Cultural variation and the psychological contract

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Summary
Literature on the psychological contract has made significant contributions to our understanding of the exchange relationship between employees and their employer. However, the influence of cultural differences on perceptions of the employment relationship has largely been neglected. We propose both cognitive and motivational mechanisms through which the cultural profiles of individuals influence (a) formation of the psychological contract, (b) perceptions of violations of the psychological contract, and (c) responses to perceived violations. General mechanisms for the influence of culture on the psychological contract are followed by specific examples of the influence of individualism and collectivism. Copyright © 2003 John Wiley & Sons, Ltd.

Introduction

After one weekend of ‘brainwashing’, as he called it, a 22-year-old French medical student went to work in a Euro-Disney Fantasy land shop. By the next weekend the entire shop personnel had changed and he left after a dispute with his supervisor over the timing of his lunch break. A waiter in an upscale Euro-Disney hotel noted: ‘I don’t think they [Disney management] realized what Europeans were like, that we ask questions and don’t think all the same’ (Anthony, Loveman, & Schlesinger, 1992). As Disney discovered on beginning operations in Marne-la-Valee, France, employees from different cultures can have very different ideas about the promises their employer has made and their obligations in return. It is impossible to specify all the terms of the exchange relationship with employees; therefore, individuals must make sense of these relationships by filling the gaps themselves. Clearly, in this age of globalization there is a need to consider culturally based variation in the ways employees conceptualize their relationship with their employers. The psychological contract is the current platform of choice for understanding this phenomenon. This article builds on this base to articulate both cognitive
and motivational mechanisms through which the cultural profile of individuals can influence the psychological contract.

Psychological Contracts

The term psychological contract (Argyris, 1960; Schein, 1965) describes a set of individual perceptions concerning the terms of the exchange relationship between individuals and their organizations. For example, it may include beliefs about performance requirements, job security, training, compensation, and career development (Rousseau, 1989), but is not limited to these dimensions. Psychological contracts manifest themselves in individuals’ mental representations (schemas) of their relationship to their organization (Rousseau, 1998). Because psychological contracts are mental representations, having to do with mutual obligations, they help employees make sense out of a complex employment relationship (Shore & Tetrick, 1994). Recent work has emphasized the perceptual and idiosyncratic nature of the psychological contract (Morrison & Robinson, 1997). Contract schemas are based on perceived promises that are conveyed to employees through a variety of mechanisms, such as documents, discussions, and organizational practices. That is, the psychological contract is subjective not only because of cognitive and perceptual differences, but also because there are multiple sources of information that influence the development and subsequent modification of contracts (Shore & Tetrick, 1994). Therefore, a psychological contract can exist without agreement between the firm and the employee concerning the terms of the exchange relationship (Robinson & Rousseau, 1994). However, regardless of agreement in fact, there is for each individual a perception of mutual agreement. While initial conceptualizations of the psychological contract noted the importance of culture (e.g., Levinson et al., 1963), contemporary research has largely neglected this influence. As a determinant of social exchange in general, research has noted that culture is a primary component in choices people make as to how exchanges occur (Fiske, 1991). Recently, differences in psychological contracts as they exist in various societies have been documented (Rousseau & Schalk, 2000). However, this research falls short of identifying an approach for explaining or predicting comparative differences. We propose that differences in individual cultural profiles affect (1) the characteristics and formation of the psychological contract, (2) perception of violations of the contract, and (3) behavioral responses to such violations. We describe both cognitive and motivational mechanisms through which the cultural profiles of individuals have influence, and discuss theoretical contributions and implications for research and practice. First, however, we discuss the general forms that the psychological contract might take.

The transactional versus relational contract

The psychological contract literature suggests that while there is infinite variety in forms psychological contracts take, differences in the content of these perceptions tend to cluster around the extent to which they are transactional versus relational (Rousseau, 1989, 1995). Transactional contracts are characterized by limited involvement of the parties, and emphasize specific, short-term, monetary obligations. The identity of the parties is irrelevant. In contrast, relational contracts emphasize broad, long term, socio-emotional obligations, such as commitment and loyalty, consistent with collective interest (McLean Parks & Schmedemann, 1994), and have a pervasive effect on personal as well as work life.

From a global perspective, it is fairly obvious that the term ‘psychological contract’ itself may be more apt for transactional relationships, and not particularly descriptive of relational exchanges. While
the term contract expresses a rather Western, individualist view of the employment relationship (Rousseau & Schalk, 2000) we retain it based on prior usage, although the literature recognizes fundamental differences that underlie the two types of relationships. Transactional relationships derive legitimacy from legal/rational or pragmatic principals (Brown, 1997; Suchman, 1995). This pragmatic legitimacy is outcome based: such calculative relationships are explicitly designed to provide tangible positive outcomes for both parties. Alternatively, the socio-normative relationships characteristic of the relational contract tend to be based in moral legitimacy, implying a felt moral obligation to ‘do the right thing’ for relationship partners, regardless of immediate personal outcomes. Moral responsibility is the underlying motive for meeting relationship obligations, as opposed to accountability for specific outcomes (see Hofstede, 1980).

Based on these fundamental differences and consistent with the terminology that has dominated the literature, we base our analysis on these two types of psychological contracts: transactional and relational. These types of contracts are separate components of any employment relationship (e.g., Cavenaugh & Noe, 1999); however, they are also interdependent in that a predominance of one type will influence further parts of the social exchange to be perceived in the dominant mode.

In this article, we limit our discussion to the effects of individual cultural profiles. While the psychological contract resides within individuals, we recognize that firm- and societal-level factors help to frame it. The myriad interactions among these three levels are impossible to articulate in one article. Here, we conceptualize societal- and firm-level factors as establishing the boundary conditions, (‘zone of negotiability’; Rousseau & Schalk, 2000) within which the individual’s psychological contract forms. We briefly discuss these boundary conditions to provide a frame in which to place our discussion of the individual effects of culture.

**Boundary conditions**

Societies place limits on the psychological contract through the level of resources (e.g., skilled labor, capital) made available to firms, and the regulations (laws or customs) that govern acceptable behavior by both employees and employers (Rousseau & Schalk, 2000). For example, laws influence employee beliefs about what is allowed in a relationship with a firm and also directly influence the ability of workers to bargain. Additionally, societies vary in the extent to which they support a free market economy, and the economic environment in a country affects issues such as work force demographics, quality of the labor force, hours of work, working conditions, and compensation (Parker, 1998). Moreover, government is a major employer in many countries and therefore a powerful influence on the establishment of normative standards of employment (Rousseau & Schalk, 2000). Finally, the institutions of society such as educational and family systems influence both the characteristics of the labor force as a whole and the characteristics of individuals (educational level, skills, social status) that determine individual bargaining power.

In addition to societal-level effects, firms also set boundaries on the psychological contracts of individuals. Firms are not passive, but react to and sometimes shape societies in several ways (Rousseau & Schalk, 2000). For example, through recruitment and selection practices they can exercise discretion over the types of resources they derive from society. In addition, they can decide whether or not to invest in the training and development of the work force. Finally, they can socialize workers to specific organizational practices, which reflect firm specific technology and structure. In this way the work force of a particular firm may differ significantly from the larger society.

The psychological contract of employees is formed within the zone of negotiability created by these societal- and firm-level factors. That is, these factors have an indirect effect on the psychological
contract by creating boundaries that limit the extent to which individuals have choice in their exchange with the firm and the extent to which both individuals and firms are capable of honoring commitments. There is considerable variation in these factors around the world (Rousseau & Schalk, 2000), and societal conditions change, sometimes rapidly. The variation and volatility of the various zones of negotiability that exist around the world create differences in the context for the psychological contract. However, the economic, legal, and political systems that create the zone of negotiability have developed over time and are the visible manifestation of a more fundamental set of culturally shared meanings (Schwartz, 1994).

Societal culture reflects the institutions of society, and is represented in the relatively stable values, attitudes, and behavioral assumptions of individuals. Focusing on the fundamental construct of individual cultural profiles, rather than on societal- or firm-level influences, allows us to better understand cultural variation in the psychological contract of individuals. For the international manager, it is these individual perceptions, as influenced by culture, that are key to effectively managing employment relationships.

In order to specify the influence of culture we first review our conceptualization of the culture construct and the cultural profile of the individual. Then, for the purpose of providing clear examples of the propositions given ahead, we focus on the well-known cultural value orientations of individualism and collectivism. General mechanisms for the influence of culture on the psychological contract are followed by specific examples of the influence of individualism/collectivism.

Culture

Culture consists of systems of values, attitudes, beliefs, and behavioral meanings shared by members of a social group (society) and learned from previous generations. Culture itself, a group level construct, is neither genetic nor about individual behavior. However, it exists within the knowledge systems of individuals, which are formed during childhood, and reinforced throughout life (Triandis, 1995). Much of our understanding of cultural variation has developed through our study of values (e.g., Kim et al., 1994). Value orientations are the shared assumptions about how things ought to be or how one should behave (Rokeach, 1973). They result from solutions that social groups have devised for dealing with the finite number of problems that all people confront. Because there are limited ways that societies can deal with these problems (Kluckhohn & Strodtbeck, 1961), it is possible to develop a system that categorizes and compares societies on the basis of their values (see also Lytle et al. (1995) for further discussion of types of cultural variation). As noted above, in order to provide clear examples of our propositions we focus on the much-researched value dimensions of individualism and collectivism.

Individualism and collectivism

Individualism and collectivism are perhaps the most useful and powerful dimensions of cultural variation in explaining a diverse array of social behavior (Triandis, 1995). Despite being conducted at widely different times, with different samples and methods, major studies of national variation in value orientations (e.g., Hofstede, 1980; Kluckhohn & Strodtbeck, 1961; Schwartz, 1994; Trompenaars, 1993) all feature individualism and collectivism. This convergence suggests that they are broad cultural constructs that encompass more basic elements (Triandis, 1995). Also, individualism and
Collectivism may be particularly important to the psychological contract because self-concept derived motives, as discussed ahead, are central to the nature of the exchange that individuals have with their organizations. Key to the understanding of self-concept motives, individualism and collectivism can be described fundamentally in terms of the way individuals construct their concept of themselves (Markus & Kitayama, 1991).1

Individualism refers to the tendency to view one’s self as independent of others and to be more concerned about consequences of behavior for one’s personal goals. Cognitions that focus on attitudes, personal needs, and rights guide much of behavior, and rational analysis guides relationship formation. Individualists’ norms for relationships tend to be based on what Fiske (1991) calls market pricing (Triandis, 1995). This refers to exchange relationships based on a function of market prices or utilities where exchanges are made in proportion to what is contributed. Resources are shared according to a quota proportionate to some standard. There is a concern with the efficient use of resources, especially time. Decision-making is dominated by cost benefit and market forces approaches. Individual social identity is defined in terms of one’s economic role, and achievement motivation tends to dominate. Aggression and conflict are based on protecting markets or profits, and justified based on utilitarian principles.

Collectivism refers to the tendency to view the self as interdependent with selected others, be concerned about consequences of behavior for the goals of the in-group, and be more willing to sacrifice personal interests for group welfare. Cognitions that focus on norms, obligations and duties guide much of behavior, and there is an emphasis on relationship formation even when the advantages to the individual are unclear. In Fiske’s (1991) terms, relationship norms for collectivists are founded in communal sharing (Triandis, 1995). Communal sharing involves an exchange relationship in which individuals contribute what they can and freely take what they need from the common pool of resources. Relationships are idealized as eternal, with decisions made by consensus. Individuals derive their social identity from common origins such as ancestry or race, and are motivated by a desire to be similar to others and to avoid standing out as different. There is strong in-group favoritism and conflict is expressed as out-group hostility.

These orientations can be identified at the societal level (i.e., Japanese culture is more collectivist than the United States), but can also be examined with regard to the cultural profiles of individuals, as we do here (Triandis, 1995).2 Thus, while national culture influences the cultural profile of individuals raised within it, individual sources of variation, such as idiosyncratic experiences and personality will also affect individuals’ value orientations, creating variation within socio-cultural groups. Individual-level variation in cultural profiles should be most closely tied to individual perceptions of the exchange relationship, and individual cultural profiles serve as the conduit of influence of that part of the mental programming of individuals that is shared in a society.

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1Markus and Kitayama also expand on the notion of cultural differences in the definition of self by describing both vertical and horizontal orientations. The vertical dimension of self accepts inequality, while the horizontal dimension emphasizes that people should be similar on most attributes, especially status (Triandis, 1995). This distinction between vertical and horizontal individualism and collectivism results in the possibility of four different cultural profiles. However, Hofstede’s power distance dimension is conceptually equivalent to verticality, and there is a strong positive correlation between power distance and collectivism (r = 0.67 according to Hofstede, 1980). This finding indicates that vertical collectivism and horizontal individualism appear to be the dominant cultural profiles around the world (Triandis, 1995). For example, while the United States might be higher in verticality than New Zealand or Canada, all individualist cultures, relative to collectivist cultures, are horizontal. That is, verticality serves to reinforce collectivism and horizontality reinforces individualism. Given this strong relationship, we chose the more parsimonious approach of focusing on individualism and collectivism for our specific examples, while recognizing the potential importance of other cultural dimensions, particularly verticality and horizontality.

2Triandis et al. suggest the use of the level-specific terms idiocentric and allocentric to describe individuals who endorse individualist or collectivist values respectively (Triandis, Leung, Villareal, & Clack, 1985). This terminology has not been widely adopted; thus, consistent with common practice, we use individualism and collectivism to refer to both societal and individual levels of analysis.
Mechanisms of Cultural Influence: An Overview

Our predictions of how culture influences the psychological contract are grounded in the concepts of both social cognition and motives in social exchange. We suggest that the cultural profiles of individuals act both as processors of information and as sources of influence on preferences and forces on behavior. That is, while cultural values operate at the cognitive level, we distinguish between cognitive and motivational channels of this influence. We define cognitive mechanisms as those that operate through a neuropsychological information processing channel and motivational mechanisms as those that operate through preferable end states or modes of behavior. While these pathways are interrelated (e.g., Alexander, Kulikowich, & Jetton, 1994; Locke, 2000), we suggest that distinct effects based on each process can be identified.

First, social cognition addresses the role mental representations have in processing information about people or social events, and answers the question of what is perceived to be true. Culturally different individuals learn different sets of values (Erez & Earley, 1993), which develop into cognitive frameworks or schemas that are used to help organize and process information about various situations, in this case, their relationship with their employer (Fiske & Taylor, 1984). Different priorities for what stimuli deserve attention (selective attention), and the meaning we attach to these perceptions (encoding), are formed by gradual internalization of prevailing cultural patterns (storage, retrieval; Markus & Kitayama, 1991; Miller, Bersoff, & Harwood, 1990). Research indicates that social cognitions such as perceptions of events (e.g., Bagby, 1957) and attributions made about their causes (Ting-Toomey, 1988) both vary across cultures. This variance has implications for how the psychological contract is perceived, and how events within that relationship, such as violations, are explained.

Second, motivational implications of differing self-concepts arise from individuals’ seeking to fulfill differential motives aligned with their cultural values within the context of social exchange. Motives address the question of what does one want or prefer. Motives to maintain a positive self-image are probably universal. However, what constitutes a positive self-view depends on how the self is construed. Motives that are linked to the self assume different forms depending on the concept of self being enhanced or verified (Markus & Kitayama, 1991). For example, for those with independent (separate) selves, feeling good about oneself means uniqueness and expression of inner attributes, internal needs, and rights, and exhibition of the capacity to withstand undue social pressure (Janis & Mann, 1977). Those with interdependent (connected) selves derive a positive self-image from belonging, fitting in, occupying one’s proper place, maintaining harmony, receptivity to others, and restraint of personal needs or desires (Markus & Kitayama, 1991).

Cultural and other components of the self-concept act to select, interpret, and evaluate the meaning of action through its contribution to personal self worth and well being (Erez & Earley, 1993). It affects choices about what actions people initiate, terminate, or persist in (Atkinson, 1958) to self regulate in the quest for self worth. Activities that fit an individual’s cultural value profile will help to maintain and enhance the self-image and will hence be preferred. This process is fundamentally different from influences based solely on cognitive structure, as it is based in inherent needs (e.g., self worth), and forces on preferences and behavior regulating the pursuit of fulfillment of these needs. The cognition channel, on the other hand, involves the use of information stored in memory to guide attention and sensemaking, and to compensate for information lacking from organizational communication in the effort to determine states of existence.

In sum, we propose that the mechanisms of cultural influence can be described as falling into two related domains, cognitive and motivational. The cognitive domain involves cultural variation in perception and interpretation of signals from the organization and in behavioral scripts associated with an individual’s relationship to the organization. The motivational domain involves how culturally
different self-concepts influence what is desirable and thus, varying forces on preferred outcomes and ways of behaving (Fiske & Taylor, 1991). Figure 1 shows a heuristic conceptualization of how these two mechanisms influence the formation of the psychological contract, perception of and attribution for contract violations, and responses to these violations.

**Cultural Differences in Psychological Contract Formation**

Based on the above conceptualizations of culture, its cognitive and motivational influences, and the psychological contract, we propose that the cultural profile of individuals influences the form that the psychological contract takes (dominated by a transactional or relational orientation). First, through social cognitive processes such as attention and encoding, systematic cultural differences exist in the interpretation culturally different individuals have for the same organizational messages regarding the exchange relationship. Second, based on variation in exchange relationship motives, systematic differences exist in the extent to which individuals attempt to formulate their contracts with a transactional or relational orientation. Each of these mechanisms is discussed ahead.

**Social cognition and interpretation of organizational messages**

Organizational sources, including co-workers (Miller & Jablin, 1991) and the social context (Salancik & Pfeffer, 1978), signal commitments and obligations to employees through such things as overt statements, expressions of policy, and references to history or reputation. Of course, how individuals interpret these messages influences the psychological contract more than the messages actually sent (Rousseau, 1995). Regardless of the actual content of organizational messages, values influence what
is perceived under conditions of uncertainty or ambiguity (e.g., Ravlin & Meglino, 1987). As noted above, not all exchange conditions between an employee and employer can be specified, and therefore, existing cognitive frameworks (including those based on cultural profile) provide a structure to fill the gaps. For example, individualists should be more likely to interpret information in transactional terms and collectivists in relational terms because existing mental structures indicate that these orientations are consistent with what is likely or what ought to happen between employee and employer. In fact, a truly parochial individual may not be aware of other options. Attention is drawn to communications and interpretations that fit, and these stimuli are subsequently encoded within the existing mental structure: for example, we expect individualists would regard information about training programs in terms of the immediate benefits they can personally gain, including improved external marketability, whereas collectivists might attend to this information in terms of how these programs can improve their contribution to the organization and thus strengthen the organization–employee relationship.

In addition to effects of culture on interpretation of communications, culture also affects what information is identified as communication, directing selective attention in different ways. For example, collectivism and individualism tend to covary with high and low context communication styles (Gudykunst, Ting-Toomey, & Chua, 1988). Context refers to who is communicating, under what circumstances, and even where communication occurs. In low context cultures, messages are largely conveyed by the words explicitly spoken (e.g., the United States). In high context cultures, much of the message is implicit, conveyed by the context. In Japan, the relationship of the receiver to the sender may well determine the meaning of the message (Hall & Hall, 1987). Context is thus much more important to conveying meaning for collectivists than for individualists (Hall, 1976). This difference is in keeping with individualist tendencies to think in terms of the explicit quid pro quo that requires specific definition, and the likelihood of having a broader variety of exchange partners who are less well known. Collectivists, on the other hand, depend on long-term, in-depth relationships in which the nuances of a partner’s reactions convey important information. Differences in these sources of information thus also bias collectivists to pay more attention to the relationship information communicated by context, whereas individualists look for explicit information regarding inducements and contributions. For example, the formation of individualists’ psychological contract might involve information about the amount of promised bonuses. Collectivists recognize this information, but also remember and take into account that the supervisor promised them this amount during a time when the market was prospering.

The preceding arguments lead us to the following propositions:

**Proposition 1**: The cultural profile of individuals will influence formation of the psychological contract towards transactional or relational forms through cognitive processing based on existing cognitive structures.

**Proposition 1a**: Selective attention and encoding, storage, and retrieval biases will influence individualists to interpret organizational messages to be transactional, and collectivists relational, in nature.

**Proposition 1b**: Selective attention will influence the extent to which message context, or non-explicit communication, influences the formation of the psychological contract, such that collectivists are more likely to attend to message context than individualists.

**Differing motives in social exchange**

As noted above, individuals from collectivist cultures (characteristically interdependent self-concept) are motivated to create long-term moral obligations by keeping relationships open and dynamic (Tse, Lee, Vertinsky, & Wehrung, 1988; Yang, 1993). They tend to locate themselves in a large
in-group that affects many areas of their lives (Triandis, 1988), and tend to extend their definition of in-group to a network of interdependency (Goodwin & Tsang, 1991). In contrast, individualists have short-term orientations and expect quid pro quo responses in social exchange (Erez & Earley, 1993; Triandis, 1989). Individualists get involved with more in-groups, each with a specific purpose (Erez & Earley, 1993). Relational contracts are thus more consistent with the goal orientations of collectivists, while transactional contracts reflect the motives of individualists. That is, individuals will be motivated to regulate their behavior to develop their psychological contract in a form that enhances self-image. Thus we would expect individualists to negotiate for tangible individual incentives, such as bonuses, based on their contribution, whereas collectivists might promote aggregate-level rewards to emphasize harmonious relationships.

The motive to achieve consensus is a key component of the constellation of motives surrounding self worth in a collectivist context. A feature of collectivist cultures is high agreement on what constitutes culturally correct behavior, referred to by Pelto (1968) as tightness. Collectivists are more likely to report that they are influenced by social norms than are individualists (Trafimow & Finlay, 1996). This ‘tightness’ often occurs in homogeneous cultures with a view to maintaining harmony, while individualist cultures often have conflicting norms, and deviants are not necessarily sanctioned (Triandis, 1995) because it is acceptable to express individual self-interest. For example, Japanese (tight culture) have been shown to exhibit less individual variation in understanding concepts than Americans (loose culture) (Chan, Gelfand, Triandis, & Tzeng, 1996) and to perceive greater threats of shame and embarrassment (reductions in self worth) for non-compliance with organizational norms (Kobayashi, Grasmick, & Friedrich, 2001). Because there is less emphasis on independence of thought and action, and a propensity for consensus in responses, collectivists are more motivated by a norm for consensus in forming the psychological contract than are individualists. Relational (social/normative) contracts reflect a social consensus and reinforce specific behaviors and exchange patterns, and thus are more consistent with collectivist motives to avoid differentiation or deviance from the aggregate. As noted above, collectivists should prefer organizational practices such as reward policies that limit the differentiation between them and other employees, rather than emphasizing their unique contribution, in order to facilitate a harmonious consensus. In summary, self worth motives as embedded in the cultural profile of individuals will influence formation of the psychological contract towards transactional or relational forms.

**Proposition 2**: Individualist cultural values will motivate individuals to form a more transactional psychological contract to enhance the independent self, whereas collectivist cultural values will influence individuals to form a more relational contract to enhance the interdependent self and to satisfy related motives toward consensus.

**Cultural Differences in Perception of Violations of the Psychological Contract**

Much of our understanding of psychological contracts has been derived from the study of contract violations. Violations depend on the interpretations individuals give to the circumstances surrounding failure of one party to comply with the perceived terms of the contract (Morrison & Robinson, 1997). In one type of violation, called *disruption* (Rousseau, 1995), circumstances make it impossible for one party to meet the contract terms despite a willingness to do so. For example, changing economic or environmental conditions might force an organization to alter its existing employment relationships. In contrast, *breach of contract* occurs when the party is capable of meeting the terms, but refuses to do so.
For example, organizational agents may not meet specific terms of employment relationships because they perceive that the costs of fulfilling the agreement outweigh the costs of reneging. We propose that culture influences interpretation of non-compliance with terms of the psychological contract through both cognitive and motivational mechanisms, as described in the following.

**Cognitive influences on perception of a violation**

Conceptions of the psychological contract tend to endure until the situation forces a reevaluation (Rousseau, 1995). However, cognitive bias is likely to influence the threshold for the perception of a violation (Morrison & Robinson, 1997). One aspect of cognitive bias in perception is the fact that people attend to information that confirms their prior cognitions, and ignore disconfirming information (Detto & Lopez, 1992; Olson & Zanna, 1979). Collectivists, therefore, have a bias toward perceiving information as supporting a relational contract, and individualists toward perceiving information as supporting a transactional contract. This bias will continue to dominate perception until the incoming information becomes so inconsistent that it cannot be assimilated into existing structures (Robinson, 1996). Therefore, unmet terms are perceived as a contract violation only when they indicate an imbalance in the exchange relationship that is sufficiently unfavorable to exceed a perceptual threshold.

This threshold should partially depend on culturally based expectations that individuals have of the organization. Morrison and Robinson (1997) suggest that equity sensitive individuals (an individualist tendency; Hui, Triandis, & Yee, 1991) are more attentive to information regarding balance and immediate compensation for effort, and thus will have lower thresholds for perceiving violations. Conversely, collectivists are less likely to expect direct, immediate compensation for their contributions, and are more tolerant of unequal outcomes (Triandis, 1995). Because of higher trust in the relational basis of the exchange, collectivists may be less vigilant (Morrison & Robinson, 1997) in monitoring changes in the exchange relationship. Given selective attention, encoding, and storage processes, they may likely be more sensitive to unmet relational aspects of the exchange. However, because of the less explicitly reciprocal and longer-term relationships expected by collectivists, the broader nature of their tie to their organization, and the greater difficulty of assessing whether relational obligations have been met, we also expect them to have a higher overall threshold for concluding that violations have occurred within any given time frame. Stated more generally, we anticipate that culturally biased perceptions, by way of selective attention, encoding, and storage, lead to cultural variation in the threshold for perceived psychological contract violations.

For example, the failure to receive a promotion has both transactional (economic) and relational (acceptance) elements. First, we anticipate that individualists attend to and further process more information regarding the range of possible economic consequences than do collectivists. Further, collectivists should be more attentive to and further process outcomes related to lowered perceptions of acceptance than collectivists. However, we suggest that individualists are more likely to identify such a situation as a violation of the psychological contract while collectivists may not recognize it as such because individualists expect and look for explicit, defined outcomes in the context of their psychological contract, whereas collectivists see a much broader range of possible behavior on the part of both parties to the relationship.

**Proposition 3**: The cultural profile of individuals will influence the extent to which unmet obligations are perceived as violations of the psychological contract, based on differences in selective attention, encoding, and storage of communication regarding unmet obligations.

**Proposition 3a**: Individualists are more likely to perceive unmet transactional obligations as violations, whereas collectivists are more likely to perceive unmet relational obligations as violations.
Proposition 3b: Collectivists will have a higher overall threshold for the perception of a psychological contract violation than will individualists.

Within the encoding process, attributional differences are likely to exist as well between individuals with differing cultural profiles. Attributions help us to react to our environment by linking observation of an event to its causes. The search for, and assignment of, cause for behavior seems to be a mental process that operates in similar ways across cultures (Schuster, Fosterlung, & Weiner, 1989). In attributing behavior, we rely on situational cues indicating the extent to which the actors are in control (Kelley, 1972). Sometimes, however, these cues are inconclusive. Then we rely on information we have in memory (Darley & Fazio, 1980). This information can be based on culturally driven expectations of normative behavior (e.g., how should people behave in that situation?) or on our own culturally driven behavior in the situation (e.g., what would cause me to behave that way?). We propose that individuals fill in incomplete information by relying on culturally based cognitions relevant to their psychological contract.

In the case of individualism and collectivism, collectivists view the exchange relationship as longer term, and believe that the organization will look after them in exchange for their loyalty (Hofstede, 1980). Organizational agents have a responsibility to employees based on their position in the exchange relationship (Fung, 1994). Brockner et al. (1997) note that questions about trust in an organization may in fact stimulate the sensemaking process, and thus, as noted earlier, collectivists are less likely to engage in a reevaluation of the contract than individualists. Expectations are that obligations will eventually be met. Also, collectivists have been shown to be less likely to exhibit correspondence bias (bias toward explaining behavior in terms of target attributes) than individualists, when situational constraints are evident (Choi, Nisbett, & Norenzayan, 1999). Based on this finding, and their long term, flexible, and context dependent view of organizational obligations, collectivists will be likely to attribute unmet expectations to factors outside of organization control (disruption).

Conversely, individualists are less likely to trust the organization to meet agreement terms (Brockner et al., 2000; Cavenaugh & Noe, 1999; Robinson, 1996). Individualist cultures de-emphasize fulfilling normative role obligations and emphasize free will and independence (Triandis, 1995). If legitimacy is based in the outcomes of parties to a transactional contract, an individualist would expect either party to violate the agreement subject to changes in expected outcomes. This suggests that individualists are more likely than collectivists to believe that unmet expectations are within the control of the organization (breach), consistent with their expectations of instrumental behavior on the part of the organization and their tendency toward correspondence bias. For example, on failing to receive an expected promotion, individualists might blame their supervisor and organization for using an inadequate performance evaluation process. Collectivists might attribute this unmet expectation to the impossibility of evaluating all information and the inevitable subjectivity in all personnel decisions.

In summary, we expect the cultural profile of individuals will influence the attributions that are made for the cause of unmet expectations within the psychological contract.

Proposition 4: Individualists are more likely to attribute perceived unmet expectations to factors within organizational control than are collectivists.

Culturally based motives and violation perceptions

Cognitive processes, as we described above, lead to attention and encoding biases against perceiving a violation, or attributing unmet expectations to factors under the control of the organization. However, social exchange motives play a different role in the conception of contract violations.
Different concepts of the self result in inherently differential commitment and trust in organizational relationships. People with an interdependent self-concept have been found to be more sensitive to procedural (as opposed to distributional) fairness in evaluations of outcomes (Brockner et al., 2000) because fair procedures and interpersonal treatment signal to individuals their status and confirm their membership in the in-group (Leung, 2001; Lind, 2001). Trust in the organization to be fair, characteristic of those who view the psychological contract as legitimized through moral obligation rather than pragmatism, is more important for collectivists than individualists. Also, collectivists are more likely to expect unconditional benevolence in exchange relationships (Leung, 2001), consistent with a psychological contract founded in moral obligation. Some research suggests that organizations’ unfavorable actions have a more profound effect on individuals with a strong relational orientation, such as those high in organizational commitment (Brockner, Tyler, & Cooper-Schneider, 1992). We suggested previously that collectivists might initially tolerate a higher level of unmet terms by assimilating these behaviors into prior cognitions, and also attribute them to external factors. However, because of interdependence motives in social exchange, including a preference for unconditional relationships and trust in the organization to be fair, we also suggest that when the situation becomes so unfavorable that collectivists do come to attribute it to factors the organization controls (breach), the breach will be more severe than for individualists, and cause concomitant psychological reactions of stress, tension, and internal conflict.

Building on our example of an individual denied an expected promotion, initially cognitive assimilation should occur for collectivists, as they attribute the event to causes outside of the organization’s control. If the denial seems based on unfair procedures, however, self-worth needs are no longer being met. A breach is indicated, and greater levels of stress, tension, and internal conflict based on self-regulatory failure will result for the collectivist in comparison to the individualist. To the individualist, on the other hand, transactional needs can be met with different partners. In summary, we expect that cultural variation in social exchange motives will influence psychological states in reaction to psychological contract violations (breach).

Proposition 5: Collectivists, based on motives to maintain their self-enhancing relationship with the organization, will experience greater stress, tension, and internal conflict when experiencing a breach than will individualists.

Cultural Variation in Behavioral Responses to Contract Violations

Behavioral responses to perceived violations of the psychological contract involve attempts to reestablish balance in the exchange. These behaviors have been categorized as exit, voice, loyalty, and neglect (EVLN) (Rusbult, Farrell, Rogers, & Mainous, 1988; Thomas & Au, 2002; Turnley & Feldman, 1999). Exit is quitting, transferring, and similar behaviors; voice includes working to improve the situation by discussing and suggesting solutions; loyalty is staying with the organization and providing support by waiting, hoping for improvement, and trusting the organization to do the right thing; neglect implies that recovery is not possible and includes reduced effort, chronic lateness or absenteeism, and similar responses. These responses differ along the dimensions of constructiveness versus destructiveness, and activity versus passivity. According to Rusbult et al. (1988), exit is active and destructive, voice is active and constructive, neglect is passive and destructive, and loyalty is passive and constructive.

Cultural differences result in different cognitive scripts (Abelson, 1981) employed by individuals to guide their behavior. Cultural differences will exert a direct effect on responses to violations when a situational script is triggered and prescribes a culturally normative response. Also, cultural values

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reflect individuals’ needs, and prescribe behavior required to satisfy those needs (Erez & Earley, 1993). Thus, in addition to cognitive effects, characteristic differences between cultural groups in their social exchange motives will also influence behavioral responses to violations and to situational variables (for example, quality of job alternatives).

Cognitive influences: the role of culturally based scripts

Behavioral scripts are used in interactions based on contextual cues. They consist of a particular action plan indicated for the situation (Lord & Kernan, 1987). Cultural differences occur in the content of scripts because scripts are often guided by cultural values (Brett & Okumura, 1998; Miller, 1994; Thomas, Ravlin, & Wallace, 1996). We suggest that cultural differences in responses to perceived psychological contract violations can be partially attributed to the extent to which individuals hold and retrieve culturally appropriate scripts for themselves in specific organizational situations. For example, individualists and collectivists are expected to differ in the extent to which they hold a constructive response script for voice versus exit as their dominant behavioral option. Individualists’ cognitions contain more information about internal capacities, including their own ability to effect change and withstand social pressure (Triandis, 1995). Collectivists, on the other hand, have cognitive structures that contain more information about fitting in, and working together with others to effect change and are thus less likely to exhibit non-conforming behavior (Bontempo & Rivero, 1992). Voice is assertive and non-conformist in that it is change oriented (LePine & Van Dyne, 1998), and organizations often interpret such behavior as threatening to cohesiveness (Nemeth & Staw, 1989). While consistent with individualist beliefs that organizations are willing and able to respond (Withey & Cooper, 1989), a strong voice script among collectivists is inconsistent with the avoidance and compromise schemas that represent collectivists’ dominant modes of conflict resolution (Leung & Wu, 1990; Trubisky, Ting-Toomey, & Lin, 1991).

Exit is vague as to the target of behavior, and is thus a subtler response to a dissatisfying situation that avoids confrontation (Au & Bemmels, 2000). It may therefore be a more prevalent script for collectivists once a violation is ultimately perceived. Evidence consistent with this idea is provided by research on situations of declining job satisfaction, which showed a dominant response of exit for collectivists, and voice for individualists (Thomas & Au, 2002).

Individualists and collectivists may also differ in the extent to which they hold active versus passive scripts. Loyalty has been conceptualized as a distinct response (Leck & Saunders, 1992) typified by patiently waiting for things to improve. As a passive and non-confrontational response that emphasizes maintenance of harmony and conflict avoidance, loyalty is consistent with collectivist, rather than individualist, culturally based cognitions. Individualists are unlikely to maintain a relationship when the perceived costs of maintenance exceed the benefits (Bhawuk, 2001; Kim et al., 1994). Additionally, individualists have strong beliefs concerning their ability to control their own destiny, which argues against this cultural group suffering in silence. Neglect, like loyalty, is inconsistent with the active pursuit of conflict resolution characteristic of individualists (Leung & Wu, 1990). However, given a transactional view of the psychological contract, individualists may balance the relationship through this type of behavior. Farh, Earley, and Lin (1997) provide an example of this point in a study in which they observed individuals high on modernity values (more transactional orientations) reduce their citizenship behavior when they experienced perceptions of injustice. Traditionalists, on the other hand, did not change their level of citizenship behavior.

Proposition 6: The cultural profile of individuals will influence the content of behavioral scripts retrieved and enacted in response to a violation of the psychological contract.
Proposition 6a: Individualists are more likely to respond to violations in the psychological contract by retrieving and enacting voice and neglect scripts than collectivists.

Proposition 6b: Collectivists are more likely to respond to violations in the psychological contract by retrieving and enacting loyalty and exit scripts than individualists.

Social exchange motives: direct and indirect effects

Social exchange motives should exert both direct and indirect effects on responses to perceived violations. Culture should directly impact the extent to which action reflects a desire to maintain a connection with the organization, and the felt moral obligation embedded in this connection that enhances the interdependent self. The importance of relationship maintenance for collectivists is evident in recent findings with regard to leadership characteristics (Smith, Peterson, Bond, & Misumi, 1992), group dynamics (Earley, 1989), and conflict resolution (Trubisky et al., 1991). Loyalty best reflects a motive to maintain the relationship, avoid disharmony, and fulfill felt moral obligations. In contrast, voice is most consistent with attempts to obtain desired outcomes within the employment relationship after a perceived violation.

Social exchange motives also are likely to produce indirect cultural influences on responses to violations because cultural values specify preferences for particular end states or modes of behavior. Consistent with evidence of cultural differences in decision processes (Radford, Mann, Ohta, & Nakane, 1991) and choice behavior (Chu, Spires, & Sueyoshi, 1999), we suggest that based on their motives, culturally different individuals have different preferences regarding situational characteristics related to the exchange relationship with their employer. Cultural differences operate to moderate the effect of specific situational characteristics, such as the presence of high-quality job alternatives, on behavior. For example, in a U.S. study, Turnley and Feldman (1999) found that high-quality job alternatives promoted exit in response to psychological contract violations. However, individualists, consistent with their independent nature, high value for freedom of choice, and more transactional motivation, should be more susceptible to the influence of the quality of alternatives outside of the present job than collectivists. As Triandis (1995) suggests, individualists are always motivated to look for the best ‘deal’ they can get, tending to emphasize the advantages and disadvantages of a particular situation with a goal of maximizing self-interest (Ting-Toomey, 1994). Thus, situational characteristics, such as quality of job alternatives, should be more influential for individualists than for collectivists, implying an interaction effect of cultural profile and situational characteristics on responses to a perceived contract violation. We would anticipate that an individualist and collectivist faced with the same quality of external job alternatives would have different preferences for these alternatives based on the collectivist preference to maintain relationships, and the individualist preference to locate the best inducements/contributions ratio.

Proposition 7: The cultural profile of individuals will have both direct and moderating effects on responses to violations of the psychological contract through social exchange motives.

Proposition 7a: Individualists are more likely to prefer and respond with voice to psychological contract violations than collectivists.

Proposition 7b: Collectivists are more likely to prefer and respond with loyalty to psychological contract violations than individualists.

Proposition 7c: Quality of job alternatives will have a greater influence on response behavior for individualists than for collectivists, such that (ceteris paribus) in the case of high-quality job alternatives individualists will be more likely to prefer and choose exit in response to psychological contract violations than will collectivists.
Contributions and Implications

Psychological contract theory is fundamentally concerned with employee willingness to rely on employer promises, and to feel obligated in return. The psychological contract is a perceptual process based in social cognition and social exchange motives. In this article, we draw attention to the fact that systematic variation in the cultural orientation of individuals influences the conception of the psychological contract, how such conceptions form, how violations of the contract are perceived, and what dominant responses to violations might exist. The approach we have identified provides both a framework for understanding the effects of culture and an agenda for future research.

Recent research (Rousseau & Schalk, 2000) has documented the differences that exist in various societies in the psychological contract. In this article we identify both cognitive and motivational mechanisms through which a fundamental feature of society, its culture, manifests its influence. Cognitive influences include selective attention to organizational information, differences in the encoding of similar organizational messages, bias in attribution regarding violation controllability, and the holding and retrieval of culturally based behavioral scripts in response to violations. Social exchange motives are based on preferences that culturally different individuals have that are regulated by self-concept enhancement. They result in differences in the form (transactional versus relational) the psychological contract takes and differences in the extent to which conceptions of the psychological contract are shared. Motives also affect psychological responses to breach of contract, the extent to which individuals wish to maintain a connection with the organization in the context of their response to contract violations, and in different evaluations of situational factors in response to contract violations.

One strength of our approach is that it improves the cross-cultural generalizability of the literature on the psychological contract without undermining its theoretical base. Our focus on cognitive processes and social exchange motives defines the influence of culture as occurring through identifiable psychological processes. Future research can build on this development in several ways.

First, we provide the opportunity for empirical verification of the proposed general effects of the cultural profiles of individuals. We chose to emphasize the process mechanisms whereby individual cultural profiles have their effects, and we argue that these mechanisms can be extended to a variety of cultural content. Our discussion of culture’s influence on the psychological contract gives examples based on the cultural dimensions of collectivism and individualism as a parsimonious approach to categorizing culture. While these dimensions are well documented and powerful in predicting culture’s influence, future research should also examine a wider array of cultural variation (e.g., Earley & Gibson, 1998).

For example, interesting hypotheses can be generated based on the cultural dimension of power distance (Hofstede, 1980), or verticality (Triandis, 1995). McLean Parks and Smith (1998) consider symmetric (horizontal) and asymmetric (vertical) power distributions combined with transactional and relational components of the psychological contract. When power relationships are asymmetric, additional contract types such as custodial (relational) and exploitive (transactional) can also be identified. Research on communal relationship orientations has shown expectations by subordinates of custodial relationships in some collectivist groups (Chen, Lee-Chai, & Bargh, 2001) that are consistent with McLean Parks and Smith’s framework. An additional link may be made to research in strategic human resource management. Over-investment strategies may resemble custodial relationships, in which organizations provide employment security, but have fairly narrow requirements of employees, and under-investment may be symptomatic of exploitive relationships, in which more is expected of employees, but the organization provides little (Tsui, Pearce, Porter, & Tripoli, 1997). Various types of human resource strategies used in different cultures should be differentially effective, depending on the
employment expectations of the workforce (Ferris et al., 1998). At the individual level, while we make predictions regarding the effect of culture on behavioral responses designed to re-establish balance in the exchange relationship, it is also possible to envision cultural differences in the physical and mental health outcomes of psychological contract violations.

Second, we ground our theoretical predictions in empirical results from literature on culture, the psychological contract, social cognition, and social exchange. However, there may be other psychological processes that are also plausible. Empirical tests of the proposed relationships would identify strengths and weaknesses of our individual-level theory. Future research could also benefit by examining the individual mechanisms proposed in the context of differing societal- and firm-level constraints. Features of particular firms within a society shape the extent to which the cultural profiles of individuals are influential, for example, how the absence of the enforcement of promises affects individuals’ motives for forming transactional versus relational contracts. Third, while recognizing the dynamic nature of the psychological contract, our approach does not capture all the complexity associated with how psychological contracts change over time. We can envision numerous feedback loops and interactions that iterate between elements, such as between perceived contract violations and the subsequent form of the contract. For example, violation of a relational contract may suggest that future relationships will be more transactional in some cultures, but not in others. One issue related to the evolution of the psychological contract over time is whether, and how, the organization becomes defined by the individual as a part of the in-group. Clearly, this definition of social identity is central to how culturally different individuals will interpret and respond to organizational situations.

Finally, the approach presented here lays groundwork for examination of the psychological contract in cross-cultural interactions. In our discussion, the extent of cultural differences of the parties to the psychological contract was not emphasized. However, because of globalization, it is increasingly likely that organizational agents can represent one cultural profile and employees another. The different parties to the contract have different mental representations (culturally based schemas) about the exchange between them, what constitutes a violation of the terms of the exchange, and what are appropriate responses to a violation. Both the specifics of the cultural profiles represented in the exchange and the degree of difference between them should influence interpretation of information about psychological contract formation, perceptions of violations, and the extent to which responses to violations follow culturally based scripts (see Yan, Zhu, & Hall, 2002, for a discussion of issues in the mismatch of expatriate and organizational expectations in the context of psychological contracts).

Theoretical elaborations proposed here also have implications for both employees and organizational agents regarding improvement of cross-cultural understanding. Both parties can begin by recognizing that in cross-cultural exchange relationships, systematic differences in cognition and motivation will affect the extent to which terms of the relationships are clearly understood. Some vagueness and ambiguity will always exist in cross-cultural relationships. Explicit discussions clarifying the terms of the employee–firm relationship help to minimize misunderstandings and inadvertent violations of the psychological contract. As suggested by Morrison and Robinson (1997), one of the best ways to reduce such violations is through better management of the contract formation process. This may be especially true when the parties to the exchange relationship are culturally different. Finally, organizational agents cannot assume culturally different employees’ responses to organizational messages are consistent with how they themselves would react in similar circumstances. Normative behavior in a particular culture, as well as the differing value that culturally different individuals place on situational contingencies, can affect behavioral responses to organizational actions. Continuous dialog and feedback are necessary to insure more accurate perceptions and isomorphic attributions, and can contribute to the development of multiple methods of meeting diverse social exchange motives.
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