

2014

# BioTechnology

*An Indian Journal*

FULL PAPER

BTAIJ, 10(12), 2014 [6484-6493]

## Psychological contract dimensions of expatriate employees in Chinese transnational enterprises

Zhang Shi-bin<sup>1</sup>, Zhao Yong<sup>2\*</sup><sup>1</sup>School of Management of Hefei University of Technology, Hefei 230009, (CHINA)<sup>2</sup>Research Center of Urban Management of Anhui Jianzhu University, Hefei 230601, (CHINA)

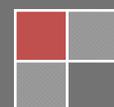
Email : zhaoyong011@sina.com

### ABSTRACT

Study on what the psychological contract dimensions of employees are in overseas Chinese enterprises is till a blank. To clarify dimensions of employees' psychological contract in Chinese transnational enterprises would provide theoretical support and practical guidance for the innovation of human resource management of overseas China enterprises and has important significance in the aspects of both theory and practice. Using a sample which consists of 233 overseas staff from 8 Chinese transnational enterprises in South Africa and Zimbabwe, this paper studies the substance and construct of their psychological contracts. The results show that both enterprise's obligations to employees and employee's obligations to enterprises in psychological contracts of expatriate employee's abroad, consist of transaction obligation, relation obligation and development obligation. The relations between employees and their corporation, and the relations among employee's obligations are different from the employees' psychological contract in Chinese local enterprises, which are discussed in detail.

### KEYWORDS

Psychological contract; Dimension; Expatriate employee; Chinese transnational enterprise; Chinese local enterprises.



## INTRODUCTION

Since 1990s of last century, the degree of internationalized operation of Chinese enterprises have been deeply developing, many Chinese international project contracting enterprises participate in the competition of international project contracting business, and their scale and impact in foreign countries are being improved constantly. Due to the characteristics of the construction projects, a large number of project labors are distributed around the world. They not only endure the physical work fatigue, but also have to overcome the adaptation to local climate, geographical position and natural environment, and endure the psychological changes brought by the long-term separation from their family. All these have brought great influence on the work efficiency, degree of work involvement and work performance of the overseas employees (Wan, 2010; Jiao, 2011; Wang, 2012)<sup>[1-3]</sup>. However, research on organizational behavior and management of overseas employees of Chinese enterprises remains relatively backward.

The psychological contract is the basis for understanding the relationship between the employees and their organization. The study on psychological contract has already become the latest and most cutting-edge study field of encouraging employees and establishing good employment relationship in the Western countries, and is gradually becoming the analytical framework of the changing employment relationship and employment policies. The study of psychological contract starts relatively late in China but develops very rapidly. up to now abundant accomplishment has been achieved in psychological contract study of Chinese enterprise employees, which covers the content structure of the psychological contract, psychological contract breach and its influencing mechanism of Chinese enterprise employees, etc. in the aspect of the contents of the study and covers different types of enterprises, such as state-owned enterprises, private enterprises, science and technology innovation-oriented companies, etc. in the aspect of study object. But, the study on psychological contract concerning the employees of overseas Chinese enterprises is till a blank.

This paper studies the relationship of the employees of overseas Chinese enterprises with their organization from the perspective of psychological contract by taking the employees of overseas Chinese enterprises as the study object, which will provide theoretical support and practical guidance for the innovation of human resource management of overseas China enterprises and has important significance in the aspects of both theory and practice.

## STUDY PROCESS

### Questionnaire preparation

The questionnaire preparation is completed through the following steps based on two versions of psychological contract questionnaire of Rousseau (1990, 1995)<sup>[4,5]</sup> and psychological contract measurement questionnaire of Chinese employees of Li Yuan et al (2006)<sup>[6]</sup> in combination with practical condition of the study object of present paper.

First, by overview the literatures on employment relationship, labor-capital relationship, contract, psychological contract, etc., collecting the specific terms or contents of employees' psychological contract.

Second, authors conducted the focus group interviews with total 33 employees of 8 Chinese enterprises in South Africa and Zimbabwe in 5 times during the period of March to May, 2013. The number who joined the five interviews is 6 persons, 5 persons, 9 persons, 6 persons and 7 persons, respectively. Because the employees dispatched by China enterprise for overseas projects are mainly male, this interview also paid attention to the representation of the sample, selected 28 male employees who attended the interview, accounting for 85% and 5 female employees who attended the interview, accounting for 15%. The researchers also distributed 50 copies of questionnaire in 5 enterprises, which were completed and collected on site with 100% collection rate and 100% valid percent. The questions

at this interview are same as those in the questionnaire, which both are “What kind of promise that your unit provides for you when you go to work abroad?” and “What obligations you should undertake for your unit?”

Third, the contract contents referred in the interviews and questionnaire surveys are classified and summarized in order to get the frequency and the importance ranking of contents of various contracts. Questionnaire items are designed and initial questionnaires are prepared based on this.

Finally, the above sorted out items are compared with some classical questionnaire items in order to think over the descriptive statements of the items, then these basic items are discussed with the human resource management experts, and are communicated with part of enterprise employees in order to adjust some expressions therein, modify the items not clearly expressed and likely to cause ambiguity, and finally obtain the contents of 20 organizational obligations(e.g., offer competitive salary) and 16 employee obligations(e.g., be loyal to the company) in the psychological contract and form survey questionnaire for study of the contents and structures of psychological contract of present study.

### **Questionnaire survey**

This study uses the questionnaire on the psychological contract of employees of Chinese overseas enterprises developed by ourselves. The questionnaire includes such two parts as the degree of commitment of the organization to employee obligation perceived by the employees and degree of commitment of employees to organizational obligation, and the guide language are respectively “Had the organization (e.g., direct superior and other leaders) promised the following obligations to you in any way (in written or oral form, or in the way stipulated by organizational culture and system or prescribed by organizational practice, etc.)?” and “Had you promised the following obligations to your organization (in written or oral form or in implied way, or the way tacitly agreed by both parties, etc.)? Please mark number 1 on the appropriate degree of commitment”. Alternative answer and assigned value are respectively: 1= never promised, 2=implied promise, 3= strongly implied, 4= definitely promised, 5= very definite.

The study distributed 300 copies of questionnaire to the employees of 8 Chinese enterprises in South Africa and Zimbabwe, 239 copies are collected, 6 copies with individual information missing and obvious information distortion are abandoned, the number of the final valid copies of questionnaires is 233 with an effective collection rate of 77.7%. In the samples, number male is 213, accounting for 91.4%; most of them are married, accounting for 77.1%; the units where the employees are working are mainly private enterprises and joint-equity enterprises, only 40 persons are working in state-owned enterprises, accounting for 17.2%; their education degrees are extensive, from middle school students to postgraduates, more of them are high school students, junior college students and undergraduates, accounting 32.1% and 28.3%, respectively. They are mainly distributed in mineral exploitation and real estate building, accounting for 52.3% and 32.8%, respectivel.

### **Data analysis**

The study adopts factor analysis, analysis of variance and structural equation model to conduct exploratory factor analysis and confirmatory factor analysis of the psychological contract structures. All the data is divided into 2 halves at random, the first half (157) data is used to conduct exploratory factor analysis; then the other half (156) data is used to conduct confirmatory analysis, i.e., make interactive confirmation to the models. The software used for data analysis are SPSS15.0 and AMOS7.0.

## **RESULTS**

### **Exploration of structure dimensions of psychological contract**

Using the principal component method, organizational obligation and employee obligation respectively for the first sample data, use the factors whose characteristic root value  $>1$  and make varimax rotation for these factors, and then obtain the structures of the factors of employees' psychological contract (see TABLE 1 and 2).

**TABLE 1 : Factor analysis results of organizational obligation in the psychological contract**

Item	Component		
	1	2	3
(16)Job position provided can bring employees' ability into full play	.760		
(8)Offer opportunity for promotion and development	.747		
(13)Offer opportunity for growth and progress	.725		
(5)Distribute wage and bonus according to work performance and achievement	.709		
(15)Contribution to the company is recognized and rewarded by the company	.698		
(4)Offer training and learning opportunity	.693		
(10)Offer the opportunity for taking part in company decision-making	.629		
(6)Frank and open communication between the upper and lower levels		.802	
(19)Not raise unreasonable requirements to employees		.783	
(11)Full trust and support to employees		.722	
(12)Create good work atmosphere of mutual cooperation between employees		.668	
(7)Respect employees' right and dignity		.653	
(18)Emphasize employees' value		.562	
(1)Offer good social welfare (e.g. insurance and public reserve fund)			.767
(9)Offer job autonomy			.673
(3)Offer stable job, that is, establish a long-term employment relationship with me			.671
(2)Offer competitive salary			.658
(17)Regular wage adjust and increase			.647
(14)Provide relatively comfortable and safe working environment			.595
(20)Help employees to make necessary career planning			.401

From the load matrix of factor analysis in TABLE 1, it can be seen that, except for item 20, the load factors of other items are all bigger than 0.5, according to the preset item acceptance and rejection principle, delete item20. Thus we get 3 factors. Factor 1 has 7 items, including respectively provision of job position to employees which can bring their ability into full play, provision of opportunity for promotion and development, provision of opportunity for growth and progress as well as opportunity for training and learning and opportunity for participation in decision-making. All these reflect the organizational obligation for employees' career development and can be nominated as the development factors. Item 5 "Distribute wage and bonus according to work performance and achievement" and 15 "Contribution to the company is recognized and rewarded by the company" seem not to be closely related to employees' development, but these two conditions are the important platform and mechanism for employees' development. They can also be classified as employees' development factors. Factor 2 has 6 items, which are respectively good communication between the higher and the lower levels, trust and support to employees, paying attention to and respecting employees, creating a good working atmosphere and not raising unreasonable requirements to employees. All these reflect the contents of interpersonal relationship and agree with the relational contract in the classic structures of psychological contract. They are named as relational factor. The other 6 items mainly reflect the contents of the organization directly related to work such as work reward, working conditions, work autonomy etc.,

they are basically in agreement with the transactional contract in classic structures of psychological contract, so they are named as transactional factor.

Cronbach  $\alpha$  of the three factors are 0.848 for development factor, 0.916 for relational factor and 0.839 for transactional factor, respectively. The variance contribution rates of the three factors are respectively 22.68%, 22.14% and 22.07%, and the cumulative variance contribution rate is 66.89%.

**TABLE 2 : Factor analysis of employee obligation in the psychological contract**

Item	Component		
	1	2	3
(15)Make a prior notice in case of resignation	.868		
(16)Keep a good cooperative relationship with colleagues	.854		
(13)Abide by rules and regulations and business procedures of the organization	.791		
(14)Keep secrets of the company	.733		
(12)Support and obey the instruction and decision of superior leader	.663		
(7)Fulfill the work task and perform job duty with guaranteed quality and quantity	.632		
(2)Be loyal to the company		.765	
(1)Provide extra help for colleagues around		.662	
(8)Recognize and accept the culture of the organization		.653	
(9)Accept arrangement for the post adjustment by the company		.634	
(4)Try best to maintain and promote company image		.530	
(6)Actively participate in training or self-learning to improve their working skills			.791
(10)Willing to put forward rationalization proposal for the company			.730
(3)Voluntarily do the work beyond call of duty			.645
(5)Work overtime to finish the work when necessary			.641
(11)Promise to serve the organization for long term			.581

From TABLE 2, it can be seen that the factor loads of the 16 items are all bigger than 0.5, and are distributed on 3 factors. Factor 1 has 6 items, including the contents closely related to work or basic career requirements such as “Make a prior notice in case of resignation”, “Keep a good cooperative relationship with colleagues”, “Abide by rules and regulations of the organization”, “Obey instruction and command” and “Fulfill the work task and perform job duty with guaranteed quality and quantity” as well as “Keep the secrets of the company”, etc. and the content concerning work and basic work requirements, therefore, they are named as transactional factors. Factor 2 has 5 items, which are respectively “Being loyal to the company”, “Provide extra help for colleagues around”, “Recognize and accept the culture of the organization”, “Accept arrangement for the post adjustment by the company” and “Maintain the company image”, all these reflect the contents of relational contract in the classical psychological contract, so they are named as relational factor. There are other 5 items, which are respectively “Actively improve their working skills”, “Willing to put forward rationalization proposal”, “Voluntarily do the work beyond call of duty”, “Work overtime to finish the work when necessary” and “Promise to serve the organization for long term”, they mainly reflect that employees are willing to make contribution to better development of their organization through their own efforts, so they are named as transactional factor.

Cronbach  $\alpha$  of the three factors are 0.904 for transactional factor, 0.779 for relational factor and 0.780 for development factor, respectively; The variance contribution rates of the three factors are 30.52%, 20% and 15.81%, respectively, and the cumulative variance contribution rate is 66.89%.

### Verification of structure dimensions of psychological contract

In the previous studies concerning structures of psychological contract, there are not only two-dimensional structures, but also three-dimensional structures, and the two-dimensional structures are

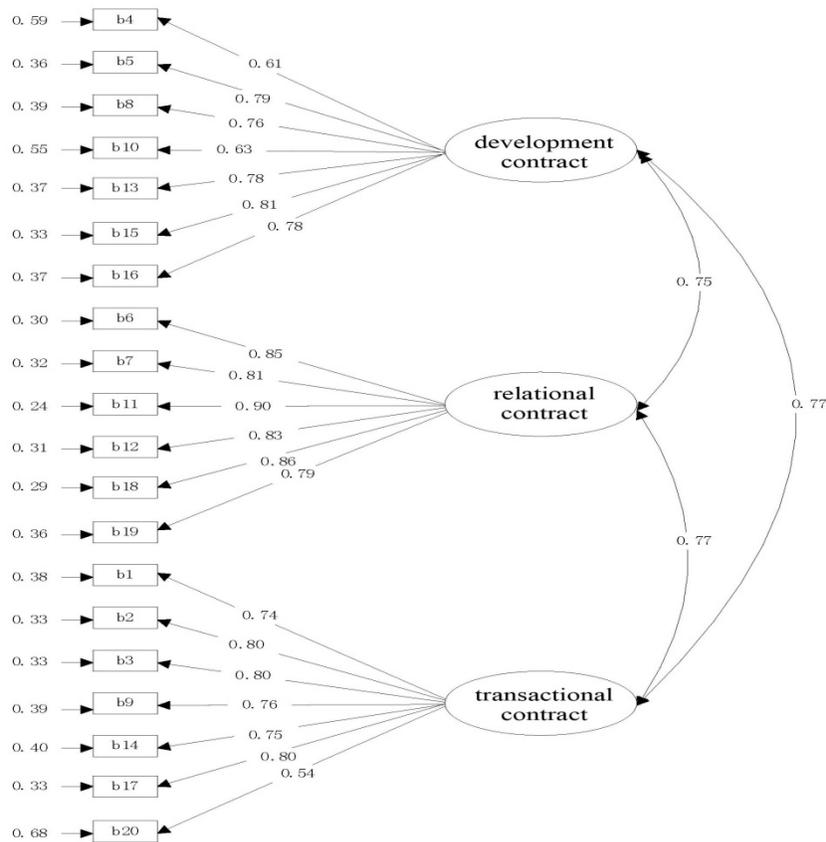
more classical and have greater impact. Although the analytical results of the factors in previous section show that both the organizational obligation and employee obligation from perspective of employees contain such three dimensions as transaction, relation and development, for the sake of caution in this study, it is still needed to test two-dimension structures of psychological contract. Therefore, first the factor analysis is conducted on the first sample (N=157) by the principal component method and the varimax rotation of the factors is carried out in order to extract two factors and obtain two-dimensional structure model, then the data of the second sample (N=156) is used to make fitting between the two-dimensional structure model and three-dimensional structure model, and finally comparison is made between them.

In order to make a further comparison between the two-dimensional and three-dimensional models, the structural equation model of Amos7.0 is used for confirmatory factor analysis. The main function of structure equation model is to judge and measure the merits and demerits of the models, determine the quality of the cause-effect model and compare similarities of multi-sample models, especially this method can compare and measure the merits and demerits of the model, and is an ideal method which verifies the conception of specific measurement questionnaire.

The present study uses the data of second sample (N=156) to conduct fitting of two-dimensional structure and three-dimensional structure, and test the fitting degree of the structure model through fit index. The fitting results of the two models are given in TABLE 3.

**TABLE 3 : Fit indexes for measurement model of psychological contract**

	model	$\chi^2$	df	$\chi^2/df$	GFI	AGFI	NFI	RFI	CFI	RMSEA
Organizational obligation	Two-dimension	563.013	121	4.653	0.895	0.866	0.890	0.859	0.906	0.094
	Three-dimension	291.795	105	2.779	0.951	0.923	0.957	0.933	0.976	0.063
Employee obligation	Two-dimension	613.988	134	4.784	0.889	0.851	0.882	0.876	0.925	0.096
	Three-dimension	339.712	128	2.654	0.963	0.916	0.965	0.928	0.966	0.070



**Figure 1 : Completely standardized solution of the three-dimensional structure model for organizational obligations**

The fit index generally includes such three indexes as absolute fit index, incremental fit index and parsimony fit index. (Hair et al, 1998)<sup>[7]</sup>. Absolute fit index is the statistic quantity obtained by comparing the theoretical model and saturated model and the commonly used indexes are  $\chi^2/df$ , RMSEA, GFI, AGFI etc.; incremental fit index is the statistic quantity obtained by comparing the theoretical model and reference model and the commonly used indexes are NFI, RFI, CFI etc.; Parsimony fit index is derived from the former two indexes and is used to penalize the model with too many parameters, and the commonly used indexes are PNFI, PGFI etc. According to the suggestions of Wen Zhonglin and Hou Jietai, et al (2004)<sup>[8]</sup>, the judgment criterion for various fit indexes is that  $\chi^2/df$  falls within the range of 2~5, the bigger the index like GFI, AGFI, NFI, RFI, CFI (value=0.9) the smaller RMSEA (value=0.08), and the better the model fitting. From the data in TABLE 5 it is shown that the three-dimensional structure model is much better than the two-dimensional structure model. Therefore, in the employees' psychological contract structure of Chinese overseas enterprises, both the organizational obligation and employee obligation are composed of three-dimensional structure, i.e., the transactional contract, relational contract and development contract. (Figure 1 and 2)

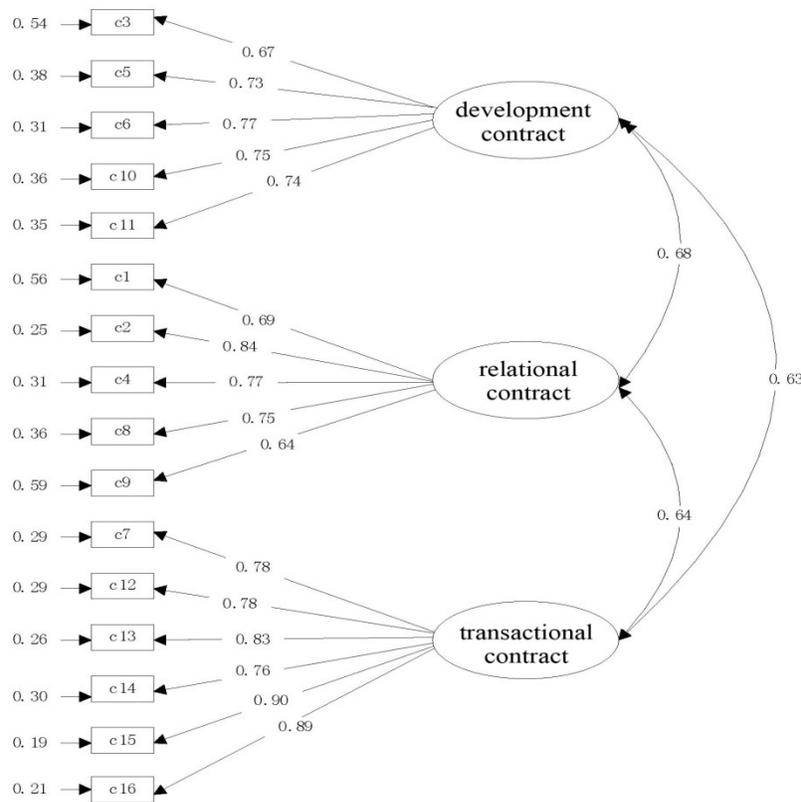


Figure 2 : Completely standardized solution of the three-dimensional structure model for employee obligations

### DISCUSSION

The study above show that, in Chinese overseas enterprises the organizational obligation of employees' psychological contract consists of three-dimensional structures. Among them, the transaction obligation consists of such six indicators as welfare, competitive salary, stable job, job autonomy, safe and comfortable work environment and regular salary increase. This factor embodies the economic returns in employees' psychological contract, and employees' concern on work, which well agrees with the content of conventional transaction factors. The relational obligation consists of such six indicators as open communication, being respected, trust and support, good working atmosphere, attaching importance to employees' value and not raising unreasonable requirements. The focus of this factor lies in the construction and maintenance of need for pursuing social affection and cooperative relationship, and this is also relatively in agreement with the meaning of relational psychological contract in the past study. Development obligation consists of such seven indicators as offering training and learning opportunities, performance-related pay, opportunities for promotion and development, participation in decision-making, growth opportunity, contribution recognition and platform for showing ability. The development factor emphasizes that the organization should help employees to obtain career development and realize the sense of achievement and sense of satisfaction of work and reflects the characteristics of employees' psychological need for personal career development and growth.

Psychological contract is the perception of employees for the organization's commitment to its own obligation and also a kind of psychological expectation of employees for the organization in the employment relationship, and reflects employees' needs and motivation. Alderfer (1969) simplified Maslow's hierarchy of needs to three types of needs: existence, relatedness and growth. The needs for existence, i.e., all kinds of physiological and material desire; relational needs include all those facets

involving the aspect of interpersonal relationship with others in the workplace; and the needs for growth are all those needs involving personal efforts for creativity or personal growth. The three-dimensional structure of organizational obligation of employees of Chinese overseas enterprises in the psychological contract verifies that employees have such three needs as for existence, relatedness and growth, and is also the empirical support to ERG theory.

Employees' obligation in the psychological contract also consists of three-dimensional structure.

Among them, transaction obligation consists of such six indicators as performing duties to complete task, obeying management, accepting the enterprise, declaration in advance upon resignation, dealing with the relationship with colleagues and abiding by regulations and rules. This factor embodies that the employees pay attention to professional integrity and basic professional quality requirements in the understanding of the relationship between them and their organization, and reflects short-time transaction relationship between employees and the organization, therefore, it is a kind of transaction obligation or transactional contract. Relational obligation consists of such five indicators as assuming the work beyond call of duty, being loyal to the company, maintaining and promoting image of company, keep secrets of the company and accepting adjustment of posts by the company. This factor emphasizes the maintenance and importance of cooperative relationship between employees and enterprise, and is the embodiment of sense of ownership of employees. Development obligation consists of such five indicators as working overtime to complete the work, serving the organization for long time, actively improving employee's own skills, raising rationalization proposal and offering extra help for colleagues. These indicators emphasize importance of employees for establishing long time and stable development relationship with the organization, hoping to promote further development of the organization and make contribution to long-term development of the company through personal efforts.

Researches show that most of the psychological contract structures of the employees of Chinese local enterprises support three-dimensional structure, this paper chooses the psychological contract of three-dimensional structure of the employees of Chinese local enterprises for comparison. Because of different questionnaires used in different studies, therefore, there is no comparability among the mean value of each dimension. This paper chooses relative height of these dimensions for comparison with a view to find similarities and differences between them.

In the research related to the content structures of psychological contract of the employees of Chinese local enterprises, most research institutions find that the employee obligation perceived by employees is higher than organizational obligation, but there are also some opposite conclusions, for example, the research of Zhang (2008)<sup>[9]</sup> shows that organizational obligation is bigger than employee obligation, which may be caused by the difference from sample characteristics. Specific to the structure and content of psychological contract, there is also difference in the height of perceived obligation between different obligation dimensions of employee obligation and organizational obligation.

It can be seen from the comparison with other studies<sup>[10-12]</sup> on the employees of Chinese local enterprises that the employee obligation perceived by expatriate employees of Chinese overseas enterprises is higher than organizational obligation and is basically the same as that of the employees of local enterprises. But in the specific dimensions of employee obligation and organizational obligation, the relational obligation of the employees of Chinese local enterprises and the transaction obligation of organization are the most important psychological contract contents in employee obligation and organizational obligation, whereas the most important employee obligation perceived by expatriate employees of Chinese overseas enterprises is the transaction obligation, and the organizational obligation is relational obligation.

Blocked career channel of overseas expatriates will result in that they have low expectation for their future career development. Therefore, they intensify their pursuit for economic return during the stay overseas, showing the characteristics of short-term transaction with the enterprise. Whereas the dull work and life, empty feeling and lack of kinship due to being far away from home during their stay

overseas in turn make them expect that their organization can more satisfy the need of their social affection, which increases their expectation for relational obligation of the organization.

## CONCLUSIONS

The study on employee obligation dimensions and structures of psychological contract of Chinese overseas enterprises has verified that there exists a kind of correlation of mutual benefit between employees and organization, and employees also clearly understand what obligations that they should undertake for their organization. Both the employee obligation and organizational obligation are three-dimension structure, i.e., relational contract, transactional contract and development contract.

By comparison with the psychological contract of the employees of Chinese local enterprises, although it is thought that employee obligation is higher than organizational obligation, but the expatriate employees of Chinese overseas enterprises more value the transaction relation with their enterprise. At the same time, they have higher requirements on their enterprise in the aspects of open communication, being respected, trust and support, good working atmosphere, attaching importance to employees' value and not raising unreasonable requirements. How to increase relational obligation and development obligation of employees for their enterprise in psychological contract is the important content of scholars and expatriate employees managers of Chinese overseas enterprises in future study and work.

## ACKNOWLEDGEMENT

This work was supported by Anhui Science and Technology Office under Grant 1302053007 and 1402052038.

## REFERENCES

- [1] Jiao Xuan, Zhang Shuibo, Kang Fei; Analysis on Mental Health Problem of Expatriate Personnel for International Projects. *International Economic Cooperation*, **8**, 60-63 (2011).
- [2] Wan Rui; Study on Mental Health of Expatriate Employees. *Journal of Petroleum and Natural Gas*, **5**, 43-45 (2010).
- [3] Wang Cheng-liang; Discussion on Psychological Safety Management of Overseas Employees, *Science and Technology Guide*, **4**, 216-217 (2012).
- [4] D.Rousseau; *Psychological Contracts in Organizations: Understanding Written And Unwritten Agreement*, SAGE Publications, (1995).
- [5] D.Rousseau; New Hire Perceptions of Their Own And Their Employer's Obligations: a Study of Psychological Contracts, *Journal of Organizational Behavior*, **47**(9), 1127-1152 (1990).
- [6] Li Yuan, Guo Dejun; Study on the Structures of Employees' Psychological Contract and their Internal Relations, *Sociology Study*, **5**, 151-245 (2006).
- [7] J.F.Hair, R.E.Anderson, R.L.Tatham, W.C.Blaek; *Multivariate Data Analysis*; M.N.J.Prentice Hall, 578-644 (1998).
- [8] Wen Zhong-Lin, Hou Jie-Tai, Marsh Herbert; Model Test of Structural Equations: Fit index and Chi-Square Criterion, *Acta Psychological Sinica*, **36**, 186-194 (2004).
- [9] Zhang Shi-Ju; Comparative Study of Psychological Contract of The Employees of State-owned Enterprises and Private Enterprises, Huazhong University of Science and Technology, Doctoral thesis, (2008).
- [10] Li Yuan; Study of The Structure and Related Factors of Employees' Psychological Contract, Beijing Capital Normal University, Doctoral thesis, (2002).
- [11] Yu Shan; Study on Incentive Strategy of Knowledge Employees of Innovative Small and Medium-Sized Enterprises Based on Psychological Contract, Central South University, Doctoral thesis, (2008).
- [12] Peng Chuan-Yu; Study on The Relationship between Psychological Contract of The Knowledge Employees and Their Attitude and Behavior, Southwest Jiaotong University, Doctoral thesis, (2008).