



## New Zealand Asia Institute Research snapshots

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The New Zealand Asia Institute (NZAI) undertakes research focusing on engagement with Asia, provides a forum for informed debates, and offers a bridge to Asia-related expertise and research within the University of Auckland.

### Religion and “psychological contracts” in Asian business-to-business relationships

Business contracts generally have formal, clear-cut elements but they can also include “psychological contracts.” Psychological contracts comprise each party’s subjective expectations of how the other will act. Being mostly unspoken, those expectations are easily breached. But if they hold, psychological contracts can strengthen a business relationship with personal bonds of interdependence and mutual obligation. A recent study\*\* explores psychological contracts in business-to-business (B2B) relationships in service industries across borders in Asia. It also throws religion into the mix. What happens when a business from a very religious Asian country supplies services to another, one that is either much less religious or has a different religious makeup?

The research context for this study was Indonesia, where Islam is the majority religion. The researchers reasoned that Islamic values would extend to Indonesian managers’ decisions and expectations about relationships with their customers abroad. They surveyed 312 firms providing services to other businesses in any of six non-Muslim nations: China, Japan, South Korea, Taiwan, Thailand, or the Philippines.

Psychological contracts emerged as crucial; and high religiosity helped rather than hindered them: the more that Indonesian managers followed Islamic rituals, for instance, the more they formed psychological contracts and tended to overlook or downplay breaches. More religious managers also tend to think long-term in their relationships. Religiosity was found add to “relationship capital” parties could draw on. Importantly, religiosity did not predict hostility to religious outsiders.

Relationship capital comprises mutual trust and respect. The more B2B relationships were seen as trusting, respectful and two-way, the more Indonesian managers felt both sides’ needs were being met, and the less they felt their partners were welching on unwritten terms. Breaches of psychological contracts undermined that sense of collective needs being met. Interestingly, not all successful psychological contracts enhanced that sense of satisfaction or mutual trust. “Relational” psychological contracts did, but not “transactional” ones. Transactional psychological contracts are narrower, shorter, and more self-interested than the give-and-take of the ongoing relational ones.

Indonesia and other Asian countries share some communication norms that people from different cultures can find difficult to understand. Both tendencies raise the premium on relationships and make psychological contracts important. Relational considerations are thus also relevant to for B2B trade between Asian and non-Asian partners.

\*\* The full study results are available in an article authored by Russel Kingshott, Henry Chung, Martinus Parnawa Putranta, Piyush Sharma and Herbert Sima: “Religiosity and psychological contracts in Asian B2B service relationships”. *Industrial Marketing Management*, 98, 2021, 138-148. <https://doi.org/10.1016/j.indmarman.2021.07.010>