

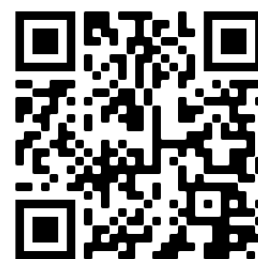
Psychological Contract of Local Employees in Multinational Companies

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Abstract

As the globalization pressures the companies to expand multi-nationally, the human resource management (HRM) issues are becoming more challenging with cultural factors involved. A growing literature emphasizes that HRM play important part in the success of MNCs. Then what are the HR practices that attracts local staff? What is the belief of local staff that MNCs will provide to them? This research uses the concept of psychological contract to search the answers of above questions by investigating the dynamics of local staffs working for MNCs in Korea. The qualitative methods by conducting in-depth interviews from 9 local staffs and organizing focus group meetings at the Korean subsidiaries of oversea are executed to analyze the psychological aspects of the workers. The performance base rewards and its home country cultures were one of several factors that influenced psychological contract. The change of contract and causes of psychological contract violation is also examined. Recommendations generated from the findings are drawn for MNC HR managers.

Keywords: psychological contract; cross-cultural management; multinational companies; international business research; performance base rewards.



IJSB

Accepted 22 February 2020
Published 05 March 2020
DOI: 10.5281/zenodo.3698100

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Introduction

During the last two decades, the process of globalization has encouraged corporations to expand their business border. Hence, the role of MNCs (Multinational Companies) is enormous in the contemporary global economy. For example, in terms of employment, UNCTAD (2015) estimates that employment by foreign affiliates grow to 75 million people in 2014, compare to 20.6 million in 1990. As more and more corporate activities are taking place multinational, human resource management (HRM) issues are becoming more challenging with complicated cultural factors involved. MNCs are facing difficulties in managing their employees as the diverse operating environment provides various cultural specificities.(Morley and Collings, 2004) As recruiting and managing globally competent workforces become more important(Haslberger *et al.*, 2014), the importance of HRM in MNCs is getting more focus. For example, from the study of Indian and Pakistan subsidiaries of British MNC by Reade (2003) illustrate that motivating factor of host-country nationals to exert extra effort was different from that of employees working for their national companies. Reade (*ibid*) mentioned, "(The crucial role of HRM) is likely to become even more critical for the MNC if international competitive pressures continue to mount as foreseen by management practitioners and scholars." Moreover, the MNCs have to focus their HRM concern on their host or third-country employees greater than before because, as the multinational matures, the reliance on expatriate employees reduces (Dowling and Welch, 2004).

The rapid flow of FDI and the increased number of newly opened oversea MNCs brought a significant labor-market change in countries that has different management system based on different culture. The HRM systems of MNCs mostly influences the reward system, the employee development programs, and the length of employment. The management regards the exposure to MNCs' HRM practices as one of the major factors that triggered the change in the labor environment. Employees who applied to work for the MNCs' subsidiaries are considered to establish a different set of reciprocal obligations and promises, in other words, contracts in their employment relationship compare to that of employees in their traditional local companies. Along with explicit employment contracts, psychological contracts, an implicit set of agreements between employers and employees, is also understood to determine the level of commitment and motivation of employees. (Robbins, 2003) This explanation is also supported by Schein (1980), who asserted that psychological contract, despite being an implicit factor, plays an influential role in organizational behaviors. Besides, the previous researches (Robinson and Rousseau, 1994; Turnley and Feldman; 1999) have shown that violations of psychological contracts can cause organizational failure as turnover and decrease of trust and satisfaction. Given that HRM is vital for the success of MNC, the research aims to examine the unique aspect of the employment relationship in subsidiaries of oversea MNCs by applying the theory of psychological contract. Contracts are usually completed in reciprocal respect. Therefore, psychological contracts within the organizations are also constructed from both sides of the employment, the employers, and the employees. However, this study focuses mainly on the employees' side of the context to examine the factors that determine the commitment or destructive response towards the organization. The hypothesis is built based on the literature review, and qualitative data collected by in-depth interviews are used to examine the hypothesis. The research was conducted with South Korean workers, which features Korean employees' psychological contracts in overseas MNCs. As a result, the research is expected to assist MNCs in Korea to gain a better understanding of their employees and to design HRM practices that will lead to a positive outcome. Moreover, it will also be useful to examine the HRM management in other Asian countries that share similar cultural contexts.

In the following section, the literature review on psychological contract, the effects of the violation of each psychological contract, the cause for contract violation, and HRM practices in Korea are conducted. The hypotheses are developed based on previous literature. In the third section, the methods to test the applicability of the hypotheses are proposed. In the fourth section, the empirical results are presented. In the last chapter, the research concluded with a discussion on the results, its limitations, and implication for future studies.

Literature Review

This literature review is conducted with two primary purposes. First, by reviewing the previous studies on psychological contracts, its significance on the employment relationship will be discussed. Second, as this study is conducted with South Korean workers, it will be necessary to examine the unique aspects of employment relationships in Korean company to apply the theory into the Korean context.

The Concept of Psychological Contract

Contracts constitute a significant part of our organizational life. Not only the written document on employment regulations but also the implicit agreement between employer and employee on reciprocal promises or obligations serve as a dominant regulator in forming the employment relationship (Rousseau, 1995). Rousseau (ibid) termed this implicit agreement as 'psychological contract' and addressed that psychological contracts are established based upon messages understood as promises or exchange agreement. However, the promise itself is not sufficient to create a psychological contract. The belief that those promises will be kept execute as a sufficient condition, which will lead to an acceptance of reciprocal obligations and a contract (Robinson and Rousseau, 1994). In this respect, the psychological contract becomes distinct from expectations. Robinson and Rousseau (ibid) argue that while expectations are simply what employee expects from his/her employer, psychological contracts are, on the other hand, refer to the 'perceived mutual obligations' which determines the relationship between two parties. They emphasize that psychological contract "entails a belief in what the employer is obliged to provide, based on perceived promises of reciprocal exchange. (p.246)" Therefore, the failure to fulfill the psychological contract can result in more critical damage in employment relationship than unmet expectation. The breach of contract may produce anger, whilst the unmet expectations may generate mere dissatisfaction. As the belief that forms psychological contract is based on each person's perceived promises, the individual predisposition and social clue affect how people interpret the external messages and set a behavior standard. (Rousseau, 1995) Rousseau (ibid) illustrated how the psychological contract is created within a series of organizational and individual processes. (see Figure 1) For example, suppose that a young, ambitious woman had a pre-knowledge that the job she applied is in a prosperous industry, and the recruiter emphasized the fast promotion for hard workers. After she took the job, she heard an enormous amount of stories of high executives who had started from the entry-level. Her knowledge about the industry and emphasis on fast promotion are external messages she receives. Her ambitious personality is a predisposition, and her encounter of executives who promoted within is social cues. She may encode the messages as 'hard work will bring fast promotion' and try to accomplish the target. If she successfully reaches the goal equivalent to what her successful seniors did before, she may create a belief that she will get a promotion. This process means that the psychological contract can develop in a different shape for different individuals who received similar external messages.

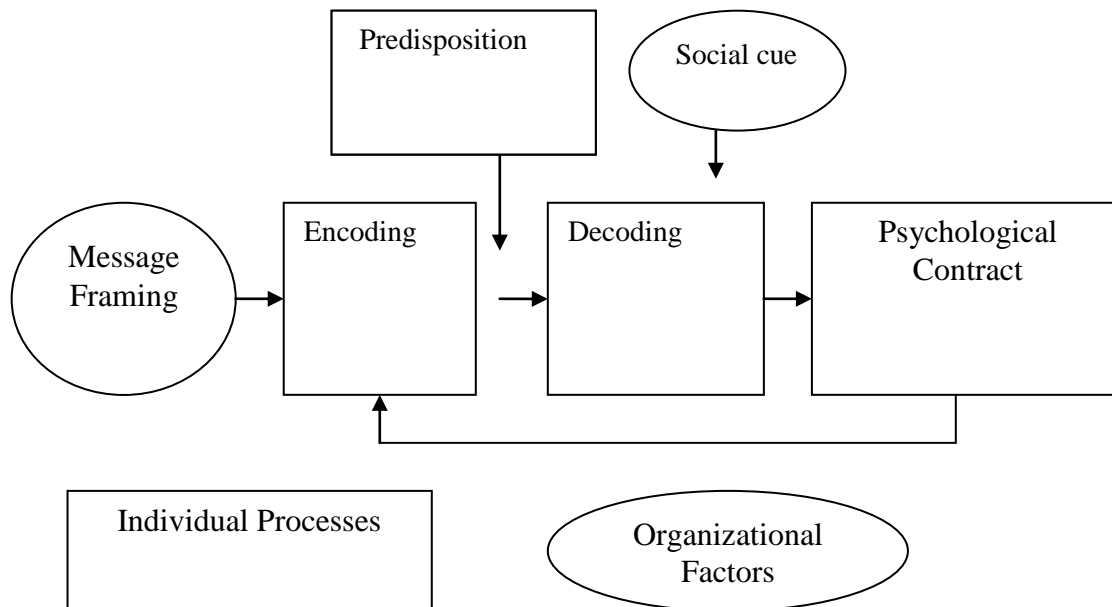


Figure-1. Creating an Individual's Psychological Contract (Rousseau. 1995:33)

The Features of Psychological Contract

According to previous studies on the psychological contract, it has mainly six features (Rousseau, 2004). The six features are as following: voluntary choice, belief in mutual Agreement, incompleteness, multiple contract makers, managing losses when a contract fails, and the contract as a model of the employment relationship. Voluntary choice has a relation to the level of participation of the employee whilst exchanging the promises. Belief in Mutual Agreement reflects the understanding of the commitments made with another. When the levels of these features are high, the more favorable result is expected. Incompleteness reveals that psychological contract elaborates over time. Multiple contract makers refer to the fact that many sources of information shape the psychological contract. People try to make a special effort to manage losses when a former promise is difficult to keep. Last, the psychological contract provides a mental model when developing an employment relationship. To understand the dynamics of the psychological contract in Korea, it is applicable to examine the different types of psychological contract. Macneil (1985) categorized the types of psychological contract as a transactional contract and relational contract. Transactional contract is about the monetizable exchange in a relatively short period. The scope of the transaction is narrow and specific, the third-party easily understand it. However, the relational contract is conducted for a long period of time, and it includes emotional involvement and interpersonal relations in its exchange. It is more difficult to understand the contents of the contract not only for the third party but also for the contract makers themselves. There is a high possibility of inconsistency between the two parties in understanding the contract. Rousseau (1995) developed these types to four different types of a psychological contract according to its time frame and performance terms. The time frame refers to the relationship's promised duration. Performance requirements refer to the degree of specification between the performance demand and its reward. With these two contract features, four types of contracts emerge: transactional, relational, transitional, and balanced. Each of these types has its apparent nature in its workers' behavior. (see Table 1)

[Table. 1] Types of psychological contracts

		Performance terms	
		Specified	Not specified
Duration	Short term	Transactional (e.g., retail clerks hired during Christmas shopping season) -Low ambiguity -Easy exit/high turnover -Low member commitment -Freedom to enter new contracts -Little learning -Weak integration/identification	Transitional (e.g., employee experiences during organizational retrenchment or following merger or acquisition) -Ambiguity/ uncertainty -High turnover/ termination -Instability

(Rousseau, 1995:98)

Among these types, balanced psychological contract is getting more focus recently as the business environment is experiencing drastic changes. (Rousseau, 2004) The balanced psychological contract features relational agreements in performance demands and on-going development in its time frame, which allows a higher tendency of renegotiation for a long term period according to the change in economic environment and employees' demand. There is research that is a balanced psychological contract, and the employees show the highest level of satisfaction and productivity. (Dabos et al, 2004, cited in Rousseau, 2004)

The Impact of Psychological Contract on Workplace

The importance of psychological contracts lies in that it has a huge impact on employees' performance. As the psychological contract is the set of beliefs in mutual agreement, the employer and employee need to hold the same type of psychological contract to enhance the employment relationship. When each party holds a different type of contract and behaves toward each other accordingly, there is a high possibility that both of them being frustrated experiencing the contract violation. Many pieces of research focus on the impact when a psychological contract is violated. Makin (1996) explained that "The importance of psychological contract cannot be overestimated. Breaches of the contract may have considerable effects on both the individual and the organization." The famous empirical study on violation of psychological contract conducted by Robinson and Rousseau (1994) shows that when a violation occurs, employees decrease their trust and, moreover, likely to leave the organization. They conducted quantitative and qualitative research on MBA graduates and found out that continuous violation of contract negatively affects employee trust, satisfaction, and intention to remain. They also obtained data that reveals the most frequently mentioned violation is related to the promotion. The another interesting founding in their study is that "employees whose trust was most affected by the violation were those planning to build a career with their employer; employees whose trust the firm should value most. (257)" Turnly and Feldman (1999) also demonstrate that when employees believe that employer is committed to providing a broad range of obligations, employees also develop more citizenship that benefits the firm. However, in the opposite situation, the employees are more likely to engage in short term exchange form as a transactional contract, which leads to a lower contribution. Tushman et al (1997) argued that the violation of the psychological contract has a more significant adverse effect on a knowledge-intensive organization. In other words, the psychological contract has a powerful impact on employees' creativity, which is the critical success factor in knowledge-based corporations. Furthermore, Flood et al (2001) found out in their study on over four hundred employees working in high technology and financial service firm that "knowledge workers remain with employers who provide interesting and challenging

assignments which allow workers to build a portable portfolio of skills. (p1164)”

The literature also highlights the changes in the circumstances of the employment relationship, and the workplace can alter the psychological contract. As the business environment is changing in the ever fastest speed and demands of the company to evolve accordingly, the flexibility to adapt to a new contract is a crucible to avoid contract violation causing by the mismatch of each party's mutual beliefs. Rousseau (1995) addressed that there are three kinds of main contract changes as follows:

Changes that develop in the contract parties themselves modify their understanding of the contract, and a process referred to here as "contract drift." External developments affecting the work people do, the setting in which they work, or the broader environment can also intervene in the contract, leading to changes ranging from minor additions, modifications, and adjustments in contract terms or to radical reformulation of the entire contract. These external changes take two forms: evolutionary accommodation or revolutionary transformations. With the possible exception of one-shot transactions, all contracts are subject to change." (pp142)

The 'contract drifts,' in another term, the internal change occurs mostly as time goes by, and the contract parties themselves change their way of interpreting the external messages. To prevent contract drifts, the organization can hold regular meetings to enhance communication and check mutual recognition of contract making factors. The contract changes induced from external factors are categorized into two types according to the existence of a former contract. Accommodation is an adjustment within the existing contract, while transformation is the drastic change followed by the end of the old contract and emerge of a new contract. As the competitiveness of the global market increase, the possibility of external changes, the management skills to effectively adjust or create a new contract is demanded than ever before.

The Psychological Contract in Cross-cultural Context

As the concept of psychological contract is mostly developed and applied in western countries, mainly in the U.S. and U.K., the question of whether it is feasible to apply the concept outside the region emerged. Several studies show that the theory of psychological contract is applicable even in Asian countries, even though they have a different organizational background from western countries. (Hui et al, 2004: Rousseau et al, 2000) There are also several studies done in Korea to view the unique features of the psychological contract among Korean employees. (Min, 1997: Lim, 2002) However, there are studies revealing that cultural difference influences the process of creating a psychological contract. (Sparrow,1998: Hofstede,1995) For example, Sparrow exclaimed that “national values such as individualism-collectivism influence the social cues that managers use to decode information in their contract and thus alter the judgments they make about the same content items. Power distance has a similar influence. Moreover, the messages that organizations convey about their intentions are sent, filtered, and received in the context of very different national business systems. (p58)” Sparrow (1996, cited by Sparrow 1998) developed a model highlighting the role of cross-cultural and cross-national influences on the psychological contract.

HRM in Multinational Companies

As the world becoming more international, so are the companies' management activities expanding its borders. The increased internationalization in employment has boosted the research on HRM practices across different national contexts. Among these studies, Geert Hofstede's work is one of the most influential research to highlight the national cultures into the world of work. (Harris et al, 2003) Hofstede used four dimensions, power distance,

uncertainty avoidance, individualism, and masculinity, to examine the differences in response to management practices. Power distance reflects how people accept the distribution of power in the organization. Therefore, culture which scores high power distance will favor more hierarchical organization than the ones with low power distance. Uncertainty avoidance measures the degree to which society endures the ambiguous situation. High uncertainty avoidance will relatively discourage risk-taking. Individualism refers to the extent to which individuals are emphasized compared to the benefit of the groups. The counterpart to individualism will be collectivism. Masculinity is related to the extent to which societies accentuate male values. According to Hofstede's dimensions, Korea has relatively high power distance and strong uncertainty avoidance, where organizations are viewed as pyramids. It is also measured as a collectivist society with a moderate in masculinity score. With the evidence that cultural difference influences the organizational behavior, scholars, and practitioners in the HRM field have searched an efficient way to organize and develop their global workforces. The prevalent typology of the MNCs' approach in managing human resources in their subsidiaries is ethnocentric, polycentric, region-centric, and geocentric approach. (Perlmutter, 1969) The ethnocentric approach is to maintain the dominant power in parent company staffs. The key position of the subsidiaries are held by expatriates from the headquarter, and strategic decisions are made according to the central policy. There is little chance for the local employees to promote to the head manager for the subsidiaries nor the operation in another country. This approach is useful in terms of control and facilitating communication with headquarters. However, it could be difficult to adapt quickly to the local market. There is also a danger that inappropriate headquarter style may be implemented. This approach also can discourage local workers' motivation whilst it will be an effective management development opportunity for parent company nationals. The polycentric approach is opposite to the ethnocentric approach. It provides a certain amount of autonomy to subsidiary staff. The key positions are mostly host-country nationals; however, they are seldom transferred to other foreign subsidiaries. This approach allows the MNC to adjust more quickly into their host country. The less cost is expected in hiring compare to the ethnocentric approach. However, the link between headquarter and subsidiaries are relatively weak compare to the ethnocentric approach. There is also a high possibility of avoiding a global approach. The geocentric approach is taking a perspective of global operation. Nationality is not important in decision making. There are frequently transferring among different foreign subsidiaries, including headquarters; therefore, the parent company nationals, host company nationals, and third company nationals are easily found in every subsidiary. The advantage of this approach is the high possibility of locating the best workforce for each position. However, the failure of integration among diverse workforce can increase. Other problems emerging from getting a diverse workforce, as an immigration problem and expensive training and relocation problem, are predicted. The regiocentric approach can be seen as the previous stage of the geocentric approach. Instead of taking a global perspective in staffing and control systems, the regiocentric approach limits itself in the boundary of its region, as Asia-pacific or Europe. This approach can be sensitive to regional issues and effective stage when moving towards a geocentric approach; however, there is a limit that a career barrier can be moved to a regional level. There are tensions in choosing which approach to managing their subsidiaries. This tension can be simplified into 'globalization vs localization', 'centralization vs decentralization'. (Harris et al, 2003) Evans et al. (2002) suggested that MNCs should take both perspectives regarding the role of HRM in an organization. These authors argue that HRM contributes to organizational performance in three different ways by building the basics, by realigning when the external environment changes and by steering between opposing tensions or dualistic forces. The authors described

three faces in terms of its role as the builder, the change partner, and the navigator. The builder role underlines that the consistency and internal fit is important in HRM. For example, the system that is effective in one company may not work in the same way in another company. To be successful, the system has to be coherent with the whole company value and management practices. Whilst the builder role is related to the company's internal fit, the change partner role is associated with the external fit. HRM can support the company to adjust to the changing environment and take a major role when it is implementing a new strategy. The navigator role emphasizes that managing the confronting forces within the company in a constructive way is crucial to thriving. In the business environment where short term profit is more valued, the HRM systems can stand for long term development. With these three aspects of HRM, the authors suggest the 'split egg matrix,' which is the coexistence of the project role, mostly the builder role, and the operational role, mostly the change partner role and navigator role. The operational role is the bottom of the egg. It implies increased importance of operational delegation and empowerment. It is uncompromising attention to getting the right people in the right places at the right times and clarity of objectives and areas of accountability. The upper part of the egg, which will be the project role, offers the change and improvement responsibilities. It will imply extremely the market and business development and internally the organizational improvement and development. The authors asserted that "working in split egg ways is one of the key mechanisms that help the transnational firm to meet the conflicting needs of local responsiveness and global integration. (p90)"

HRM Practices in Korea

As the research is concerned with the issues related to the Korean employees and the companies operating in Korea, it will be applicable to overview the context of the Korean culture in terms of its influence over the unique HRM features in the country. It will also be meaningful to highlight the impact of MNC on the Korean HRM framework. Rowley *et al.* cited by Budhwar (2004) explained that Confucianism and the recent history of Japan invasion and military dictatorship had been a dominant influence on its social value, which have also shaped the characteristics of HRM practices. (see Table 2) Especially, these values work as an underlying factor for practices based on seniority and often limited the full practice of performance base reward.

Table 2. Characteristics and paradoxes of culture and management in Korea

Cultural Influences	Concepts	Meanings	Management behaviors and managerial characteristics	Paradoxes
Confucianism (family)	Inhwa	Harmony, solidarity	Company as family-type community	Sharp owner-manager-worker distinction
	Yongo	Connections: Hyulyon: by blood jiyon: by geography hakyon: by education	Recruitment via common ties, solidarity within inner circles, kinship-based relationships with owners	Bounded collectivism and exclusivism
	Chung	Loyalty, subordinate to superior	Paternalistic approach and taking care of employees and their families	Emphasis on hierarchical ranks, authoritarianism in leadership
	Un	Indebtedness to organization/members	Respect, tolerance, patience adhered to in business	Loyalty/cooperation to individual not organization

	Uri	Integrity to others in everyday life	Long-term relationship (e.g.lifetime employment)	Personal entertainment, gift giving, transaction opaqueness
	Gocham	Senior in service, an 'old-timer.'	Seniority-based rewards and promotions	Tensions between seniority and competence/ability
Japan	Kibun	Good mood, satisfactory state of affairs	Maintain harmony, not hurting someone's kibun	Performance management tensions
	Sinparam	Exulted spirits	Management and making efforts by sentiment-based motivation rather than rational understanding	Delinquency and low commitment without sinparam
	Han	Resentment/frustration felt over unjust or inequitable treatment	Confrontational and militant labor relations (e.g., employment adjustment tensions)	Passiveness, negativism, and suppression
Military	Chujin	Propulsion, drive to get through something	Can-do spirit, strong driving force, a rapid accomplishment of plans/goals	Lack of rational evaluations and omitting the due process
	Palli Palli	Quickly quickly	Speed of action	Quality, reflection
	Sajeonhyupui	Informal consensus formation before making final decisions	Collaboration and participation of stakeholders in decision-making	Team ethos impacts, slow decisions, an impediment to empowerment

(Source, Rowley and Bae, 2004:41)

The rapid change in HRM practices is shown in HRM in Korea after the 1997 Asian financial crisis. Rowley and Bae (2004) explained that many companies that confront the economic crisis changed their labor policy during the downsizing and M&A (merger and acquisition) process to more flexible employment and performance-based remuneration. The authors asserted that the performance base pay is the most dramatic change that can be found by several empirical pieces of evidence in this period. The big wave of MNCs' opening their subsidiaries in Korea after 1997 also stimulated the change in HRM practices in Korea. (Choi, 2002) Bae et al. (2003) also said, "the increased presence of MNCs, particularly Western-based companies, has promoted the diffusion of Western management techniques, including HRM practices, to the indigenous firm. (p.1312)" Bae et al. (1998) find in their study that the U.S. firms set the trends of HRM practices in Korea with the promotion of the welfare of workers, greater training opportunities, and organizational effectiveness. However, the unique values of Korean society, which were explained above, still shadows the general practices in its HRM. Rowley and Benson and Warner (2004) asserted that the Confucian code of personal and social behavior centered on family life and influenced values, attitudes, and norms to restrict the application of full performance base reward. For example, the companies that adopted some form of performance-based reward find it difficult to strictly apply assessment measurement as it can damage the harmonious working environment and loyalty toward the company. These complexities cause the seniority, which is considered to be respected by juniors, still plays a dominant role in deciding reward. It can be said that traditional values and new western values coexist in Korean society, and it is also shadowed in Korean organizations.

Another distinguishing feature in Korea HRM influenced by Confucianism and military dictatorship is gender discrimination. Korea shows the low status of women workforce in

organizations compare to other competitive countries. For example, the proportion of highly educated women in the companies is low, as well as the ratio of the woman in a managerial position. The statistic (ILO, 2016) shows that the employment participation level of woman who are in the age band of 15 to 64 is just 55.8%, which is the lowest among OECD countries in 2014. Kang and Rowley (2005) explained the managerial discrimination in Korea in their research as follows.

Korean society's deeply rooted gender-role stereotypes have been implanted into organizational cultures and discriminatory employment practices. It was job segregation that gender-role stereotypes had negative effects on women in the labor market. Men were trained to have the right of personnel decision-making, to take charge of organizational management roles as generalists, while women were trained in professional knowledge, and certain specialist skills. Women in management positions still had less chance of job rotation compared with male colleagues. The problem was that generalists, having experience in various fields. (pp. 227)

The previous literature highlighted that the increasing number of MNCs in Korea is analyzed to be one of the significant factors to trigger overall changes in HRM practices in Korea. Therefore, the job applicant's pre-knowledge and social cues gained from their experiences toward the MNC's HRM style is expected to influence the encoding process in creating a psychological contract. For example, in the literature, while the indigenous companies show limitations in applying performance base rewards because of cultural paradox, the MNCs are practicing a more objective system in assessing employee's performance. In this case, the job applicant will develop a psychological contract that he/she will get reward mainly according to his/her performance. From this, the following research question is addressed. The question will be investigated in terms of pre-knowledge and social cues.

Q1. How do pre-knowledge and social cues regarding oversea MNCs in Korea shape the psychological contract of local staffs?

If pre-knowledge and social cues are external factors that influence the development of the psychological contract, predisposition such as individual motivation and attitudes are internal factors that shape their contract. As oversea MNCs are recognized to provide a western-style of HR practices that focus on individual performance, the question is raised whether people with high careerism are attracted by the reward system and build a psychological contract according to it. Therefore, the following question will be asked.

Q2. Does the high level of careerism exist among local staff in oversea MNCs in Korea?

The literature also highlights discrimination against the female workforce in Korea. As oversea MNCs are recognized to be less influenced by gender biases, the following question is generated.

Q3. Does the female employee in oversea MNCs in Korea develop a psychological contract that implies the possibility of a high management position?

The literature on psychological contract highlighted the violation of the contract and its effect. The violation in the psychological contract can cause the commitment to decrease and even leads to a turnover of the employees. One literature showed that when the change in the

psychological contract occurs, and which is not recognized in the same way by each party, the change will result in a contract violation. The changes in the psychological contract can be caused by both internal and external factors. This research will examine the factors that cause a violation of psychological contracts. Therefore, the following question will be asked.

Q4. What are the HR practices of overseas MNCs in Korea's major factor violating the psychological contract of local staff?

As mentioned above, psychological contract changes as the internal and external conditions alter. For the MNCs, the approach toward their subsidiaries is a possible factor that can cause a change in the organization. For example, less control is given to subsidiaries with the ethnocentric approach, which might mostly expect a builder role in its subsidiary with the according to HRM practices. However, as the company adjusts to the new region, more control tends to pass down to the subsidiaries. Some literature recommended granting more control (as the navigator role) in order to motivate the local employees in subsidiaries. From this, the following question is developed.

Q5. Does the psychological contract of the local staff in overseas MNCs in Korea change that navigator role will be granted as the company matures in Korea?

Methodology

This research is based on the qualitative method as it aims to examine the psychological dynamics of the people. Gubrium and Holstein (1997, cited in Bryman and Bell, 2003) suggested that naturalism, ethnomethodology, emotionalism, and postmodernism are four traditions of qualitative research. These features are pursuing to understand social reality and the interactions between people. It "provides a detailed description of people and interaction in natural settings...concern with the inner reality of humans. (ibid, pp 281)" As the research is mainly seeking to find out which particular HRM practices and managerial factors influence individual's process in creating psychological contract and how the contract can change and be violated in their settings, collecting a data on personal experiences and emotions is decided to be applicable to gain the aim and objective of the research. In this research, focus group meetings and individual interviews are used for data collection. For individual interviews, a semi-structured interview was conducted following the main issues that will investigate the research questions. However, there was much flexibility in asking further questions for significant answers.

Focus Group

Focus group meeting "allows the researcher to develop an understanding of why people feel the way they do" (Bryman, 2003, p.369). Moreover, it is suggested to facilitate the participants to develop their ideas and even challenge to revise their views. (ibid) For example, the participant in the focus group who once answer in a certain way but after hearing the views of others can change their response or provide further information to strengthen his/her opinion. People can even argue with the issues, which, as a result, revise their views. For this reason, focus group meetings were done before setting up the list of questions that will be asked in individual interviews. It was expected to provide the researcher with a deep understanding of the issue and also to work as a pilot interview for the following individual interviews. Collis and Hussey (2003) mentioned that "(the data generated from a focus group) will provide a guide to the matters you will need to

concentrate on and the most pertinent questions to ask in any subsequent questionnaires or interviews." Two focus group meeting was conducted for this research. Each group consisted of two people. Morgan (1998a, cited in Bryman and Bell, 2003) said that when participants are emotionally involved in the topic, the smaller group is recommended as the participants are likely to have much to say. In order to obtain rich data from each participant, the group size was designed to a minimum number of two. Each person was chosen based on the following criteria: have similar work experience in terms of length and industry, already know each other. To facilitate the meeting in a limited time, having participants who are already an acquaintance was supposed to be beneficial. Moreover, as it was difficult to find participants who meet the above criteria, the focus group was organized into the smallest size. The first group consists of two female employees in oversea MNCs who used to work for a Korean company. One is now working in a Japanese firm (it will be referred to 'Japan Cosmetic' and the employee as 'Heather') and the other is working in a French firm (it will be referred to 'French Style' and the employee as 'Helen') Even though they never worked in the same company, they have been known each other for several years from the business network. The main topic given for the first group was the reason for changing their workplace from the Korean company to MNC. During the discussion, the follow-up questions, according to their discussions and arguments, were asked. However, the setting was fairly unstructured, and the researcher only interrupted when the participants were clearly out of the topic. The second group also consists of two participants who are acquaintances and worked together in the same company. They used to work for German MNC (it will be referred to as 'German Pharm'). One (she will be referred to 'Jenny') is now running her own business, and the other (he will be referred to 'Sam') has moved to another MNC, which has the US as its home country. They started their meeting with the topic of why they chose to work for MNC. During the discussion, the issues related to research questions were discussed. The general setting and structure were mostly similar to the first focus group. The tape recording was not available for both of the focus group meetings. As the meeting was conducted in the restaurants in the city, it was noisy to record the dialogues accurately. Besides, the meeting was unstructured with a casual atmosphere, which was considered to be more appropriate to draw the active responses and discussion on the topic, the tape recording was regarded to restrict the participants' motivation to speak freely. However, as the researcher was more participating in listening than asking the questions, it was possible to write down the significant points of the discussion.

In-depth Interview

The semi-structured interviews, closer to in-depth interviews with selected employees working in Korean subsidiaries of oversea MNCs, were carried out. Interviews of 6 employees in the middle level of hierarchy from 6 Korean subsidiaries of overseas MNCs were finally conducted. The industry includes banking, insurance, cosmetics, pharmaceuticals, chemicals, and manufacturing. They represent MNCs from a number of countries, including the USA, Germany, Japan, France, and the United Kingdom, which are major foreign investors in Korea. In the initial phase of designing this research, conducting interviews from one selected company across the hierarchy was considered. However, as each company has a different culture and their origin of country influences their style of management in a different way, selecting each company with a different national background was finally decided for the interview sample. To gain a meaningful result, the employees in a middle hierarchy was selected. Top management personnel was excluded as they can represent the employer side in this research. The newcomers are also excluded as they might not fully establish their

perspective on their work environment and conditions. As a result, the interviewees have a work experience of at least five years to at most 15 years. To maximize the effect of the interview, interviewees were assured to remain anonymous. (Nachmias and Nachmias 1996) As the interview was supposed to reveal their personal stories and emotions toward the company, the interviewees are considered to speak more freely when they are not recognized by their name in the research. Some of the interviewees gave their permission to interview only when they were promised to be anonymous. Moreover, as the MNC employees feel less autonomy about talking about their company (Choi, 2002), the promise of anonymous was regarded to be necessary.

The details of the samples are as follows. First, gender was four males and two females. One of the male, Sam, was the participant for the focus group meeting. The home country for the bank in the USA (it will be called 'US Bank'), and the interviewee is a male (he will be referred to 'Lee') with ten years of work experience. He used to work for the Korean firm and move to this company three years ago. The home country for the insurance company is UK (it will be referred to 'UK Life'), and the interviewee is a male (he will be referred to 'John'). He also worked for a Korean company at the beginning of the first three years of his career and moved to UK Life 4 years ago. The Pharmaceutical company (it will be referred to 'US Med') has US origin. This company was initially been European firm but merged by a US company. The interviewee, Sam, as mentioned above, participated in the focus group meeting. He has a work experience of 12 years, and he worked in a German Pharmaceutical company before. The manufacturing company has Japanese origin (it will be referred to 'Nippon') and specializes in technology. The interviewee is a male (he will be referred to 'Mike'), and he recently resigned from the company and moved to the Korean company. He worked in Nippon for 15 years. The chemical company is German origin (it will be referred to 'Hans Chem'). The interviewee is a female (she will be referred to 'Sunny') and has a work experience of 8 years. The cosmetic company is a French origin (it will be referred to 'La Famme'), and the interviewee is a female. (she will be referred to 'Serene') She has work experience of 5 years. The aspects of the interviewees are shown in Table 3.

Table 3. Profile of interviewees

Name	Company	Nationality of the company	Gender	Tenure(years)
Lee	US Bank	USA	Male	10
John	UK Life	UK	Male	7
Sam	US Med	USA	Male	12
Mike	Nippon	Japan	Male	15
Sunny	Hans Chem	Germany	Female	8
Serene	La Famme	France	Female	5

*The names of the interviewee and the companies are modified to conceal their identity.

Even though the interview format was semi-structured, it mostly maintained flexibility with spontaneous questions based on the interviewees' responses. Cooper (2003) stated that the in-depth interview, which will provide unconstrained settings, would encourage participants to share as much information as possible. With the open-questions, the interviewees were given considerable liberty in expressing their opinions on their organizational relationship and their commitment towards the firm. This structure of the interview was selected as it was regarded to allow the researcher to obtain the subtle psychological factors that affect their behavior because the interviewees will reveal their anecdotes and emotions related to the

topic in more detail. Even though it is costly in terms of time, as the interview can take longer than expected, it was expected to provide rich data for the research. The interview appointment was made with a one-hour duration; however, some of the interviews last longer as long as the interviewees' time allows. The interview started with a brief explanation of the dissertation topic. As the psychological contract was not a familiar concept to everyone, the description of the concept and the terms were explained. During the focus group meeting, the confusion between the psychological contract and expectation was shown. Therefore, the difference between the psychological contract and expectations was also explained.

The researcher prepared mainly three questions for the interview. Other questions were made following up on the interesting points that were made from the interviewees' responses. The interviews started with a general question, "Why did you choose to work for MNC rather than the Korean company?" Then, we talked about pre-knowledge and social cues in depth. As I was interested in finding out what external factors affect the process of creating the psychological contract of local staff working in oversea MNCs in Korea, I began with broad questions and narrowed it down. This method was expected for the researcher to avoid bias. Even though the question was mainly intended to investigate the first question, the response was not limited in its usage. The responses are examined to evaluating other research questions as well. The broad question, which results in a wide scope of the response, provided rich data that can be reused for several questions. It provided a significant meaning across the whole research. The follow-up questions were mostly intended to search what was the pre-knowledge, predisposition, and social cues that influenced the interviewees' process in creating a psychological contract. The second major question was, "When did you feel your psychological contract was violated?" The stories on when they feel their contract was breached and the result of violations was followed. This question was to investigate the fourth and fifth questions. The following questions asked about the role and power of the local staff to examine the fifth question. For the female interviewees, gender discrimination and their expectations on promotions are added. The tape recording was done for the interview when the interviewee permitted it. Bryman and Bell (2003) emphasized the importance of tape recording for a qualitative interview.

"Qualitative researchers are frequently interested not just in what people say but also in the way that they say it. If this aspect is to be fully woven into the analysis, it is necessary for a complete account of the series of exchanges in an interview to be available. Also, because the interviewer is supposed to be highly alert to what is being said-following up interesting points made, prompting and probing where necessary, drawing attention to any inconsistencies in the interviewee's answers-it is best if he or she is not distracted by having to concentrate on getting down notes on what is said. (p.353)"

However, some of the interviewees refused the tape recording concerning that it will constrain their responses. Bryman and Bell (2003) also indicated that the use of the tape recorder could make the respondent self-conscious of being recorded and mentioned that a small number of refusal is normal. For this reason, some of the interviews were notes taken by the researcher. To overcome the limitation of note-taking, the researcher made a summary note during the interview and made a full note immediately after the interview to put as most as possible from memory. Some of the unclear points were revised and corrected by the follow-up phone calls.

Results

Performance-base reward

The performance base reward and welfare program was the major HRM practices that impact in creating psychological contract as pre-knowledge and social cues. The pre-knowledge on these HRM practices worked to motivate respondents to choose MNC for their workplaces. After they got a job in their companies, those factors again influenced their development of psychological contract as a social cue. The respondents commented that they expected the company would evaluate the performance with a non-discriminatory method, and reward will be given based on the performance. Other factors, such as seniority, gender, or school backgrounds, are believed not to influence their performance assessment or reward. As examined from the literature, the seniority, gender, and connections according to the geographical background (mostly their home town) and educational background (jiyon, hakyon) was known to affect the organizational practices in many ways. The respondents focused on the organizational culture free from those cultural dynamics. John, who works in UK Life, mentioned a strict performance-based reward system was the major reason he chose to work for the company. His reply shows how the company's indication of a reward system operated as a pre-knowledge (message) and the real system he had experienced in the company after he took the job acted as a social cue in creating his psychological contract.

"I was looking for a job where I can earn more money in a short period of time. The insurance company was one of those industries. After I chose to devote myself to the insurance industry, I decided to look for a multinational company rather than a Korean company. UK life promised me a reward that is strictly based on my performance. As the company has not had a long history in Korea, they emphasized the growth potential of the company, which means I will have more room to achieve high performance and, as a result, a bigger reward. It is true that the insurance industry is where performance base rewards are expected, whether it is a multinational company or not. However, as being a multinational company with a long history in western countries, UK Life promised I could gain the most amount of money for the same performance. Here, performance says everything. The company culture is really individualistic, but you are sure you will earn the best in the industry with the same performance."

Other respondents invariably mentioned the objective assessment system. Here is what Lee from US Bank commented on.

"This company has a long history. As a result, all the assessment and reward measurements are strictly operated by a system. There is not much room for other yardsticks to measure your rewards except your performance. Sometimes your boss will not give an acceptable mark about your performance, but that is what happens everywhere. I might say maintaining a good relationship with your boss is also one part of your performance. However, the school you graduate or your gender will not affect much on your assessment."

The belief that school background or gender will not affect their assessment in performance prevailed among the respondents. These beliefs are one of the messages they received when they were searching for a job. After they started to work for the company, the seniors in a good position without any strong school relationship to others or female workers in a high position whom they witnessed in their workplace acted as a social cue. These factors operated in building a psychological contract that they will also get a good reward if they work hard.

Mike's story manifests the example of a school background.

"I did not graduate from what is regarded as the best university. I knew if I enter the big Korean companies, I would have limits on a certain point of my promotion because of my school background. Maybe if I worked really hard and showed great performance, I could have made it there. But I did not want to be risky. Moreover, if you failed to get into that inner circle, you will never have a chance to show how great you are. I chose a multinational company instead, and I worked really hard. I was sure the company would acknowledge my hard work, and they did. I was considered a reliable, hard-working employee, and later I was able to get more chances than others."

Helen's story is a good example of gender concern. Her story tells that her focus on the assessment and reward based on objective performance took an influential part in developing a psychological contract for her job in oversea MNC. She shared her experience in her former Korean company. Her experience there motivated her to search for a job in oversea MNC.

"The day when we received our assessment sheet, all the girls in my office run to the toilet, where we can have our private chat. Some burst into tears, and some got so angry. The performance was marked by A, B, C, and D. There were no guys who received under C, whilst most of the girls got under C. But that result was not how we really consider our performance. There was one guy who was definitely underperforming, but he even he got B. One girl got a gut to complained about it to the manager who marked it. The answer was quite shocking. He said, "How can I give C to a guy when I know he will be responsible for his family for all his life! The kind of friendship across the hierarchy among guys exists in the company. If your boss is a man, he regards his male subordinates as someone he has to take care of and mentor. There is discrimination in assessing your performance if you are not in that inner circle."

Welfare system

The respondents also mentioned that the welfare system practiced in headquarter would also be guaranteed in a subsidiary. The people who value work-life balance focused more on MNCs' welfare system. They collected a message such as the company is conducting a western-style HRM practices when allocating holidays and applying flexible work times. They created a psychological contract based on the messages they received. When they were asked what the HR practices that attracted them most were, they mentioned five working days a week, female-friendly working conditions, flexible holiday system, less obligatory company dinners/meetings after work. However, they also pointed out that many of these practices are not a unique feature for multinational companies anymore, as many Korean companies are adopting similar programs since the late '90s.

Sam, who started working for a multinational pharmaceutical company, provides a good example of how the local staff working for oversea MNC build a psychological contract by receiving a message that the western-style welfare system will be applied in the company. The respondents are also shown to collect these messages from their colleagues' behavior or from the company norms, which play as a social cue in the psychological contract creation process.

"I first worked in a European company. I had some pre-knowledge about European companies' culture. Especially my seniors who were working at Nordic companies gave me much information about their welfare system. Nowadays, as 'well-being' become a big trend, it is easy

to find the focus on 'work/life' balance even in Korean companies. However, when I started working, many Korean companies still worked on Saturdays (half-day). I can say job security was more strong in Korean companies at that time; however, you cannot expect to have much time to spend with your family. I believe that I will have more regular finishing time. And compare to my brother, who works in a Korean firm, I am able to spend more time with my family. There are so many days a week that he meets his business networks or just his colleagues until late. Now he is finding more personal time as the cultural and social values in Korea are also changing, but it was not like this ten years before."

Jenny, who used to work in the same industry as Sam, commented on woman-friendly policy in terms of maternity leave. However, all the female respondents emphasized that maternity leaves are now very well operating in many Korean companies.

"I saw many of my female seniors who used to be so ambitious but to finish their career after they gave birth. I wanted a company that will have more room for me for a longer period of time. The working condition which will promise me to secure my place after pregnancy and maternity leave was one thing I was expected from the company. Yes, nowadays, many Korean companies are practicing paid-maternity leaves, but when I started working, there was an implicit rule that when you get pregnant, you should quit or come back within a short break. The company I worked promised paid leave according to the law and even extended leave without pay. Many female workers could get benefit from the woman-friendly policy. "

The other frequent response was about the holiday system. They believed they could use the holiday that is given to them whenever they want, and this will not affect their reputation and assessment in their company. Heather and Lee, who recently moved from Korean companies, provide a good example. Heather said:

"When I worked in a Korean company, we had a week-long vacation. There is an implicit rule that you have to use your vacation in summertime when everyone is going on vacation. You will be able to use it during winter if you really insist. Nevertheless, to get approval from your boss, you will need to think about good excuses that you are using it when everyone is working. Now I am granted a certain amount of holiday for a year. I can split the days and ask for a day-off anytime unless it troubles your work."

Lee also provided a similar story.

"Everything works on a system. There is always a counterpart who can do your work when you are not able to do it. So even if you suddenly quit today, there will be someone who will do what you are supposed to do. Because of this system, I can just use my quota for a holiday at any time of year. Everybody is doing it, so you do not need to worry about getting a bad evaluation for using your vacation. What you need to do is just coordinate your vacation schedule with your colleagues in advance."

From the responses, it is shown that welfare systems were one of the major factors that influenced the workers in the past, which is losing its implications recently as Korean companies are applying similar practices. However, the flexible holiday system is one factor that many respondents still focus on and believe in supporting their work/life balance. As Korean companies maintain more collectivist culture compare to MNCs, the scheduling and managing holidays are more inelastic, pressuring the employees to use it on a specific period.

In contrast, MNCs are freer from those cultural aspects, which encourage the staff to practice flexible holidays.

The intention of this research question was to find out whether the applicants for the overseas MNCs share a similar predisposition in terms of careerism or not. As the literature identified that overseas MNCs are practicing more objective performance base rewards compare to indigenous companies, the people with higher careerism were assumed to show a bigger interest in working for overseas MNCs, which in result will affect the psychological contract creation process. From the first question, it was found out that strict application of performance base rewards was one of the major HR practices to operate as pre-knowledge and social cue in the psychological contract creation process. However, the level of careerism among the workers was shown to be different. Some workers had high careerism, which aims for a higher position and better rewards. But others did not aim for a higher position. They were willing to trade promotions or better rewards for work/life balance. Among those who showed lower careerism mentioned the limit in their growth potential as local staff in overseas MNCs.

John and Lee showed a high level of careerism whilst Sam and Mike had lower careerism than the others. John, as mentioned in the first question, is reward oriented and expressed a high level of careerism. He chose the company as he captured big growth opportunities from them. His high careerism works as a predisposition to developing a psychological contract that he will get a good reward and a high position if he works hard. Lee also showed high careerism. He focused on the objective assessment and enjoyed seeing his progress and achievement in the system. Sam and Mike showed lower careerism than John and Lee. Sam is more focusing on secure job than chances for growth. For example, even though his company is providing him a chance to work in another country as a general manager, which is a great chance to position himself better at the headquarter level, he was not thrilled with the opportunity. He was more concerned with the change the expatriate chance will bring to his family life. He was placing the stability of life prior to global working opportunity.

"I did not expect to work in Thailand. If I wanted to work outside Korea, I might have chosen to work in a big Korean firm because Korean firms are sending many expatriates abroad with their global strategy. Actually, I am not really an adventurous person. As I did not expect to live abroad, I have to consider all my life in Korea. I am a bit worried that I have to struggle in a country I do not have much information. My wife, who has her own work, is also concern about what to do. I guess I will go to the new workplace alone, and my wife will join maybe a year later."

Mike mentioned one of the reasons for his choice to work in an MNC was objective performance assessment regardless of school background. He also recalled himself as a hard worker. However, he did not aim for a high position as John or Lee. This was mainly because he set a limitation as local staff.

"The Japanese firms are more conservative in their approach towards subsidiaries. Nowadays, many overseas MNCs in Korea are providing the highest position in their subsidiaries to local staff. But my company, even though with its long history in Korea, still wants to maintain more control from headquarter. The CEO and CFO for my company are all Japanese expatriates. I did

not aim for the highest position, and I was not bothered by the fact that there will be a limit for local staff."

The responses among the female interviewees are also divided into two categories. The high careerism was found among some female respondents who had concerns working in the indigenous companies that they might be excluded from the opportunity to learn major tasks and promoted. Their high careerism with the external messages and social cue developed the psychological contract that they will be provided the equal opportunity as male workers from the company. Serene (La Famme) and Heather (Japan Cosmetics) represented this result. Both of them, as the youngest respondent, with their story, showed what young graduate female job applicants in Korea society concern about.

"I only searched for multinational companies to work. The time I was graduating, many Korean firms are recruiting woman employees. But I was not sure if they will really give me an equal chance as male colleagues. As I graduated from a woman's university, I heard so many stories about how my ambitious seniors lost their stage in their company. I chose this company as they promised good training, promotions based on performance. I think I really learned a lot from the intense training program. If I chose big Korean companies, I would have just finished supporting my male seniors rather than learning the essence of the tasks. Maybe it is because my company is more woman-friendly because of the industry we belong to. Anyway, I'm quite happy with my achievements in terms of learning. I believe I learned a lot about the cosmetic industry."

Heather, who moved to MNC recently, also answered she wanted higher achievement and progress. She mentioned her aim for the key position (executive level) in the company.

"When I was working in a Korean company, I was regarded as a hard-working junior at the manager level. Compare to my female friends working in a big Korean company. I had bigger chances to work for key tasks. However, the future does not seem that bright. I knew at some point when I would compete for a higher position, and the key positions will mostly be allocated to my male colleagues. If I work hard, I will probably promote to a manager. However, there is more possibility I will get a position in a less important department, which will narrow my chance to go up to an executive position. The company I am working now is in the beginning stage in the Korean market. The work is very challenging and has lots of potential for growth. If I succeed, I will be in a key position in this company."

Sunny from Hans Chem, who has long work experience than Serene and Heather, also mentioned the growth opportunity. Her work experience is a total of eight years, but she has a gap as a full-time mother after her marriage, which means she started her career in the 80s. She started to work again recently.

"The time I graduated, the job market was not so friendly for women. I was quite ambitious to pursue a nice career rather than just get married and settled down as a good wife. I wanted to get a job where I can expect to work after marriage as well as to get promotions according to my performances. That's why I chose to work for MNC, which I believed in providing the same challenging opportunities for women as well as men."

However, two female respondents showed a low level of careerism. They focused on work/life balance more than the respondents who showed high careerism. They developed a psychological contract that they will be able to company will provide a similar welfare system

as in their home country. As described from the first question, Jenny focused on woman-friendly policy. She did not aim for a big job. Her career aim was more on job security. However, Helen shows an interesting result. She emphasized the objective performance assessment for her motivation to move to oversea MNC, but she did not have an ambitious career aim or goal for a higher position.

Helen mentioned;

"The job I am doing is not very challenging compare to my former job. The reason I chose this company was because I focus more on work-life balance. I was really stressed out in my former company. You could not really have a personal life. If your boss is staying, you have to stay even though you do not have much work. I am not saying multinational companies are more relaxed. There are people who are really working until late. But I just chose to work for a less stressful job, and I do not expect to get more acknowledgment than I actually contribute. I am doing my best on my given tasks. However, as my task is far from the major tasks in the company, I do not have much chance to get more responsibilities or a higher position."

"Higher position but not the highest"

Even though all of the respondents developed the psychological contract that gender bias will play a smaller role in their performance assessment compare to indigenous companies. They showed mixed responses to this question. They developed a psychological contract that they can go up to a high management position; however, more than half of them also implied that the highest position would be difficult to pursue. They have a psychological contract that they will get a good promotion if they work hard and contribute to the company. However, they limited the promotion level to next to the highest seat. The first reason for this result was analyzed that female workers in Korea regard the glass ceiling exists in most of the cultures. The second reason is that as the company is operating in Korea, the assumed limitation is even bigger. The message that shows the glass ceiling in the global business world, which was gathered through their whole life from social work as an initial message(pre-knowledge) in building their psychological contract. The fact that most of the top positions are seated by men in their company becomes the social cue which influenced their process of developing psychological contract. Sunny and Jenny, who are comparably senior to other respondents, provide good stories for this result. They mentioned the masculine culture of their headquarter and the business conditions the subsidiary is operating. Jenny said:

"The company I worked for had many transactions with other Korean companies, both as a supplier and a buyer. Even though the company had women-friendly management practices, the major posts were all dominated by men. So I did not think of getting into the highest position. As a matter of fact, I even didn't aim to be in the highest position."

Sunny also mentioned that her company's major posts are all dominated by male managers. Not only the Korean subsidiary but also the headquarter features a similar picture in terms of female ratio in high position. However, she said that her juniors are changing, and she also expects a stronger possibility for them to climb the ladder. She said:

"When I graduated, the job market was not really big for girls. I started my career in a foreign company where it was known to be more opened for women. Nevertheless, it was difficult to find a female senior who is in a really high position except for some small companies. There was no role model for women. But recently, big MNCs are giving a chance to women. You might have

heard some companies that offer their best position to female employees. Nowadays, I feel like some kind of responsibility that I should support the female juniors to aim higher position and mentor them."

Her view is also supported by the responses from younger respondents. There were two female respondents who showed a psychological contract that they would be able to get to the highest position. They were comparably younger to other respondents, who only have less than five years of work experience.

Serene mentioned:

"Even though we are in an industry related to women, we never had a top manager as a woman. However, I think this rule will break sooner or later. There are so many female colleagues who are so ambitious. I also believe the door is open for me."

Heather also expressed a similar opinion.

"I believe I can get to the top first because my company just launched its business in Korea, and it is relatively small. But even if I worked in a bigger MNC, I might have thought that there will be no limit for me in terms of promotion. The society is changing."

From the responses, it is shown that there is a change in the psychological contract among women workers. In the past, even though they believed they would get an objective performance assessment regardless of their gender, they limit their aim from the highest management position. However, the younger generations are forming their contract that their hard work will bring them to the highest spot. The news of successful women CEOs is one of the messages they receive in developing their contracts. The emerging examples of other women's top managers in Korea they witness are acting as a social cue. In addition, the women's change in their mindset, which values a personal career, is playing a powerful factor in shaping psychological contract as a predisposition. The respondents experienced psychological contract breach in several cases. The literature on HRM practices of Korea highlighted that Korean companies adopting western HRM practices are experiencing limitations in applying them because of cultural factors. The respondents mentioned that the localization of the company sometimes causes the limitation or change in applying the HRM practices, which, as a result, cause a violation in their psychological contract. The problem from localization sometimes occurs from the expatriates. They misinterpret the culture or distort it with the intention of localization. The other psychological contract violation was caused by M&A. Whether the M&A was conducted in headquarter or in Korea, insufficient effort to build a new contract brought a negative impact on the employees.

The negative impact of localization

For the first factor, many respondents mentioned the culture change affected by localization is the major cause of contract violation. In more detail, they experienced contract violation when the company's performance assessment or welfare system has changed as the company localized. The problem here was that as more Korean staffs are recruited and promoted to a key position, the bigger the Korean culture influenced the management practices. For example, John complained about how the company culture has changed and affected in breaking his psychological contract.

"I do not like the culture of what we call collectivism. Some people feel a bit tense in our company's individualistic culture, but I prefer it. If you ask me for a violation, I will tell my story. I don't mind staying late in the office for work, but I really don't want to join the after-work-drink until late. I like to spend some time with my colleagues in a casual atmosphere. However, I do not like those 'bomb drinks (an instant mixture of whiskey and beer).' Last time our department went out for those after drink, and suddenly my boss starts to force us for that bomb drink. As the company is doing its business in Korea and adjusting to the Korean market, I understand it is inevitable to mix into Korean culture. But the first thought when I got my share of glass was 'Oh! No. This is not what I thought that would happen.'"

M&A effect Many contract violations also emerged during the M&A process. As the M&A process demands an enormous change for any company, there is a high possibility for contract change and violation. For MNCs in Korea, the cases happened when they conduct M&A with Korean companies or when the headquarter went through M&A. In both cases, the cultural changes in the company caused a violation of the psychological contract. Lee's story shows how psychological contract violation can occur during the M&A process.

"When I moved to this company, I get a much higher title to compare to my former company. As the MNCs are mostly smaller in their size compare to Korean companies, the title of employees is approximately 2 or 3 levels higher than the ones who have similar work experience in Korean companies. However, the company recently level down most of the titles of the employees whilst going through a merger with one Korean company. Recently we bought one Korean bank, which is much bigger than my bank as a subsidiary in its size. As the company had to make the titles and position of each company equivalent, they decided to change the position titles of the smaller one, which is my company. If we were merged by that company and forced to level down our position, my colleagues might have understood the situation. However, we were the buyers. Besides, the company did not show much effort to persuade us of those changes. Many of my colleagues, including myself, felt the contract was violated. During the past several months, many people left the company. I have to admit that I also lost much loyalty to my company."

Sam's story is another case of how M&A affects psychological contract. His company, which was originally a European firm, was merged by the US company. He mentioned how the culture change in the headquarter could cause a violation of psychological contract in subsidiary.

"I knew the culture and welfare systems of European firms before I get the job. They mostly had a very good welfare system and valued the work/life balance much better than US or UK firms. It was one of the major reasons I chose this company. However, after the M&A, the culture of the company changed totally into a US company. Hard work and high competition! I feel like my contract with the company has violated. Maybe I have to change."

These cases could be examples not only for MNCs but also for companies that went through M&A. M&A mostly causes a drastic change in the company; therefore, it can result in a contract change. When the company fails to respond to these changes, the contract violation becomes inevitable. The example of the US Bank clearly shows the negative impact of contract violation. For the subsidiaries of MNCs, the M&A can bring a bigger impact as cultural factors are added in a complicate way. For US Med, the culture clash in headquarter may have different characters as in subsidiary in Korea. The navigator role in this question is defined in

the literature review as 'managing the confronting forces within the company in a constructive way.' In this research, the navigator role for the local staff in MNCs implied developing future strategy in the Korean market as well as coordinating the strategies for the whole corporation in the global market. The respondents mostly developed a psychological contract of having a navigator role in the Korean market, but most of them didn't expect the same role in the global market. Serene's answer presents an example of how much local staff wants to join in developing a strategy for the Korean market.

"Actually, the Korean market is called as a test market. The consumers' demand is high, and the change in trend is also fast. So we are researching the consumer trend and try to develop our strategy and future product. If this job is just selling the imported products that were developed and made abroad, I might not be working here. I like it because I am making a direction which product to develop."

Most of the respondents mentioned that they possess a better knowledge of the Korean market; therefore, they should also participate in building the future strategy in Korea. However, when the strategy expands to a global perspective, many respondents provided a different answer. John's story identifies the different approaches toward the Korean market and the global market.

"If you wanted to get a career in a global workplace, you would rather apply to big Korean firms as Samsung or Hyundai, which are actively expanding their market. I did not expect the company to let me work outside the company...um, I cannot deny I sometimes feel a bit of damage in ego (laugh) when I saw my country manager. He is an expatriate from the UK and being in the highest position in Korea. But his position in the headquarter is quite low. His level of hierarchy is just like someone of my age who is working in a big Korean firm. However, that is what I accepted it from the beginning. My friends who are working in Korean companies could be in the same position when they work as an expatriate."

Sam and Mike's comments described for question 2 can be examined here again. Their story showed a different approach. Sam even did not expect to be an expatriate and send abroad. Mike also gave a similar answer that he will be satisfied even if the country manager position will not be open to local staff.

Conclusion

This research contributes to HRM literature by exploring the psychological contract of local staffs working for oversea MNCs based on Rousseau's (1995) creation of a psychological contract model. Rousseau illustrated the process of creating a psychological contract and examined how the external message (pre-knowledge), social cue, and predisposition influenced the process. Through identifying the external factors that operate as a message and social cue in the psychological contract creation process, the distinctive HRM practices, and characters of oversea MNC that attract and retain local staff was searched. By examining their careerism, how different predispositions act differently in shaping the contract, and the relationship between careerism and a psychological contract were explored. This research also examined the change in psychological contracts focusing on the role of local staff and deployed control from the headquarter. The factors that cause psychological contract violation for local staffs were also examined. Findings from the research are as follows.

First, the prevailing images and information about distinctive HRM practices of MNCs were major external messages the job applicant used in creating psychological contract. This pre-knowledge later work as a social cue after they get a job and witness the practices are conducted in their company. Especially the performance base reward and systemized performance assessment process were the major HRM practices that impact as a pre-knowledge and social cue. The welfare system used to be a powerful factor in the past, but it is losing its implication recently as many Korean companies are adopting western-style practices. Second, Rousseau's theoretical model that personal predisposition affects the creation of psychological contract was confirmed. Moreover, even though the external messages people focus on are similar, the predisposition can be the opposite. This research look at the careerism level. Even though the respondents had a similar external message as a pre-knowledge and social cue, their different predisposition shaped different psychological contract. Third, the female employees used to be satisfied with a lower position; however, the younger generations developed a psychological contract they will be promoted to the top management position if they qualify. As the social status for women is improving, the female staffs' psychological contract is found to be changed accordingly. Especially, as many global companies are opening their CEO position for women, this information is working as a social cue for highly ambitious female staff. Fourth, local staffs also develop a psychological contract according to the culture of the home country of MNCs. MNC's country of origin and their culture work as a pre-knowledge when the local staff applies for the job. Therefore, they develop a psychological contract according to those cultures. In the process of localization, the company lost its distinctive culture, and the local staffs experience psychological contract violation. Fifth, local staffs change their psychological contract to be given a navigator role in the Korean market as the company matures in the region. They believe in receiving more responsibilities in building strategy in the Korean market as they evaluate themselves to have better knowledge in the region. However, the navigator role in the global perspective was not found to be expected. Sixth, Poor post-M&A treatment is the cause of psychological contract violation. M&A's impact on employees is not only limited to local staff in MNCs; however, the cultural issues are found to be added. The culture shift in the company and organizational structure change in the company is found out to cause the violation of the psychological contract.

The findings provide important insights for oversea MNCs into the way in which HRM practices are needed to motivate and increase the commitment of local staff. By examining the psychological contract, MNCs will obtain a better perception of their local staff management. As a literature review has highlighted, a fulfilled contract will lead to higher commitment and psychological contract breach, at worst, result in a high turnover of the staff. MNCs should put effort into meeting the psychological contract of local staff and minimize the chance of violating it. As global competitiveness pressures companies to actively penetrate foreign markets and span their organizational boundary, improving the employment relationship in their subsidiaries will be a key factor in gaining competitive advantage.

Limitations and issues for future research

The limitations appeared during the research that provide the avenue for future research. First, this research collected data from focus group meetings and interviews conducted in Korean. It was a difficult task to translate into English. As the researcher was not a professional translator, and even if the translator helped the process of putting the contents into English, it was almost impossible to convey the connotations and implications following the words completely. Especially, some of the contents are fully understandable only when

the reader has certain knowledge in Korean culture and language. The result part of this research tried to show the dynamics of local staffs' psychology, providing the full context of the interviews. However, there is a concern that translation has diminished the effect of the work. Second, the researchers categorized the overseas MNCs into one group contrasting to indigenous companies. As this research was conducted to find out the general aspects of the psychological contract of local staff in MNCs, it sampled the interviewees across the different industries and home country. However, as each overseas MNCs possess different aspects according to its home country and history in Korea, it will be able to generate further findings for different MNCs if the research is done for a particular country. For example, the German company and Japanese company featured a different character. IBM, one of the oldest and biggest MNCs in Korea, and newly opened companies also find it difficult to compare in one category. The future studies can segment the MNCs by their country or region of origin and proceed with the research. Third, as shown in the literature review and the result, Korean companies are adopting western HRM practices rapidly and changing their culture. The respondents also answered that what used to be a distinct practice in MNCs is not a unique practice anymore. The research limited on the young employees who are exposed to different business environments from their seniors will be applicable to provide management recommendations for future business. Fourth, many Korean companies are expanding to a global market and operating subsidiaries in major regions. The research on the psychological contract of local staffs working for Korean MNCs will also be beneficial to provide a recommendation to promote better HRM.

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Cite this article:

WonJoung Choi (2020). Psychological Contract of Local Employees in Multinational Companies. *International Journal of Science and Business*, 4(3), 94-119. doi: 10.5281/zenodo.3698100

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