeck, 2005) is clearly reflected in the qualitative data analysis. Many of the respondents linked their career goals with their family well-being. The statements presented and the two examples discussed above indicate that employees' selection of a new job, level of motivation, and commitment to the organization is directly affected by how far organizations fulfill the employees' expectations regarding taking care of their families.

In addition to 'family considerations', 'work flexibility' has also emerged as a significant theme in this study. More than 50% (n=15) of the interviewees put significant emphasis on this issue. The interviewees have mentioned that they expect considerable flexibility in executing their duties. Due to the collectivist nature of the Bangladeshi society, keeping various non-family related commitments is a social norm that every individual is expected to fulfill. Most of these commitments are in-group related commitments (Wagner & Hollenbeck, 2005). It has been also found that some employees in Bangladesh require work flexibility to undergo educational or other skills training to advance their career and to stay competent in their job. Self improvement is very crucial in the Bangladeshi context due to widespread unemployment and instant availability of skilled people. Most of the employers look for readymade employees rather than hiring an employee who requires training.

'High wages and benefits' has emerged as the fifth most important theme in the qualitative study as a quarter of the interviewees (n=6) have placed very high importance on high wages and benefits from their employers. Maintaining financial stability is a major concern for most of the employees of developing countries. In the developed countries employees receive monetary and other forms of social benefits from their governments to support themselves during the crisis period (e.g.,

job loss, medical problem, etc.). In the absence of such benefits, it is natural that employees in the developing countries like Bangladesh expect to get a job that pays well. Employees want to make sure that they get enough remuneration (financial and non-financial benefits) from their employers (Kessler, 2005) to survive through the uncertain situations that may arise at any point of their life. It is also evident from the data analysis that employees' job satisfaction, motivation, and commitment level is positively related to how satisfied they are with the wages and other benefits they receive from their employers.

As expected, employees 'career growth' has emerged as a significant theme. Almost 25% (n=7) of the interview participants have mentioned that quick promotions and career advancement are highly important for them. The employees expect their employers to provide them with the opportunity to advance their career at a reasonable pace. Employees' expectation of quick career advancement is linked to masculinity and collectivistic nature of their society. First, being a member of a masculine and collectivist society, Bangladeshi employees want to hold a higher position which is linked to higher 'social status'. Second, with position and power, promotions are usually accompanied by financial and non-financial benefits (e.g. salary increase, fringe benefits, etc.) which are also well sought after by the Bangladeshi employees due to the economic uncertainties they face. From the statements and the case it is quite clear that Bangladeshi employees' level of motivation is highly affected by the fulfillment of their career growth expectation.

In conclusion, this study is a preliminary step in identifying and investigating culturally significant elements of HR practices among MNC employees in Bangladesh. Important implications for practical and future research can be guided by the findings. There is intense competition between private companies (local and foreign) in Bangladesh which continues to increase. Effective human resource management will play an important role in helping MNCs remain competitive. Therefore, as part of effective human resource management, it is critical to manage employees' expectations properly and take into account the specific cultural context, as this has been shown to influence employees' cognitive and behavioral outcomes significantly.

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Appendix -A

Table 1: Predicted Cultural Dimensions of Bangladesh Based on Hofstede's (1980, 1993) Studies
(Adapted from Abdullah, Boyle & Joham, 2010)

Cultural Dimension	Description of the dimension	Hofstede's findings on India and Pakistan	Most likely cultural dimensions for Bangladesh
Power distance (Hofstede, 1980)	Refers to the extent that individuals accept differences between people as legitimate and expected. Cultures high on power distance see difference between superiors and their subordinates as distinct with wide status differentials. Low power distance cultures see fewer difference between subordinates and superiors, superiors are more accessible, and differences between the sexes with respect to social status is less pronounced (Hofstede, 1980)	India – Large power distance Pakistan – Large power distance	Large power distance: due to colonial legacy of hierarchical power structure, differences in family status, inequality in socio-economic conditions of the people
Uncertainty avoidance (Hofstede, 1980)	Refers to the degree that people are comfortable with ambiguity. Individuals who are high uncertainty avoider place great emphasis on stability and certainty, and favor a variety of Mechanisms that increases a sense of security. Individuals low in this dimension are more comfortable with risk taking and are more willing to move forward without knowing what lies ahead (Hofstede, 1980)	India – Weak uncertainty avoidance Pakistan – Strong uncertainty avoidance	Strong uncertainty avoidance: due to widespread poverty in the country, high unemployment rates, difficulty in finding a new job, uncertainty in economic progress, latent fatalism because of religious influence
Individualism – Collectivism (Hofstede, 1980)	Refers to the extent that individuals focus on individual needs and wants as opposed to the needs of the group. Cultures that lean towards the individualism side of the cultural continuum stress responsibility and achievement by individuals. In collectivist cultures emphasize group efforts, teamwork, and group membership (Wagner & Hollenbeck, 2005, Hofstede, 1984)	India – Collectivist Pakistan - Collectivist	Collectivist: due to family orientation, social structure, sense of responsibility, affiliation with groups or other people

Masculinity – Femininity (Hofstede, 1980)	Refers to the degree that individuals exhibit masculine behaviors like: dominance, independence or feminine values and behaviors like: openness, interdependence. In high masculine cultures differentiated sex roles, independent performance, achievement, and ambition are clearly visible. In feminine cultures equal sex roles, quality of life, and helping others are more emphasized (Wagner & Hollenbeck, 2005, Hofstede, 1984)	India – Masculine Pakistan - Masculine	Masculine: due to wide gender differences, assertiveness of the people for money and other things because of poverty
Short – long term orientation (Hofstede, 1984)	Short-term orientation focuses on the present or the past, honors traditions, and consumes resources to meet the current needs. On the other hand, long-term oriented cultures, resources are saved to meet long-term or future vision of the society (Hofstede, 1984)	Study not conducted in India and Pakistan	Short-term oriented: due to poverty people want to maximize short-term gain and they are not willing to wait for a long time to get results

Appendix - B

Interview Guide

Tentative Questions for one-on-one semi-structured interviews.

Gender:

Age group:

Level of education:

Experience with the current company:

Previous job experience (if any):

Level of management:

- How long have you been working for this organization?
- Have you worked for any other organization before start working for this organization? How long you had worked there?
- What are the considerations (e.g. Family, religious, social) for taking this job? Please provide some details.
- What are your expectations from this job? What made you to have these expectations?
- Have you got any indication(s) from your employer that the company may fulfill your expectations? Please provide some details.
- Has your employer fulfilled your expectations? Can you recall some situations where your expectations were fulfilled or breached?
- How did you feel when employer fulfilled its promises or obligations? Please explain in detail.
- Does fulfillment of its promises by your employer affect your performance? Please explain.
- Do you think your previous employer has fulfilled your expectations better/worse than your current employer? Please explain.
- Is there any additional comment you would like to add regarding fulfillment of promises/expectations or this study?

Appendix-C

Table 5.1 Frequency Distribution of Participants by Gender

Gender	Frequency	Percentage	Cumulative percentage
Male	22	81.48	81.48
Female	5	18.52	100
Total	27	100	100

Table 5.2 Frequency Distribution of Participants by Age

Age Category	Frequency	Percentage	Cumulative percentage
21-25 years	1	3.71	3.71
26-30 years	4	14.81	18.52
31-35 years	4	14.81	33.33
36-40 years	11	40.74	74.07
41-45 years	5	18.52	92.59
>45 years	2	7.41	100
Total	27	100	100

Table 5.3 Frequency Distribution of Participants by Current Experience

Current Experience	Frequency	Percentage	Cumulative percentage
1-5 years	10	37.04	37.04
6-10 years	12	44.44	81.48
11-15 years	2	7.41	88.89
16-20 years	2	7.41	96.3
21-25 years	1	3.70	100
Total	27	100	100

Table 5.4 Frequency Distribution of Participants by Level of Education

Education Level	Frequency	Percentage	Cumulative percentage
Bachelor Degree	8	29.63	29.63
Master Degree	19	70.37	100
Total	27	100	100

Table 5.5 Frequency Distribution of Participants by Level of Management

Management Level	Frequency	Percentage	Cumulative percentage
Entry Level	5	18.52	18.52
Mid Level	12	44.44	62.96
Senior Level	10	37.04	100
Total	27	100	100