

PSYCHOLOGICAL CONTRACT AT WORK IN THE CONTEX OF ARMENIA AND THE UK

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Employment relationships, and in particular psychological contract, as an individuals' perception of mutual obligations between an employer and an employee is influenced by national culture. The purpose of this research is to understand the employment relationships and psychological contracts in financial sectors of the two countries: Armenia and the UK. As a sub-objective, the researcher is seeking to identify and contrast the terms of the psychological contract, exchange relationships between employer and employee and what aspects of work are valued by knowledge workers in both countries.

The interviews were conducted with 24 participants in two organisations, one from each country (Armenia and the UK). A thematic analysis revealed some cultural differences in psychological contract in two countries. The data from this study also suggests that there are similarities in psychological contract contents and work values of knowledge workers.

Keywords: *Psychological contract, employment relationships, culture, organization.*

Introduction: Psychological contract provides a platform which can be used to explain many aspects of employment relationships, in particular organisational commitment, employee satisfaction and performance. While employment relationships are well researched in Western and Asian countries, there is no clear understanding of employment relationships in post-Soviet countries, like Armenia. For some organisations, like the one we observed in our research, it is essential to have effective knowledge management strategies to retain knowledge and expertise.

Previous research showed the different forms of psychological contract in different countries and [4, 117, 251] emphasised the need to understand the differences of psychological contract.

This research fills the gaps in the knowledge about the psychological contract in the post-soviet countries. Understanding of the cultural differences in employment relationships could be useful management tool in an increasingly global business environment.

Psychological Contract and Knowledge workers: In the last two decades there was a significant shift from natural to intellectual resources in the economy. In the 21st century productivity of the companies was mainly based on productivity of their

knowledge workers. Occupations with high knowledge content become essential for the competitive advantage of organisations as those would create most of the value [1, 1152-1165].

The most widely known definition of the psychological contract in the literature of employment relationship is that of Rousseau. 'The psychological contract is the employee's perception of the mutual obligations existing with their employer' [7, 2]. The psychological contract content could include such obligations/expectation as job security, professional and career development, reward or performance standards [5, 121-139]. However psychological contract is not static and it evolves, driven by personal development, organisational or global changes. In our research we mainly focus on exploring the terms of contract and exchange relationships between two parties. Terms are obligations individual employee perceive to owe and the obligations of the employer [6, 679-695]. The balanced exchange relationship can be mutual high and low. The unbalanced exchange relationships are result of employee over- or under-obligation [8, 731-744]. The violation of the psychological contract can have serious consequences for both parties and cause employees' dissatisfaction, low commitment and turnover. Either party of the employment relationships can cause an experience violation of the psychological contract. The violation of psychological contract by employer is related to such aspects of organisational justice like fairness and meritocracy [1, 1152-1165]. Violation of psychological contract also damages trust within organisation. Trust in organisation is an important aspect which creates a foundation for knowledge sharing, team building, seeking feedback and creating atmosphere of 'psychological safety' which are important factors facilitating effective performance [2, 89-106]. A company's decision on what type of psychological contract to build with its employees and the choice an employee makes as of what psychological contract is acceptable are influenced by many factors, including national culture and global environment.

Cultures and Employment Relationships: In this research we will use Thomas's definition of culture which comprises values, beliefs and behavioural meanings which are learned from previous generations and shared by members of society [10, 1437-1458]. Based on Hofstede approach we consider participants from the UK company as being representatives of the same national culture even though some of them have different national background.

Studies based on Hofstede's framework conducted in the UK showed that British people are highly individualistic (individualism) and driven by competition, achievement and success (masculinity). This study also revealed the value of equality (power distance) and focus on short term goals and quick results (Short term orientation). Low score on uncertainty avoidance indicates that the society has less concern about ambiguity and uncertainty [9, 1].

3. METHODOLOGY

3.1. Research Questions : The main objective of this study is to explore the employment relationship and in particular psychological contracts in financial sector in two countries: the UK and Armenia. As a sub-objective the researcher is seeking to identify and contrast the terms of the psychological contract, exchange relationships between employer and employee and what aspects of work are valued by knowledge workers in both countries.

Based on these objectives the researcher has formulated the following research questions:

1. What do knowledge workers in Armenia and the UK value at work? 2. How psychological contract is understood at work in the context of Armenia and the UK (on the example of knowledge workers employed in financial sector)? a) What are the terms of the psychological contract of knowledge workers employed in financial sectors in Armenia and the UK? b) How knowledge workers employed in financial sector in Armenia and the UK perceive their exchange relationships with their employer? c) What are the cultural differences affecting psychological contract (employment relationship)?

3.2. Organisations researched: The researcher conducted the study in two similar organisations in two countries: the UK and Republic of Armenia (Armenia). Both companies used in the research are non-commercial financial institutions which play key role in terms of financial stability of their countries.

3.3. Participants: The selection of participants was based on three main criteria: type of work they do, employment experience in particular organisation and employment experience in particular country. The participants of the research were knowledge professionals working for their organisation for at least three years. Employees' perception of obligations initially tends to be unbalanced, but influenced by employment experience become more balanced over time (c. after two years).

Interviews were conducted with 24 employees (12 in each company) – 12 females and 12 males.

3.4. Qualitative Research and Analysis: Semi-structured interview was chosen as a research method. The thematic analysis was used to analyse the data of the interviews. The main advantage of the thematic analysis method is flexibility. It can be applied in different theoretical frameworks. The researcher used hybrid technique or combination of deductive and inductive approaches to codify the data.

4. RESULTS: As a final point the researcher identified 29 basic, 9 organising and 4 global themes for Armenian data and 24 basic, 9 organising and 3 global themes for British data.

The thematic analysis of data collected from the Armenian company revealed the following global themes: Self-Development, Unfairness, Uncertainty and Safety.

Table 1.

The table shows global and organising themes revealed in the Armenian company

Global Theme	Organising Themes	Basic Themes
Self-Development	Encouragement	1.Trust, 2.Lack of Autonomy, 3.Lack of Reward and Recognition
	Professional Development and Task	1. Interesting job, 2. Innovative technologies, 3. Opportunity to learn/Trainings, 4. Educated colleagues
Unfairness	Discrimination	1. Gender, 2. Status, 3. 'children of rich people' or 'relatives'
	Control	1. Bureaucracy, 2. Managers' qualities
Uncertainty	Communication	1. Disconnection, 2.Unclear performance requirements, 3. Job description, 4. Unclear goals
	Personal Relations	1. Context of a message, 2. Punishment, 3.Lack of feedback
	Future Perspectives	1. Expectations, 2. Changes
Safety	Psychological Safety	1. Paternalistic Support, 2. 'Human oriented' company, 3. Healthy work environment, 4. Loyalty
	Financial Safety	1. Job security, 2. Money

The thematic analysis of data collected from the British company revealed the following global themes: Self-Development, Results and Safety.

Table 2.

The table shows global and organising themes revealed in the British company

Global Theme	Organising Themes	Basic Themes
Self-Actualisation	Professional Development	1. Interesting job, 2. Opportunity to learn, 3. Competitiveness, 4. Team
	Career Development	1. Network, 2. Rotation, 3. Personal Qualities, 4. Flexibility
	Self-Esteem	1.Influence, 2. Trust, 3. Confidence
Results	Communication	1.Information flow, 2. Informal performance feedback
	Unwritten Rules	1. Hierarchy, 2. Punishment, 3. Problem solving
	Encouragement	1. Management, 2. HR
	Responsibility	1. Organisational, 2. Individual
Safety	Psychological Safety	1.Safe work environment, 2.Work-life balance
	Financial Safety	1.Job security, 2. Money

5. DISCUSSION: The research revealed the following findings: Our results show that knowledge workers in the considered companies in Armenia and the UK valued self-development, task and autonomy. Our research also revealed that 'safety' is a crucial factor of work productivity, in particular psychological safety and job stability.

The psychological contract content in the Armenian company includes such obligations as job security, salary, professional and career development, reward and performance standards. Our research revealed similar terms in the psychological contracts of knowledge workers in the UK Company and provided additional support to existing literature [5, 121-139].

Finding of 'unfairness' revealed that psychological contract in the Armenian company is/was violated by the employer. The results show that employees of the Armenian company perceive that rewards, promotion and recognition are based on nepotism and seniority. These results are supported by our findings of a low level of trust and lack of autonomy in the company. Based on these results we can also assume that this may cause difficulties for knowledge sharing, team building and seeking feedback in the company. Based on the exchange theory [8, 731-744] we assumed that Armenian participants mainly perceive the exchange relationships with their employer as a balanced exchange relationship with mutual low obligations.

The finding of 'unfairness' revealed the perception of nepotism and gender discrimination in the Armenian company. The gender discrimination within the company can be attributed to cultural values and perception of traditional gender roles in Armenian society. According to our findings in relation to 'uncertainty' we can infer that many of the obligations in psychological contract in the Armenian company are more implicit than explicit. Explicit obligations were related mainly to wages and job security.

The results allow us to conclude that the Armenian company has a long term relational contract type with a high degree of interdependence between employees and employer. The results show that company spends significant resources on staff development and expect loyalty in return [6, 679-695]. The finding 'unclearness' also supports our results concerning the type of the psychological contract. The "paternalistic support" from the company supports our explanation of the contract as relational. The researches of [4, 244, 270] revealed that relational contracts are not clearly defined in terms of requirements and performance standards.

Based on Hofstede's cultural framework we can interpret the finding of 'uncertainty' in the Armenian company as a cultural characteristic relating to high avoidance of uncertainty. Stability in life and work and security are important characteristics of cultures with high uncertainty avoidance [3, 82-88].

The results of the UK company showed that in contrast to the Armenian company the psychological contract has more explicit nature. The main obligations of both employees and employer were clearly presented in the formal contract. However, there are many implicit obligations in the British company relating to behaviour and psychological safety. The British company uses both relational and transactional type of contracts. The company has an ambiguous approach to long-term relationships. On one hand it does not encourage loyalty to the organisation in terms of long term commitments/relationships but on the other hand spends significant resources on staff

development [6, 679-695]. Some research based on Hofstede's cultural framework identified that in the British society there is a high individualistic tendency [9, 1]. However in our research the team work was identified as one of the factors influencing professional development for knowledge workers in the British company. The value of team and team-work was not revealed in the Armenian company.

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ПСИХОЛОГИЧЕСКИЙ КОНТРАКТ В РАБОЧЕЙ ДЕЯТЕЛЬНОСТИ В АРМЕНИИ И СОЕДИНЕННОМ КОРОЛЕВСТВЕ

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Трудовые отношения и, в частности, психологический договор, как восприятие человеком взаимных обязательств между работодателем и работником, зависит от национальной культуры. Целью данного исследования является понимание трудовых отношений и психологических контрактов в финансовых секторах двух стран: Армении и Великобритании. В качестве дополнительной цели исследователь стремится выявить и сопоставить условия психологического контракта, а также аспекты работы, которые ценятся работниками умственного труда в обеих странах. Интервью были проведены с 24 участниками в двух организациях, по одной от каждой страны (Армения и Великобритания). Тематический анализ выявил некоторые культурные различия в психологическом контракте в двух странах. Данные этого исследования также показывают, что существуют сходства в содержании психологических контрактов и трудовых ценностях работников умственного труда.

Ключевые слова: *психологический договор, трудовые отношения, культура, доверие, организация.*