

CHAPTER 8

GOVERNANCE OF PSYCHOLOGICAL CONTRACTS VIA RECIPROCITY

The Case of International Expatriation Management

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Expatriate assignments of management employees represent an important activity for personnel management. Expatriates frequently see opportunities to advance their career development, and companies tend to pursue the goal of developing global leaders. However, significant rates of repatriates leaving the company do pose one of the major problems faced by companies. This study aims at investigating the role of psychological contracts in this respect, linking it to the theoretical concept of reciprocity. On the basis of a qualitative investigation into the expatriate assignments of managers we are able to show that the dominant conception of reciprocity in the research on psychological contracts is to be developed further. It can be seen that in addition to utilitarian motives which are characteristic of the dominant research paradigms, there are also prosocial motives based on fairness, honesty and justice which underlie the alternating actions of both employer and

employee in expatriates' psychological contracts. Conclusions are drawn concerning the theory of reciprocity on the one hand and their relevance for expatriate management on the other.

With increased globalization more expatriate managers are being sent on foreign assignments by multinational corporations (Employment Conditions Abroad [ECA] International, 2007). Expatriates are employees who live and work in management positions outside of their country of citizenship. Our study focuses on assignments of between 1 to 5 years' duration. The aims of the managers taking on such assignments differ from those of their respective companies. Whereas employees see mainly opportunities to advance their career development, good financial incentives or personal lifestyle benefits as the rewards of a period of working abroad (Stahl, Miller, Einfalt, & Tung, 2000), multinational companies regard such assignments as a way to control the foreign subsidiary and to develop its personnel (Stahl et al., 2000; Fischlmayr, 2004).

Despite the fact that both parties have a mutual vested interest in the assignment, empirical studies have shown that there are frequent problems both during and following the period spent abroad. Problems that companies face are among others significant rates of employees leaving their company after repatriation of up to half of the expatriate population (GMAC, 2005). For companies this means that the corporate goals can hardly be achieved and the organization suffers from a missing return on investment. Among the most important reasons for the high failure rate are career issues (Riusala & Suutari, 2000; Stroh, 1995). In this regard several studies highlight the role of unfulfilled psychological contracts (e.g., Lazarova & Caligiuri, 2001; Yan, Zhu, & Hall, 2002). This research indicates unmet expectations by employees as reasons for repatriates leaving the company.

The purpose of this research study is to analyze the exchange relationship between employee and employer and the nature of an expatriate's psychological contract, in order to specifically address the needs, expectations and reciprocal obligations as perceived by the expatriate. A special emphasis is laid on the role of reciprocity with respect to a perceived fulfilment or breach of the psychological contract. In order to be able to manage the psychological contract there is a specific need to examine the nature of the reciprocal exchange, the various types of the exchanged goods and services and the dominant mode in which the exchange takes place. Hence our question to be researched is: Which forms of reciprocal interaction take place within the context of psychological contracts of expatriates?

The empirical research was done in cooperation with two multinational companies in the production sector in Germany each being responsible for an entire group of German expatriates. Expatriates being on a development move were interviewed in a qualitative study.

This chapter is divided into two parts. In the first part, a review of the research on psychological contracts of expatriates is given. In addition, the concept of reciprocity is explained and its role for the exchange relationship of expatriates and their employer is worked out. In the second part, the results of our empirical study are presented and conclusions are drawn concerning the theory of reciprocity on the one hand and for expatriate management on the other.

PSYCHOLOGICAL CONTRACT OF EXPATRIATES AND THE ROLE OF RECIPROCITY: STATUS OF RESEARCH

Expatriate assignments usually involve the drawing up of an explicit formal agreement between the individual concerned and his or her company, which encompasses the tasks and responsibilities the company obliges the employee to perform, as well as the remuneration package to be received by the employee in return. However, the reciprocal expectations and obligations of both parties may extend far beyond the terms of the formal agreement and therefore coexist implicitly in the form of a psychological contract. The employees' expectations towards the employer depend on the perceived willingness of the company to support him beyond the terms of the formal agreement. With reference to the outlined exchange situation, we would define psychological contracts as the perception of reciprocal expectations and obligations between employer and employee in a given work relationship (e.g., McLean, Parks, Kidder, & Gallagher, 1998). According to this definition the organization is the partner of the psychological contract. This means that employees interpret organizational policies, practices and treatment (including HR practices) as indicators of the organizations' support of and commitment to them. Employees personify and reify the organization, seeing it as a person or actor and a concrete, holistic entity (Whitener, 2001).

Expatriate assignments are particularly significant for the psychological contract due to the fact that the relationship between the expatriate and the employer is one which is especially close and which cannot be compared with that between the employer and domestic employees. Guzzo, Noonan, and Elron (1994) assume that expatriates have a somewhat broad and relationship-based psychological contract with their employer; as in addition to their work their entire personal and family life abroad is influenced by the employer. The employer will, for example,

endeavour to find employment for the expatriate's spouse, is engaged in childcare and education by paying for schooling and, in some cases, for household help, as well as making provision for the accommodation and the safety of the expatriate and his or her family.

Extensive psychological contracts, as are usual for expatriate assignments, may turn out extremely positively for the employer, in that the fulfilment of contractual obligations and the associated significance for both the professional and personal life of the employee can lead to an enormous strengthening of the bond between the expatriate and the organization. Lazarova and Caligiuri (2001) shew that the support given on the part of the organization had a positive influence on the expatriate's willingness to stay with the company. Yan et al. (2002) further conclude that expectations regarding the positive effect the expatriate assignment would have on future career development also acted as an incentive during the period spent working abroad.

The reverse side of the coin does, however, also mean that a perceived breach of contract or failure to fulfil the obligations in full will lead to a more intense degree of reaction than would be expected in the case of less comprehensive contracts. The risk of nonfulfillment of comprehensive contractual obligations on the part of the organization is also much higher, as the dangers of infringement on one's personal life, insufficient support or the nonfulfillment of expectations can never be completely excluded in such complex cases as an expatriate assignment (Guzzo et al., 1994). Unfavorable experiences regarding insufficient planning for a return to the home country (Stahl et al., 2000), a lack of recognition of the knowledge gained (Jassawalla, Connelly, & Slojkowski, 2004), or even a downturn in career (Ferraro, 2002) can frequently lead to deeply-felt disappointment on the part of the expatriate. If such negative experience is then perceived as a breach of contractual obligations, this can result in the expatriate suffering stress reactions and decreased productivity at work according to Lewis (1997).

The concept of reciprocity as a form of alternating balance of interests is frequently a decisive factor in research in the field of psychological contracts. Reference is hereby made to Blau's (1964) social exchange theory (e.g., Coyle-Shapiro & Kessler, 2002; Dabos & Rousseau, 2004), who distinguishes social exchange from economic exchange. Only social exchange "tends to engender feelings of personal obligation, gratitude, and trust; purely economic exchange as such does not" (Blau, 1964, p. 94). Nevertheless, according to Ekeh (1974), Blau's psychological terminology should not allowed to disguise "the crucial importance of economic motivation in his social exchange theory" (p. 169). As a representative of the rational choice model Blau regards an exchange relationship as a series of strategic games (Cropanzano & Mitchell, 2005).

If the respective mutual performance in an exchange relationship is balanced, then reciprocity can be said to prevail. If, however, the relationship is unbalanced, then one-sided obligations and their associated dependencies develop (Blau, 1964). The unilateral advance of obligations—as is characteristic of psychological contracts—therefore tends to lead to an unfair distribution of power. In this respect it is only rational when “employees feel obligated to reciprocate in order to create balance in the exchange with the organisation” (Shore & Barksdale, 1998, p. 733). Ultimately, the basis for the behavioral exchange between the rationally calculating actors and the associated psychological contract between them results only from their reciprocal contributions towards their mutual gain in utility (Dabos & Rousseau, 2004), leading to a stabilization of the work relationship.

This predominantly utilitarian perspective with regard to exchange relationships has not, however, been without its critics. Sparrowe and Liden (1997) criticize for example that “the differences between actual social and economic exchange have not been described in ways that would indicate why social exchange leads to trust ... but economic exchange to vigilance” (p. 524). If one were in principle to apply the same self-serving motivation to act in each form of exchange, then it is difficult to explain why in one case should encounter prosocial behavior and yet in another case opportunistic behavior.

However, the origin of prosocial behaviour is the crux in every psychological contract. Since the specific nature of psychological contracts lies in the exchange of goods and services that exceed those regulated in the employment contract or which are commonly seen as usual. In this respect they can be interpreted as gifts with reference to Mauss (1968). The system of gifts does indeed have a morality of its own, which works to create collective solidarity and therefore to stabilize systems. According to this position, the obligation felt to reestablish a balance through an equivalent service in return is morally based. “The ‘norm of reciprocity’ and the ‘principle of give and take’ are moral norms and principles that operate to restrain absolute ‘individual self-interest’ for the achievement of greater harmonious relationships in social life” (Ekeh, 1974, p. 59). From the anthropological point of view the norms of morality and prosociality influence the behavior of the individual and therefore ensure loyalty to the contract.

Hence, the degree to which a psychological contract is fulfilled cannot be measured only in terms of whether each of the contractual parties alternately fulfils his or her material and ideal obligations, but is equally dependent upon whether the organization “live[s] up the norms and standards of reciprocity and goodwill that govern the relationship” (Morrison & Robinson, 1997, p. 248). The relevance of prosociality

regarding the functioning of psychological contracts is also emphasized by Guest (1998). In his opinion the perceived fairness of the promises made and the accredited trust regarding the fulfillment of the terms of the contract are of central significance. If “the moral and not the utilitarian basis” (Befu, 1980, p. 202) appears to be necessary for accepting the service, then this does not mean “to preclude utilitarian considerations from Mauss’s theory” (p. 202). As Mauss (1968) indeed emphasizes, every social order is fundamentally based on the principle of reciprocity, a prototype of the contract in which morality and the economy operate simultaneously.

On the whole it further explanations are needed for why some repatriates leave their employer whilst others stay, and which role fairness and trust play in this context. The theoretical basis regarding psychological contracts is limited in literature in this respect. The focus of our study is therefore on working out the complexity of forms of reciprocal interaction and exchange between expatriate and employer within the framework of expatriates’ psychological contracts and the influence of this on repatriates’ willingness to stay with the employer.

METHODOLOGY AND DATA

The study reported here was designed to identify the kind and complexity of reciprocity underlying psychological contracts of expatriates. We randomly selected 38 expatriate managers from two producing companies to participate in the study. Each manager was asked to describe and discuss their expectations and obligations regarding their foreign assignment as well as critical incidents regarding their fulfillment. Consistent with our research goals we chose an inductive approach and qualitative methods.

In order to discover the complexity of psychological contract and of the reciprocal exchange between managers and the German headquarters as perceived by the individuals, we selected among managers on various stages of their assignments abroad in a variety of countries, with a diverse professional and family background. The functional areas represented in the sample are production, finance, marketing, IT, and human resources. The collection of empirical data took place in the form of semistructured interviews. We focused on only German interviewees so as to avoid distortions resulting from national culture. Each interview lasted 40 to 90 minutes, and was conducted either in person on the company’s premises in Germany or by visual telephone, depending on the whereabouts of the interviewee. All of the interviews were carried out by one person to preserve the impression of a conversation, and all of the interviews were carried out by the same person. The specific purpose of the interview was to

learn as much as possible about managers' perceptions, concerns, (anticipated) reactions, observations and thoughts in connection with their foreign assignment. A detailed set of open-ended questions that we asked each participant in the same order guided these interviews. To elicit rich details and explore areas of special significance to an interviewee in depth, further questions were added during the interview. The goal of the data collections was to understand the perspectives of participating managers, how they saw events through their own eyes. All interviews were recorded and transcribed so that the raw data could be systematically analyzed.

Data were collected on:

- how the expatriate assignment came about and the factors influencing the development of the psychological contract,
- the content of the psychological contract,
- the interviewee's perception of the change in mutual obligations and expectations during the course of the expatriate assignment,
- the reaction to failure to fulfil any elements of the psychological contract and the effects this had on him/her,
- the interviewee's personal estimation of the significance of the assignment for one's career as well as
- the effect of the expatriate assignment on the basis of trust held in the parent company.

The analysis procedure followed the grounded theory approach formulated by Glaser and Strauss (1967) and Strauss and Corbin (1990). The approach was theory guided (Strauss & Corbin, 1990), meaning that our research question and tentative frame of reference stemmed from a thorough knowledge of the literature on expatriation, psychological contracts, and reciprocity, but no hypotheses were developed *ex ante* and verified later on. Rather, data collection and simultaneous interpretation are the means of developing the hypotheses and concomitant theories (Strauss & Corbin, 1990; Yin, 2003) about the relationship between expatriate and employer. The strength of this exploratory nature of the approach is the possibility to open up and expand existing conceptual frameworks. Its interpretative quality gives access to the substance of this relationship's deep-seated dimensions in particular.

In the data evaluation phase we first analyzed the interviews individually with regard to the expatriates' relationship to the company. Subsequently, we compared, contrasted, and typed the relationships, using qualitative-quantitative software, MAXqda (comparable to AtlasTI or Nudist). For this purpose, we coded the data (i.e., interview passages) by

using a constant comparative analysis in which each indicator for the researched phenomenon was assigned to an emerging open coding system, until all of the interviews were completely assigned to one or multiple codes. By means of axial and later on selective coding we condensed the initially generated 23 codes to 4 categories: transfer motivation, forms of reciprocity, transfer resources and transfer modi. Afterwards each of the categories was further developed by means of identifying subcategories (utility, morality, balanced reciprocity, generalized reciprocity, services and goods related to tasks/jobs, services and goods related to personal relationships/individuals, calculated trust, relational trust), and these were then substantiated on the basis of their dimensional characteristics (Strauss & Corbin, 1990).

We ran internal checks on the data's validity by continually including additional expatriates, modifying our conceptual categories or creating new ones, and adapting our emerging theory and tentative hypotheses as became necessary in the light of new or inconsistent information. When new categories ceased to form, all information appeared to be accounted for by our hypotheses, and the results were highly consistent, we concluded that our conceptualization had achieved theoretical saturation

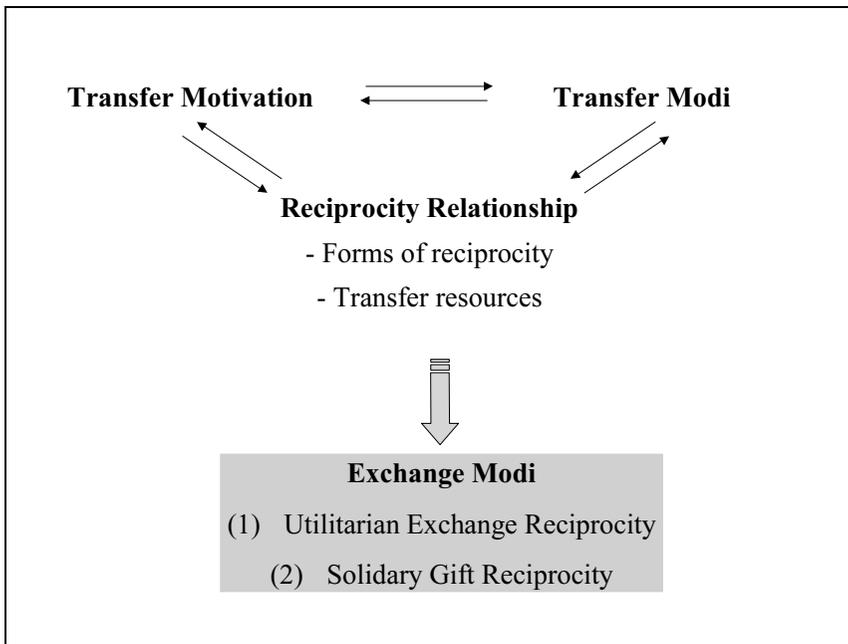


Figure 8.1. Categories, relationships, and resulting exchange modi.

(Kirk & Miller, 1986), the point at which this process of constant comparison may end.

The two of us independently coded all the interview data and subsequently compared the coded categories for overlaps and disagreements. We thereby arrived at a common set of categories, which was then used to recode all the data. This process contributes to ensuring that the coders interpreted the data in the same fashion and did not overlook relevant information. We employed similar checking and reconciliation processes during axial coding.

RESEARCH RESULTS: THE EXCHANGE RELATIONSHIP WITHIN THE CONTEXT OF THE PSYCHOLOGICAL CONTRACT BETWEEN EXPATRIATE AND EMPLOYER ANALYZED FROM AN EXCHANGE THEORETICAL PERSPECTIVE

With reference to the theories described at the beginning of this chapter, and with regard to the psychological contracts in the context of expatriate assignments, we can identify two exchange modi as dominant types: (1) a utilitarian exchange reciprocity and (2) a solidary gift reciprocity (cf. Figure 8.1).

Transfer Motivation: Utility Versus Morality

The individual motives for taking on an expatriate assignment are manifold. There is the *“desire to work in a different cultural environment,”* the idea of *“doing something of benefit to our children,”* the *“personal enthusiasm for a new task,”* an interest in *“getting to know other sectors”* and the desire for positive career development: *“The expatriate assignment is one step in my development plan to enable me to reach the next management level.”* With reference to individual motives two ordering systems at a higher ranking level can be recognized in which the intended actions of the parties involved—expatriate, parent company and host company—alternately adjust to one another. In one of the governing systems utilitarianism is focal, while the other governing system is characterized by moral concerns. The group of expatriates can be divided into two fractions along these different systems.

The utilitarian motivational orientation of expatriates is clearly shown in their pronounced ambitions for their career, which take on focus as the real aim of their assignment abroad. *“Expatriate assignments are important in general. Without them you cannot move up the career ladder.”* The utilitarian calculation as perceived by the employee is also supported by employers’

dealings with expatriates: *“The suggestion was sprung upon me in August 2005 and I was put under pressure to make a decision. It would have been impossible to refuse without there being a negative impact on my career.”* Characteristically employees work strategically towards the set target and fully expect the other party to honour the obligations. *“I envisage my returning permanently in March 2007 and after that my appointment to the position held by my previous boss follows. I am certain that this position will be kept free for me until I return”* The exchange reciprocity is carried by individual calculations of utility. Such calculations are based on the notion that *“a gift always looks for recompense”* (Hippel, 1988, p. 77). On the one hand the employee declares that he is willing *“to deliver work of a high quality and with a maximum level of performance,”* so that the company’s aims with regard to the expatriate assignment, such as transfer of knowledge and the development of expertise are achieved. In return the expatriate believes that the employer is obliged to offer him appropriate career development once his assignment abroad is completed. It is a reciprocal system of *“give and take,”* in which the alternating services should be kept in *“good balance.”* From the point of view of the expatriate, the central points of reference for the reciprocal transfer of services are such formal agreements as the contract of employment and the company’s policy, as *“all obligations are stipulated in the contract.”*

Our data shows the effects of a moral order in a reflexive dealing with formalized agreements. Within the framework of a system or modified set of rules to suit the situation the exchange partners engage upon one-sided advances which primarily pay attention to the well being of the other party. *“We then got help from HR in Hamburg, who said that a more expensive house would be okay, as it is important that we are happy and that the policy does not need to be observed to the letter.”* The act is not that much motivated by interest in a one-sided obligation on the part of the opposite party, and the aim to receive an appropriate return. With regard to a governing moral order it would seem to be much more the expectation of a gift in return, yet one which is by no means to be regarded as automatic. *“An expatriate assignment is not a guarantee of promotion or of keeping your job. You can, of course, hope that this will be the case, but XY [name of the employer] is under no obligation to do this.”* On the contrary, difficulties are regarded as *“part of the gift of being allowed to go abroad.”* Here it also becomes clear that in the case of the moral order the exchange of gifts starts one step earlier, in that the decision made by the employer to send the employee abroad is itself regarded by said employee as a gift in return. *“I am proud to have been made this offer by the employer, and regard it as recognition of the work I have done so far.”* Ultimately the possibility of career progression in addition is consequently based purely on perceived prosociality. *“An expatriate assignment has nothing to do with confidence and trust, it’s more to do with gratitude*

because it's to do with performance." Perceived breaches of the agreement, be it through the employer or the employee, are therefore—ultimately—not seen as inevitable results of maximum utilization strategies, but as contraventions of a binding moral order. While contraventions on the part of the employee may be considered to be “*unfair*,” and lead to a questioning of the moral understanding of self (“*On a professional level I feel that there has been a breach of duty in terms of the workload and the fact that my job was not challenging enough, and then you start to doubt yourself*”), any perceived breaches of the agreement by the employer lead to “*a feeling of dishonest treatment.*”

Relationship of Reciprocity

The employee who is assigned a position abroad, the parent company which sends him or her there as well as the host subsidiary company abroad together form a complex exchange relationship, which on the one hand consists of an alternating transfer of resources and/or gifts. The individual transaction is on the other hand embedded in a social context which becomes apparent to outsiders only when it is viewed in its entirety: (1) the form of the transfer, as well as (2) the transferred resources and/or gifts form an interdependent relationship with one another. Both dimensions will be discussed separately so that the individual dimensions can be better illustrated, and the resulting empirically deduced differences worked out with greater clarity.

Forms of Reciprocity. With regard to the expatriates, whose focus is on individualistic satisfaction of personal requirements, each act of exchange proves to be of target-oriented motivation. Above-average work performance during the assignment abroad is therefore only with reference to an appropriate response from the employer. “*I expect promotion, an expatriate assignment represents a stage of development on the career ladder. Commitment must be rewarded.*” In view of this tit-for-tat strategy, which is reminiscent of balanced reciprocity in the sense described by Sahlins (1965/1972), cooperation in processes involving an alternating transfer of services proves to be problematic. On the one hand the situation is one involving mutual utility, that is to say, the individual exchange partner can only realize his or her advantage from the exchange relationship if the other partner is able to realize his or her advantage as well. “*An average performance will not be sufficient, since a local employee costs only 40% of my salary and my stay has to be worth it for XY.*” On the other hand the individual is interested in looking for his advantage within the exchange relationship—in cases of doubt also going against the ideas of his counterpart. This one-sided use made of one’s own advantage is particularly noticeable in the financial rules set

up. *“Taking the example of the country where I was sent, you shouldn’t forget that local employees are better off than me with my salary and perks granted for coming here. In that respect the group XY enjoys an enormous financial advantage but I am personally worse off than my colleagues in the host country. This was not clear to me beforehand.”* Thus exchange and fraud can follow one another closely.

There are other specific features of expatriate assignments which make maintaining cooperative behavior difficult. Forms of balanced reciprocity are characterized by a direct exchange of services of approximately the same value between the recipient and giver of resources (Sahlins, 1965/1972). The particular features of expatriate assignments lie in the disparity in the length of time between the giving and the gift in return, coupled with a complex line-up of actors. Within the framework of the exchange relationship the employee is confronted with an exchange partner who is represented by two organizations with regard to the exchange, one in Germany and one abroad. The parent company remains the primary reference partner for the majority of the expatriate employees within the framework of an **indirect** completed reciprocal transfer of service. The time spent on the expatriate assignment is accepted as a definite, manageable period alternating between give and take, with the expectation of a future service in return. *“I commit myself to performing well and XY to a good offer when I return.”* The special feature here is that the host company abroad is the immediate recipient of the services performed and the parent company benefits only indirectly in the course of internal accounting for services (should these exist at all), but is responsible for the provision of the service in return. The case of a **direct** completed reciprocal transfer of services is much more seldom, in which an immediate alternating exchange between the actors is aimed for. In this form of transfer the expatriate assignment will usually lead to the host company abroad becoming the partner. *“As an expat I don’t get to take part in the internal company Development Program of XY Germany and I am also excluded from the Talent Review Meeting, where they discuss further career planning. You are, so to speak, out of it. For this reason I expect to be included in the career planning and local further training schemes during the assignment abroad.”* In extreme cases the host company abroad becomes the sole exchange partner. *“I no longer have any emotional ties to XY Germany and ABC (location in Germany). They appear in the background as a stakeholder. The obligations have been transferred to the host country.”* Despite the discrepancy in time between give and take the expatriates do not have any alternative “hold-up” “path of action.” According to utilitarian calculations, the costs incurred through doing so—such as, for example, the cessation of further career opportunities in Germany or the abdication of an opportunity for a subsequent expatriate assignment—are seen to exceed the degree of utility of opportunistic actions. *“The employee relies upon going back to Germany or on the next expatri*

ate assignment." If, however, the realization of the expected service in return appears unlikely, then the expatriate involved in this form of exchange will not hesitate to leave the company and obtain resources from another party. *"If the job offered is absolutely unsuitable then I would consider handing in my notice."* *"And as it seems likely that my job will be axed I am also already contacting various headhunters."* This illustrates the transition to a boundaryless career (e.g., Arthur & Rousseau, 1996), where the individual employee is connected with the respective employer only through a transactional contract.

The second type of reciprocity is characterized by the dominance of the solidary relationship between the expatriate and the company. There is no strict counting up of the gifts given and received. Although the service in return is to be given by the parent company in Germany and there is little likelihood of this company being able to check their performance abroad, the expatriates aim for performance levels in the host company abroad which in both quantity and quality far exceed what had been agreed. *"I feel that I owe it to YZ (name of host company abroad) to show high levels of motivation, to work overtime as required, to show a high degree of initiative and also to sort out basic tasks which are not really part of my job."* This demonstrates a transitivity as a form of generalized reciprocity: as the parent company maintains a strong relationship with the host company abroad and, at the same time, a strong relationship with the employee, a relationship subsequently develops between the employee and the host company.

A sense of loyalty towards the employer is the motivating factor which replaces the pursuit of equivalence. *"Generally there is no increase in loyalty, as all the jobs I had before were always motivating and challenging, and had already built up a maximum degree of loyalty."* If in the opinion of the expatriate the exchange of services does not turn out in his favor, the strategic calculations of the parent company are not regarded as culpable, since *"many things are well arranged, but you can't plan for everything."* The possibility of performing one-sided services or of forgoing some entitlement without this being interpreted as an obligation to appropriate service in return characterizes the solidarity and morality of this type of exchange. *"I regard the obligations as having been fulfilled or I have myself fulfilled them, since XY cannot provide everything. I didn't make use of the comprehensive expatriate regulations, just the allowances agreed in the contract and a cultural training course."* Such systems of exchange must provide opportunities for behavior which is both moral and shows solidarity if a corresponding morality of exchange is to be achieved. In these exchange contexts solidarity is mainly expressed by the restrained manner in which expatriates treat their parent companies. They simply have the expectation that they will be rewarded in the form of career development—and this only in as far as it is possible for the parent

company providing resources. *“Without a sponsor both expatriate assignments and a subsequent career are impossible. And you need luck, time and the chance as well, not to mention a great deal of your own initiative.”* The reciprocal behavior on the part of the parent company once the assignment abroad has been completed is if anything a moral duty. Possible contraventions of such moral imperatives—for example, in the case of failure to return the service, or a delay in doing so—are frequently (re)interpreted and justified, sometimes as excessive expectations on the part of the individual expatriate with reference to the inherent necessities of personnel policy of a superordinate company rationalization scheme: *“An expatriate assignment is no guarantee for career development. The ‘foreign effect’ means that you miss developments at home and then there are the difficulties reintegrating once you are back, if you stay abroad too long. All this can make life back home more difficult and adversely affect your career. Personally I find it fascinating to live abroad. I am not in a hurry to get back to Germany. You should never agree to an assignment abroad purely for professional reasons. There should always be a balance between your ambitions for your career and personal interest.”* Otherwise the employer’s failure to provide a service in return is attributed to external factors which have nothing to do with one’s own person and performance during the assignment. *“The fulfilment of expectations is often dependent on the circumstances in the host country, and not on the expatriate management of the company.”* Should the terms of the contract really be contravened, then this does not necessarily lead to an erosion of morality. *“Grievances or non fulfilment on the part of XY do not have any influence on my personal obligations towards or expectations from XY. I always consider both to be separate from one another.”* From the point of view of the expatriate the form of transfer is the central issue and not the result. The aim is far more towards the maintenance of an transfer morality based on *“honesty”* and *“fairness”* than on the realization of a balanced transfer result.

Subject of the Resource or Gift Transfer. It is wholly in keeping with the context of the above-mentioned interdependence that Sahlins (1965/1972) explains that, with regard to the gift, the manner in which the gift in return is expected makes a statement about the mindset determining the exchange. The differentiation between the types of reciprocity is therefore “more that of a purely formal nature” (p. 30). In Type 1 the social relationships depend on the flow of resources: *“the cutbacks in financial undertakings did adversely affect my work motivation and my relationship with XY,”* whereas in Type 2 “the goods are moved by the dominant social relationships” (p. 32): *“The sound relationship of trust is strengthened once again by the expatriate assignment, as the basis for this has been extended. The employee relies on the next expatriate assignment, XY relies on the employee’s full commitment and top level performance in the host country.”*

Table 8.1. Services and Goods Related to Tasks or the Job From the Viewpoint of Both Employer and Employee

<i>Expectations Towards the Company</i>	<i>Contributions by the Expatriate</i>
<p><i>“The expatriate assignment means that there has been a change in the financial aspects for XY with regard to the costs for living abroad. In addition XY has to observe the expatriate guidelines, for example, with reference to the points concerning preparation for the assignment, including the provision of a cultural training course.”</i></p> <p><i>“I expect promotion.”</i></p>	<p><i>“I am not XY’s slave, but a 12 hour day is my norm.”</i></p> <p><i>“I have managed my own career as there is no guarantee of a return at XY and so all expatriates should plan for their own futures.”</i></p> <p><i>“I make sure I keep in contact with my home country and my department.”</i></p>

Table 8.2. Services and Goods Related to Personal Relationships and Individuals From the Viewpoint of Both Employer and Employee

<i>Expectations Towards the Company</i>	<i>Contributions by the Expatriate</i>
<p><i>“XY impacts on my family life and must therefore keep their promises.”</i></p>	<p><i>“The basic prerequisite for every expatriate assignment is that you have to take care of a lot of things yourself and you have to know what you want house, school, residential area, etc. To get a successful preview you yourself have to do a lot of research on the internet and in books, or you have to ask other people about their experience in the host country.”</i></p>

With regard to the transferred resources the expatriate personnel consciously differentiate between services and goods related to their **tasks or the job** and services and goods to do with **personal relationships and individuals**. Whereas the former have a higher material value, which allows the exchange partners to balance their resource flows, the latter may be said to have a social function, in as far as their transfer contributes to the emotional bonds between the employee and employer.

From the point of view of the expatriate the important services and goods related to tasks or the job are as required from the employer, particularly about the level of remuneration and job-relevant care and support, as well as support for individual personal and career development. In return the employees feel obliged to offer a high degree of commitment to their work, to perform tasks outside of their own area of activities, to take responsibility for managing their own career and to keep in independent contact with the employer (see Table 8.1).

Especially in the case of longer periods spent on an expatriate assignment, gifts with regard to personal relationships and individuals gain in particular relevance. On an emotional level these gifts create an impor-

tant basis for the employee's motivation and performance potential. On the employer's side these gifts include demonstrating respect for the employee's personal life. And conversely, the employees feel obliged to organise personal matters independently (see Table 8.2 above).

If the data are analyzed in view of the above-mentioned types of reciprocity there are initially no obvious differences. The participants in both types of reciprocity expect job related and personal related services alike. However, on closer examination of the data it becomes clear that the mentality of those expatriates who have a relationship demonstrating solidarity with their employer is characterized by an element of sacrifice. This is not a gift or service in the narrow sense of the word, but represents the willingness to renounce services which may even have been contractually agreed, without setting preconditions and without any reason to expect future compensation. On a professional level, for example, this could involve giving up a secure position in Germany or accepting a financially worse status than local employees in the host country. On a personal level it could mean leaving family and friends, and giving up one's own superior flat, as well as a more relaxed lifestyle in Germany. In return, support and contact is expected to be provided by the parent company on a social level.

The expectations and obligations on the part of both the employer and employee from the point of view of the expatriate are summarized in Table 8.4.

Modi

The behavior within the framework of a solidary gift reciprocity is characterized by the trust of both parties in the relationship (Rousseau, Sitkin,

Table 8.3. Particular Expectations and Obligations in the Case of Generalized Reciprocity

<i>Expectations Towards the Company</i>	<i>Contributions by the Expatriate</i>
<i>"I expect a reasonable amount of contact, that means more than just a Christmas card, but not each internal newsletter, something in the middle."</i>	<i>"I didn't make use of the comprehensive expatriate guidelines, I only took the contractually agreed allowances and a cultural training course."</i>
	<i>"You do make a lot of concessions, for example, you don't have your own nice flat in Germany or the quieter, less stressful life in Hamburg."</i>
	<i>"Compared with my previous job in Hamburg you automatically work longer hours as you don't have your friends there."</i>
	<i>"The 'Foreign Effect' may make life back home more difficult and adversely affect your career."</i>

Table 8.4. Expectations and Obligations on the Part of Both Employer and Employee

	Expectations to be fulfilled by the employer and obligations on the part of the organization	Expectations towards the employee and obligations on the part of the expatriate
Services and goods related to tasks and job	Remuneration Care and support Opportunities regarding career and personal development	Performance/Overtime Self organization Career self management Extra role behavior
Services and goods related to persons/ individuals	Respect of personal life Care and support	Self organization Sacrifice

Burt, & Camerer, 1998). In the context of a period of employment spanning many years an expatriate assignment is only one episode in a long term exchange relationship. In this respect such an assignment should be regarded more as documentary evidence rather than as something which will influence the relationship. *“An expatriate assignment has no influence whatsoever, because the level of trust was already very high beforehand and after 13 years with XY and several such assignments no further increase is possible.”* Closely connected through a feeling of mutual loyalty—*“I was already closely connected with my company beforehand, I am very aware of what a good job I have and XY is also aware of my good work”* a form of trust in the system develops on the part of the expatriate which supports prosocial behaviour. The individual gift exchange is released from the specific episode of exchange and is placed in a greater contextual relationship. *“An expatriate assignment is only a confirmation of a basis of mutual trust.”* In this respect a successful expatriate assignment represents *“only a slight increase in the level of trust, as I am grateful for the experience.”* Should individual expectations regarding career path, personal support, and so forth, not be fulfilled, this does not necessarily mean that trust in the prosociality and competence of the company will be undermined. It would appear to be much more the case that *“the fulfilment of expectations is often dependent on the circumstances in the host country abroad rather than expatriate management.”* In the context of unswerving solidarity between employer and employee, such *“grievances”* are perceived to be *“frustrating,”* but at the same time they *“bear no influence on my personal motivation.”* However, there could be serious consequences for such relationships of solidarity should such breaches be perceived as calling the general form of gift transfer into question. If unfulfilled expectations are such that expatriates perceive that the norms of fairness and justice are repeatedly not being adhered to, and that the relationship of solidarity has been reduced to an arrangement benefiting only one side, then they will feel dis-

appointed and frustrated, which may lead to their terminating their employment. *"I would otherwise go and look for another job, irrespective of my personal circumstances."*

In contrast such grievances in the framework of a utilitarian exchange reciprocity lead to a sense of *"sinking motivation: you feel as if you have been shoved off abroad and that no one feels they are responsible for you."* This is because forms of calculated trust are characteristic of this type of reciprocity (Rousseau et al., 1998). The expatriate does not place his trust in the solidarity or prosociality of his employer. His trust is in this way based rather on the purposive rationality of his counterpart, that is, on the utility that results from keeping to contractual agreements. *"I place my trust in what has been agreed in the contract and have learned from experience that you have to get everything else sorted out yourself."* In this respect long term relationships do play a role here, in that they construct the background against which the expected behavior of the exchange partner can be forecast. However, the definitive point of reference governing the choice of action and exchange modus, on the other hand, is found in the formal conditions which structure the individual episodes of exchange, thus making the behavior of the counterpart seem comprehensible to the expatriate. *"At the moment I have no reason to believe that the obligations will not be met. The expatriate guidelines, with which I am well acquainted as an HR manager, contain detailed stipulations as to what is to be done in some cases where it is impossible for the expatriate to return home. I hold a rational view in this respect."* In view of possibly diverging interests it is only logical from the point of view of the expatriate to insist *"that the obligations concerning the expatriate assignment are clearly set down in the expatriate assignment contract."* The expatriates do not appear to give much credence to the idea of placing any confidence in the prosociality and trustworthiness of the employer beyond the fulfilment of obligations agreed in the contract. *"I maintain personal contact to XY. On the other hand I have no confidence in XY regarding my professional future."* It becomes clear that any consideration of possible paths of action is always set against the background of the specific act of exchange and the associated calculations of costs and utilization. Whether it is personally worth it *"depends on the outcome of the expatriate assignment and personal investment with regard to time and partnership."*

CONCLUSION

There are two sides to the main results of this empirical study. While on the one hand the theoretical perspective of reciprocity in psychological contracts in the context of expatriate assignments is extended, the study also makes a contribution to the leadership of expatriates on a practical level.

With regard to the theoretical contribution and the research question posed at the outset, it was possible to show that, within the framework of psychological contracts of expatriates, considerably more complex reciprocal forms of interaction in terms of time and structure are seen to emerge than is generally assumed to be the case in the literature. In addition, contrary to the assumptions in the literature, the reciprocal behavior of the actors cannot necessarily be deduced to be from utilitarian calculations. What can be seen is much more a mixture of utilitarian and moral motives (Ortmann, 2004), which can be explained by the particularly close and personal relationship between company and expatriate, as detailed in the literature.

Two dominant types were identified as forming the basis of psychological contracts within the context of expatriate assignments: (1) a utilitarian exchange reciprocity and (2) a solidary gift reciprocity. The main characteristics are summarized in Table 8.5.

The contents of the psychological contract found in our data correspond on the whole to the models of psychological contracts found in the

Table 8.5. Summarized Overview of the Results

	<i>Utilitarian Exchange Reciprocity</i>	<i>Solidary Gift Reciprocity</i>
Motivation	<ul style="list-style-type: none"> • Utilitarian calculations • oriented towards self interest • actions primarily characterized by rationality 	<ul style="list-style-type: none"> • morality and solidarity • oriented towards prosociality/fairness • actions primarily emotional in character
Relationship	<ul style="list-style-type: none"> • reciprocity based on direct exchange of equivalent value (balance) • exchange of services and goods related to job/task as well as to personal relationships and individuals 	<ul style="list-style-type: none"> • reciprocity as a generalized norm, based on long term mutuality and solidarity • reciprocity of perspective • exchange of services and goods related to job/task as well as to personal relationships and individuals related to job/task as well as to personal relationships and individuals • foregoing entitlements/sacrifice
Modi	<ul style="list-style-type: none"> • calculated trust in the fulfilment of obligations motivated on the basis of self interest • strong, destructive reaction to breaches of PC 	<ul style="list-style-type: none"> • relational trust and trust in the system regarding fulfilment of expectations based on prosocial behavior • no or only minimal, constructive reactions to breaches of PC so long as prosociality and fairness are maintained on another level • strong reaction to breach of trust, morally dishonorable behavior or behavior perceived to be unfair

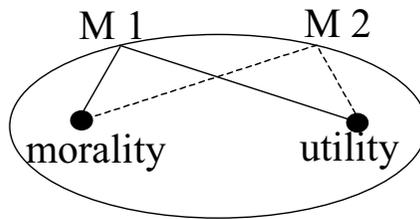


Figure 8.2. Elliptical relationship of utility and morality regarding the transfer motivation. Elliptical relationship of utility and morality regarding the transfer motivation.

Transfer motivation M1: Great distance from utility.
 Transfer motivation M2: Great distance from morality

literature (Guzzo et al., 1994; Lewis, 1997). For the leadership of expatriates it is of particular relevance to understand the significance of career development following the assignment abroad for both exchange types, as has also been revealed in existing research on expatriate assignments. A typical recommendation for leaders would therefore be to bring about a balance of reciprocal goods and services and to ensure good subsequent career prospects (e.g., Mendenhall, Kuhlmann, Stahl, & Osland, 2002). In practical terms the problem lies in the fact that it is not always possible to guarantee performing an equivalent service in the form of career development in the short term or within a foreseeable period of time following repatriation, due to, for example, the influence of external factors.

However, in the case of a *utilitarian exchange reciprocity*, the employer represented by their leaders is expected to perform an equivalent service in return in order to maximize the employees' own interests. Other forms the company may find of giving and prosociality cannot make up for a lack of career prospects or development. The reactions to breaches of contract in the form of nonfulfillment of obligations are correspondingly strong and destructive taking the form of neglect of duties or even leading to the expatriate leaving either the assignment or the company itself (cf. Figure 8.3). In the case of the *solidary gift reciprocity* the leader(s) become(s) morally obliged to show solidarity with the employee both during the period spent abroad as well as that after repatriation; in doing so an emotionally appropriate basis is brought about, even if this runs contrary to company interests, due to the fact that the expatriates forgo their entitlements or make sacrifices. In other words: the system must be able to maintain a moral system which is free from self-interest. If the relationship based on solidarity is secured in this way, then the prerequisite for the continuing bond of the repatriate is also established. Even if the

employer is unable to fulfil the expectations regarding career, if the leaders then behave in a manner which is both moral and shows solidarity towards the repatriate, then such imbalances can be overcome. This would involve ensuring that the repatriate is given other tasks appropriate to his moral demands, and which he or she also perceives to be fair. The trust in the relationship remains intact, as does the prosocial behavior, even although there may have been a breach of expectations. The reactions to breaches of contract in the form of nonfulfillment are moderate and constructive. They express themselves in the form of “voice” or a “loyal silence” (Rousseau, 1995). In this respect our results differ from Guest (1998), who assumed moderate and therefore comparably stronger reactions in the case of unfulfilled expectations.

Our empirical data also shows that calculated trust in the first type simply means that employees place their trust in the employer fulfilling his obligations only for as long as they believe this to be worthwhile from the point of view of the employer. If the costs in this respect turn out to be too high, then it is probable that this trust will be abused. On the other hand, the solidary gift reciprocity means that relational trust and trust in the system lead to the employee developing expectations and a relationship of trust with the employer which is one-sided. If the employer proves unworthy of this trust and causes disappointment in that its leaders not only fail to ensure that measures are taken to improve career options but also, in addition, do not fulfil the moral obligations or fails to observe the norms of fairness or behaves dishonorably and weakens the working relationship on an emotional basis, then the repatriate experiences a sense of frustration and solidarity is damaged or even lost. This then results in serious consequences for the employee, and he or she may, for example, leave the company (see Figure 8.3).

utilitarian exchange reciprocity		morality	
		solidary gift reciprocity	fulfilled
utility	fulfilled		
	unfulfilled		

Figure 8.3. Type and strength of reaction on fulfilled and unfulfilled expectations/obligations with regard to the two transfer systems.

In summary it should be noted that the phase of repatriation takes on particular relevance in order to set up—afterwards—a reciprocal basis, be it with the aim of satisfying utility expectations or fulfilling moral obligations, thus leading to employees bonding with the company. As this is a subjective construct it is important that the expectations and obligations on both sides are specified, and that checks are continuously made regarding their fulfilment.

One consequence, as it were, for management in general is the need to build up and support a system of solidary gift reciprocity by means of setting appropriate criteria for the selection and development of personnel and especially leaders, so that a workforce is built up which values and is prepared to engage in such a system of solidarity. In addition appropriate requirements should be formulated for leaders, in which unmoral behavior should be sanctioned even when he makes the economic grade. Each ratio of utility and moral considerations should be considered in accordance with the company situation so as not to succumb to the danger of mediocrity. In a situation involving financial shortages and fundamental restructuring more orientation towards a higher degree of utility will be required, which can work against a system of solidary gift reciprocity.

There are, however, some limits to be set to the conclusions drawn from this study. It was hypothesis-generating, not hypothesis-testing. Hence, the model reflects new knowledge in form of the two exchange types, contributing to a better foundation of the theoretical basis of psychological contracts, but remains expressly provisional. In further research, we will further investigate the relative significance of utilitarian exchange reciprocity and solidary gift reciprocity for the psychological contract in the context of expatriate assignments on the basis of a larger random sample, with the help of a hypothesis-testing design as well as standardized analytical procedures.

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