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Building Psychological Contracts in Security-risk Environments:

Evidence from Colombia and Mexico

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Abstract: This article examines the reciprocal obligations between employers and employees that are framed as psychological contracts in security-risk environments. A total of 30 interviews based on psychological contract frameworks, duty-of-care strategies in terms of human resource management (HRM) systems and the impacts of narcoterrorism on firms were conducted with human resources (HR) personnel, line managers and subordinates at eight national and multinational corporations (MNCs) with subsidiaries in Colombia and Mexico. Our findings generally support the existence of a relational psychological contract in our sample. Duty-of-care strategies based on

both HRM systems and the sensitivities of HR personnel and line managers to the narcoterrorism context, in combination with both explicit and implicit security policies, tend to be the sources of the content of psychological contracts. We propose a psychological contract model based on HRM systems and security and control policy in a narcoterrorism context for the further study of firms' duty-of-care strategies.

Keywords: psychological contracts, human resource management, duty of care, narcoterrorism, organised crime, violence, Colombia, Mexico

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1 Introduction

Numerous organisations manage employees in countries characterised by substantial security risks, such as narcoterrorism (Björnehed, 2004; Durbin, 2013). Narcoterrorism refers to ‘drug-trafficking organisations’ (Campbell and Hansen, 2014, p.161). Narcoterrorism and its derivative consequences, such as organised violence and crime, comprise a global phenomenon that profoundly shapes members of society (Medina Gallego, 2012). In this paper, we focus on narcoterrorism’s direct and indirect impacts (Durbin, 2013; Rettberg, 2003) on employees at local firms and multinational corporations (MNCs). Narcoterrorism’s direct impacts and consequences include the destruction of firms’ infrastructure and the kidnapping or murder of employees, whereas its indirect effects include loss of customers, production interruptions and supply chain disruptions (Álvarez and Rettberg, 2008; INEGI, 2013). These impacts suggest that

firms have ‘duty-of-care responsibilities’ (Claus, 2010, p.23) to protect employees in such security-risk environments.

In a narcoterrorism environment, firms must develop proactive implicit and explicit strategies to build employee trust and loyalty, which can create mutual support that is conceptualised as a psychological contract (Rousseau, 1990). This paper’s objective is to investigate and understand the content of psychological contracts in narcoterrorism environments. We focus on implicit and explicit duty-of-care strategies through human resource management (HRM) and security and control systems to explore employees’ perceptions of the mutual obligations that bind them and their organisations (Rousseau, 1990) in terms of psychological contracts in Colombian and Mexican employees.

Colombia and Mexico present a context of unfamiliar circumstances for most international researchers and practitioners. Some aspects of organised crime and violence are specific to the selected countries, in particular to narcoterrorism, whereas others have broad relevance for managing studies in security-risk environments (e.g., Bader and Berg, 2014; Czinkota et al., 2010; Liou and Lin, 2008). We conducted 30 semi-structured interviews with human resource managers (HRM) and employees in eight local and MNCs located in Colombia and Mexico. The purpose of the interviews was to examine how psychological contracts,

together with duty-of-care strategies, are developed and maintained in settings where trust in government and civil society has been lost because of the narcoterrorism in Colombia and Mexico (e.g., US Department of State, 2014).

At a theoretical level, we seek to contribute to an understanding of the duty-of-care mechanisms through which psychological contracts are created in narcoterrorism environments. Typologies for conceptualising psychological contracts are developed in stable institutional environments (Rousseau, 1990), and we thus aim to explore whether these assumptions hold true in narcoterrorism settings. We aim to contribute to the role of HR and line managers with respect to their duty of care to build and maintain psychological contracts.

The remainder of this paper is organised as follows. First, we present psychological contracts. Next, we discuss previous research on terrorism, narcoterrorism, organised crime and violence, all in relation to psychological contracts. We then describe the methodology developed and the results. The discussion and implications are presented with the aim of developing a dialogue about the implications of duty of care for psychological contracts with local employees in narcoterrorism environments.

2 Theory

2.1 Psychological contracts

A psychological contract in employment refers to the system of beliefs that an individual and his or her employer hold regarding the terms of their exchange agreement (Dabos and Rousseau, 2004, p.53). The system of beliefs is the perceptions of the mutual obligations between the employee and the employer (Brummel and Parker, 2015; Rousseau and Tijoriwala, 1998). Obligations take many forms—from loyalty to protection to no commitments (McDermott et al., 2013). Unlike written contracts, ‘psychological contracts have no official start and end date and are subject to ongoing and constant renegotiation’ (McNulty, 2014, p.12). As noted by McNulty (2014, p.12), ‘what does not matter to employees today may suddenly matter weeks or even months later’. This assertion appears to be critical in security-risk environments—for example, in Colombia and Mexico, former presidents Uribe (2006-2010) and Calderon (2006-2012), respectively, implemented strategies to fight narcocartels, which resulted in a sudden increase in violence and criminal attacks on organisations and members of civil society (e.g., Durbin, 2013). Thus, a sudden change in narcoterrorism environments might change employer/employee expectations and thus re-negotiate important aspects of psychological

contracts, given 1) the individual's and the organisation's changing expectations and 2) shifting economic and social contexts (Le et al., 2015).

According to Sherman and Morley (2015) the social/economic divide inherent in exchange theory has informed the often explored research transactional/relational continuum on the content of psychological contracts between employees and employers (e.g., Rousseau, 1995; Sverdrup and Schei, 2015). The transactional-relational continuum highlights how influences and obligations in relationships, such loyalty and stability between employees and employers, are exchanged and not exchanged (Macneil, 1985). Transactional obligations are characterised by highly specific exchanges of limited duration, low ambiguity, low member commitment, weak integration, and the exchange of economic resources (Aselage and Eisenberger, 2003; Linnehan and Blau, 2003; Sverdrup and Schei, 2015), where money is the 'dominant concern' (McDermott et al. 2013, p.295). Bingham and colleagues (2014) argue that transactional obligations generally fulfil explicit and well-defined job requirements (p.75).

On the other side of the spectrum, socio-emotional support between employer and employees (Rousseau, 1990) prevails in the relational obligations within psychological contracts, which are typically subjective relationships oriented and founded on trust, good faith

(Bingham, 2015, p.75), an ‘open-ended time frame and the exchange of socioemotional resources’ (Aselage and Eisenberger, 2003, p.493). Relational obligations are characterised, for example, as obligations ‘on the employee’s side of loyalty to the employer, and, in return, by the employers’ obligation of providing job security’ (Le et al., p.93). Relational contracts’ accomplished obligations to the organisation can be shown by extending beyond employees’ specific job roles, taking the ‘form of being loyal, helping, and showing concern for the well-being of the organization’ (Bingham et al., 2014, p.75). The relationship between HRM and psychological contracts tends to imply an alignment of HRM systems with ‘a duty-of-care perspective’ (Fee et al., 2013, p.256). This assumption is based on the implementation of HRM systems that are meaningful to employees ‘to exert their desired effect on employee attitudes and behaviours’ (Nishii et al., 2008, p.504); these arguments are developed in the following section.

2.2 HRM systems and psychological contracts

HRM systems refer to ‘a group of separate but interconnected HRM practices’ (Takeuchi et al., 2009, p.1), principles, policies and programmes (Lawler et al., 2011). HRM systems function as mechanisms for the codification and communication of a strong message to individuals about

what the organisation expects and what these individuals can expect in return (Rousseau, 1995). Employees' interpretations of HRM systems will help employees better understand employment relationships (Sherman and Morley, 2015) and create intangible psychological contracts which tend to create loyalty to the firm and stability in the work relationship (Rousseau, 2000). Stability means that an employee is obligated to remain with the firm and to do what the firm requires to keep his or her job. In return, the employer commits to systematically manage employees through core HRM policies and practices, including those for planning, staffing, fair wages, training and career development, safety and health, and labour relations (e.g., Takeuchi et al., 2009), which are explicit obligations conveyed by the HR department that build employees' beliefs in contracts and their personal predispositions (Dabos and Rousseau, 2013; Rousseau, 1995).

Employees' predispositions and organisational influences through HRM systems are factors that might be understood differently in different regions of the world. For example, psychological contract models developed in the US might not apply in the Mexican context (Davila and Elvira, 2007). According to Elvira and Davila (2005), Latin American employees, unions, managers and other stakeholders often have different interests; therefore, their demands or expectations from HRM departments

also vary (Davila and Elvira, 2012, p.482). This finding suggests that HRM departments might fill the role of other stakeholders who cannot respond to employees' demands. For example, mistrust in formal institutions (Scott, 2013) caused by rule of law, corruption and patronage issues (Fox, 1994) might shape employees' and organisations' expectations, which are rarely considered in the dynamic of HRM and psychological contracts. Additionally, researchers argue for line supervisors and co-workers as agents who transmit messages to employees (e.g., Davila and Elvira, 2007; Sherman and Morley, 2015), who, in turn, influence the creation of psychological contracts (Sherman and Morley, 2015). McDermott and colleagues (2013) argue that line managers 'can make their own promises, which employees will attribute not only to the managers but also to the firm' (p.297). In so doing, line managers can adapt HRM policies and practices, which implies that managers play 'multiple roles in psychological contracting – as communicators, sense givers, authorizers, and innovators' (McDermott et al., 2013, p.297).

In reference to security-risk environments, Fee and colleagues (2013, p.256) propose psychological contract theory as 'a foundation for HRM's response to the service provider and welfare officer roles' in conflict or post-conflict zones. This notion has been further developed in

theoretical models, primarily those focusing on expatriate management (e.g., Bader and Berg, 2014). However, local employees who are confronted by narcoterrorism impacts and consequences have received little attention. We predict that, in such complex institutional environments, firms have an effect through HRM systems that create psychological contracts with employees. This argument is further presented in the following section.

2.3 Psychological contracts in 'narcoterrorism' regions

In their research in Guatemala City, Sutter and colleagues (2013) have found that micro and small businesses' responses to violent and criminal acts include either paying criminal gangs for protection or fighting back. Paying criminals is also a strategy implemented by MNCs in Latin America. For example, US-based Chiquita Brands have acknowledged that they made payments to paramilitary groups in Colombia to protect their executives and banana plantations (Maurer, 2009). A survey of 79 US-based MNCs has found evidence of a more pragmatic approach that focused on the following strategies: (1) investing in security devices/equipment, (2) protecting infrastructure, and (3) training expatriates (Harvey, 1993). These programs relied on 'hardware' to solve

the problem and featured a nearly total preoccupation with asset protection (Harvey, 1993, p. 470).

However, the research in Colombia of Andonova et al. (2009) suggests that firms' deep understanding of their external context, which is shown by their promotion of community social development, tends to result in respect for property rights, which supports higher productivity and profitability. The Colombian firms Hacienda Gavilanes, Indupalma and Hocol implemented HRM practices, such as providing protection and guaranteeing peace in the conflict areas where they operate (Andonova et al., 2009). During El Salvador's civil war in the 1980s, Grupo San Nicolás, a pharmaceutical company in El Salvador, offered its employees flexible schedules and private transport between the firm and their homes at night. These policies made employees perceive that 'this is a family, and all of us feel that we are a part of it' (Leguizamon et al., 2009, p.89). These emerging HRM policies and practices echo arguments proposed by Davila and Elvira (2008) about how HRM duty-of-care practices function as psychological contractual relationships under uncertain institutional circumstances (Davila and Elvira, 2008).

Is the context (Johns, 2006) of narcoterrorism a determinant of the implementation of certain HRM policies and practices as factors in the formation of a relational psychological contract? Narcoterrorism settings,

which feature the incapacity of establishing and operationalising basic principles of the rule of law, could arguably create negative economic and management consequences for firms (Bader and Berg, 2014; Dietz et al., 2003). In such settings, Davila and Elvira (2012, p.483-84) argue that ‘the role of [the] HRM department is crucial to demonstrate solidarity with employees in times when dramatic misfortune surpasses potential claims and when national and local institutions fail either to enforce basic property rights or to provide protection and security’.

According to the broader HRM perspective of Claus (2010), employers have a variety of employee-related ‘duty-of-care responsibilities’. HR managers ‘are expected to take practical steps to safeguard their employees against any reasonably foreseeable danger in the workplace’ (Claus, 2010, p.23). The following section presents the narcoterrorism setting of our research.

3 Narcoterrorism

Narcotrafficking is a process that involves drug cultivation or production (artificial drugs) and drug distribution to dealers or consumers. The US Drug Enforcement Agency (DEA) defines narcoterrorism as the ‘participation of groups or associated individuals in taxing, providing

security for, otherwise aiding or abetting drug trafficking endeavours in an effort to further, or fund, terrorist activities' (Talbot, 2010, p.10).

Many coca plantations and laboratories are located in Colombia. Colombian cartels have developed networks throughout Latin America, the Caribbean, and the US to transport and distribute drugs. Mexico has been considered a transit country through which drugs travel to the US. Presenting and discussing narcocartels' development and operations in Colombia and Mexico is beyond the scope of this paper. In this section, we concentrate on narcoterrorism's impact on firms.

Narcocartels (or their criminal organisation networks) coerce firms. Coercion to legalise illicit profits or to obtain access to firms' value chains to transport drugs, for example, has been reported as a common practice (e.g., Hartelius, 2008). Firms' lack of 'cooperation' with narcocartels or criminal gangs might result in narcoterrorist attacks. For example, narcoterrorist groups use car bombs, assassinations and kidnappings against anti-narcotic police in Colombia and Peru (Björnehed, 2004, p.306). Given the varying motivations of terrorist groups, this paper focuses on the direct and indirect effects of narcoterrorism on firms in Colombia and Mexico, as presented in the following section.

3.1 The fight against narcoterrorism in Colombia and Mexico

The direct effects of narcoterrorism on firms include not only the resources that firms must spend to protect their employees, infrastructure and operations but also the ‘tax on patrimony or tax on war’ imposed by, for example, the Colombian government (Rico Torres, 2004). Former Colombia president Álvaro Uribe Vélez, who served two terms (2002-2006 and 2006-2010), strengthened Colombia’s security forces through the *Defence and Democratic Security* policy. This policy was financed by reinstating the ‘tax on patrimony’ for taxpayers and firms operating in Colombia under Act 863 in 2003. In Mexico, there is no such tax; the funds to fight the ‘war on drugs’ are public, and a percentage is for the maintenance of the Mexican army.

According to Campbell and Hansen (2014), narcoterrorism has intensified and worsened in Mexico since 1990 ‘because of the decline of the major Colombian cartels’ (p.158). The no-negotiation position of former Mexican president Calderón (2006-2012) with respect to law enforcement against drug trafficking and drug-related violence has been a key factor fuelling an increase in cartel violence, not only quantitatively but also qualitatively (Pacheco, 2009, p.1024). A death toll of approximately 6,000 was reported in 2008 and between January and October of 2010; 530 deaths related to cartel crimes were reported, an increase of 1,081% compared with the death toll in 2009 (Durin, 2012).

The war against the cartels was transformed into an inter-cartel competition and led to a string of disturbing and violent incidents, from robbery to extortion, perpetrated by different crime organisations operating at the civil-society level (INEGI, 2013).

The next section presents the methodology developed to explore duty-of-care impacts on psychological contracts in the narcoterrorism context.

4 Methods

To explore the effects of firms' duty-of-care strategies on psychological contracts, we conducted 30 semi-structured interviews at two organisational levels in a total of eight different firms in Colombia and Mexico (see Table 1). Medellín and Monterrey were selected because these cities are considered industrial hubs but also because they have been shaped by narcoterrorism; in addition, the backstory to the development of this research is presented below.

Insert Table 1 about here

4.1 Backstory

The selection of the specific context for this research is the authors' life and work experience in narcoterrorism environments. The experiences of the researchers involved in this project, one Medellín native and two Monterrey natives, were key in understanding the narcoterrorism context and making sense of the emerging implications for firms' duty of care and psychological contracts in such contexts. However, the researchers confronted a major challenge in establishing trust with the participants to discuss and make evident the impact of narcoterrorism at both the firm level and the personal level. Some participants were apparently 'unaware' of the external narcoterrorism conditions; however, we interpreted that 'unawareness' as 'blindness': a defence mechanism whereby these participants avoided talking about the organised crime and violence that had shaped their lives, which seems to be a strategy for working and living in such circumstances.

Building that sample and then trust among the participants to conduct the interviews was not a smooth process, given firms' confidentiality issues and the narcoterrorism element in our research. However, four aspects helped us to build trust: 1) Interviews were conducted in Spanish. The three researchers in this project and all employees interviewed are native Spanish speakers from Medellín and Monterrey, which helped in terms of listening, discussing and developing

an understanding of the subject of our research. 2) We designed an interview protocol based on the theory and research conducted on psychological contracts in security-risk environments. The protocol for the interview was tested in Medellín and Monterrey to adapt it to Colombian and Mexican Spanish and the context of narcoterrorism. The outcome of our pre-test in both cities revealed that our subjects felt uncomfortable with certain words, such as ‘narco’, ‘cartels’ and ‘extortion’, and were reluctant to discuss the consequences and implications of narcoterrorism. Thus, we re-designed our interview protocol to avoid any ambiguity in our wording, and we thus directly named our topics, e.g., crime, violence and organised crime, as each topic has a social, cultural and historical content. We also avoided certain words, such as ‘narco’, ‘cartels’ and ‘narcoterrorism’. Appendix 1 presents our final interview protocol. 3) We adopted reflexivity and an attitude of strangeness (Bourdieu, 1986) while developing our conversations with managers and subordinates, which helped us to take a step away from the subject of our research. 4) Our role as academics in Colombia and Mexico in developing independent knowledge of our research topic, together with our personal relationships with current and former students, were key aspects that facilitated a sufficient development of trust and openness to allow the participants’ involvement in our research. Two researchers in this project teach

managerial courses for undergraduate and graduate students in Medellín and Monterrey. These two researchers contacted current and former students who were working in firms with operations in Medellín and Monterrey with mature HR practices. After explaining to the initial contacts (former and current students) our motivations, ethical issues (e.g., the confidentiality of the firms and informants), and the use of the research outcomes for publication, the initial contacts who agreed to participate in this research assisted the two researchers in organising a meeting with an HR manager and/or managing directors to formally present our research to the firm. In each firm, we conducted interviews over a period of 3 months (August-September 2014, and the April 2015); see Tables 2 and 3 for the demographics of our sample.

4.2 Sample and analysis

The two organisational levels in all firms included the following interviewees: 1) the HR director and/or managing director and 2) from two to five line managers and subordinates, all natives (from Medellín or Monterrey); see Tables 1, 2 and 3.

Insert Table 2 about here

Insert Table 3 about here

We conducted the interviews in Spanish, which lasted an average of 80 minutes and were tape-recorded and transcribed verbatim. We used Nvivo10 to code each interview. We began our coding (Miles and Huberman, 1994) with a theoretical framework to code our data and regularly consulted our framework when analysing the data to develop new categories inductively related to the direct and indirect impacts of narcoterrorism with respect to the duty of care and psychological contracts. The coding yielded an initial scheme with 20 codes that facilitated the comparison of topics across data sources. To ensure trustworthiness, five months after the first coding, we recoded our data again and calculated in NVivo the reliability coefficient, which shows intra-coder reliability (Miles and Huberman, 1994) over 0.96. The data have twelve main second-order themes associated with three aggregate dimensions: 1) HR systems, 2) Line manager ‘agent’, and 2) security and control systems.

5 Findings

Our findings are structured based on our thematic analysis of the interviews, which address how psychological contracts are created and maintained in narcoterrorism environments. First, we present an overview of the impact and consequences of narcoterrorism related to organised crime and violence in Colombia and Mexico. Next, we present the identified themes.

5.1 Organised crime and violence

The indirect effects of narcoterrorism are seemingly the primary concerns of local managers and employees who work in such contexts. However, distinguishing between ‘ordinary’ violence and crime and narcoterrorist attacks on firms and civil society is important.

We identified examples of the direct impacts reported in the press – such as direct extortion, the destruction of firms’ infrastructure and theft – which appears to incur additional operational costs for firms, as they are forced to invest more in ‘hardware’, among other policies. An HR manager elaborated on this strategy:

Private transport for technicians is approximately 100,000 pesos [the firm pays approximately US\$500 on taxis for technicians to travel to security-risk areas]. In terms of customers’ dissatisfaction [failing to provide services, as employees refuse to travel to security-risk areas], this means a monthly cost of 1,000,000 pesos [approximately US\$5,000]. (Firm CO-4)

We observed initial indications of the indirect impacts of narcoterrorism at the employee level. The thematic analysis suggests that employees are afraid – of travelling on public transportation, of working night shifts and of travelling to security risk areas – which seems to result in stress, according to our subjects.

The managers and employees interviewed in Colombia and Mexico tend to agree that assaults on employees and the theft of firms' equipment and products are 'ordinary' contingencies of violence and crime. A Colombian sales manager commented as follows:

The same things [violence and crime] are happening every day, in one way or another; these types of things are always present. (Firm CO-3)

To address 'ordinary' crime and violence, the firms that we visited have established explicit security policies and practices to prevent and diminish the impact of 'ordinary' violence and criminal activities. Investment in hardware, such as the installation of security cameras, the reinforcement of firms' doors and windows and the retention of private security guards, are common practices in our sample. In addition to these measures, manufacturing firms have established different strategies to conduct physical searches of employees when they leave the plant. Some

HR managers support this practice, while others reject it. HR managers in Mexico and Colombia expressed their different views as follows:

Employees are used to being [physically] searched before leaving the plant. Therefore, it is not a problem. (Firm MX-4)

To me it seems a terrifying, awful practice. Because it is uncomfortable for people to be physically searched, I even recently suggested that the measure be lifted. Additionally, it is not right that some employees are searched and others are not. (Firm CO-4)

There is no clear line distinguishing between ‘ordinary’ and narcoterrorist attacks. In this paper, we focus on kidnapping, extortion and destructive attacks on firms and employees as narcoterrorist attacks.

5.2 Implications and consequences of the narcoterrorism context on psychological contracts

In both countries, managers and employees appear to agree that stress and fear are their major concerns when working in environments plagued by the violence and crime associated with narcoterrorism. A manager at firm CO-2 commented as follows:

After Uribe arrived and we ‘got company’ [i.e., the Colombian army became involved], he put the army in all [of the conflict-laden] municipalities...For example, during the second Uribe term in 2006, it was a very chaotic situation. Therefore, I asked the government for caravans. (Supply chain manager at firm CO-2)

Random terrorist attacks on employees occur when employees wait for public transportation to travel to their workplaces. The typical incidents reported by HR managers, line managers and subordinates included crossfire between drug cartels and explosions near or at the workplace. Such incidents make the provision of post-sale customer service to risk-security areas challenging, as reported by firm CO-3. Managers and subordinates also reported that fear and tension seem to increase when employees travel after dark. Kidnapping seems to be a concern for the three organisational levels of employees interviewed.

We found that firms implemented duty of care through different strategies in terms of HRM systems, which seem to fuel the terms and content of psychological contracts. For example, subordinates expect access to private transport from city locations to the firm. HR and line managers reported that life insurance, Global Positioning System (GPS) on company cars and mobile phones, among other resources, are expected. However, at the firms that we visited in Colombia and Mexico, we found that firms are expected to ask employees about their family members' welfare and to express concern about those family members. The following quotation from an HR manager in Colombia demonstrates this expectation:

The brother of one of our employees was killed in front of him. Our employee is depressed. We [the HR department] learned that because the supervisor saw him acting distracted and quiet. The supervisor came to talk to him, and that is when we [the HR department] found out. (Firm CO-4)

We found that Colombian and Mexican firms have established post-trauma sessions and safety-prevention programmes, not only for employees but also for their families. Additionally, firms have modified timetables and provided private transportation and life insurance, among other benefits.

We identified two primary challenges that the firms visited face in implementing supportive duty-of-care strategies to buffer the indirect impacts of narcoterrorism: 1) difficulties in understanding the effects of the narcoterrorism context on firms and 2) budget concerns. According to their responses during interviews, the subjects understand how narcoterrorism affects their private lives. The challenge that we identified is directed at HR and line managers in terms of how they can develop strategies to operate in narcoterrorism contexts, particularly in terms of budget. Budget concerns were identified at international firms (CO-1, CO-4, MX-1, 2, 3 and 4), where foreign managers at the firms' headquarters typically do not provide HRM benefits in their own countries. The following statement from a Mexican HR manager mentions this challenge:

...in the US, transport is not widely provided to employees. The plant director [from the US] would not agree...he enquired...‘why is it needed, if all [of the blue-collar workers] live near the plant?’ (Firm MX-3)

The subsidiaries of the MNCs visited in Colombia and Mexico seem to face pressures to keep their budgets low. According to our thematic analysis, subsidiaries find it difficult to justify investments in benefits and services that attempt to diminish the indirect impacts of narcoterrorism on employees (such as fear and stress) to company headquarters.

Foreigners seemingly find understanding the impact of narcoterrorism on local employees difficult; they do seem not to be exposed to narcoterrorist attacks. A Colombian supervisor working at a Swiss-based firm commented on this issue:

No, they [managing directors] do not know any of this. Perhaps it is our own mistake because we [supervisors] do not communicate the information up the organisational structure. Perhaps the HR department is not aware because we [supervisors] keep all of this information [violence and crime to employees] to ourselves. (Firm CO-4)

Additionally, we found that MNCs have developed security policies for foreign nationals working in Mexico. The HR manager of a US-based firm in Monterrey illustrates this approach:

...we have an agreement with the Hampton Inn [Hotel] Apodaca [an industrial district near Monterrey]. The hotel transports the foreigners to the plant. We have a policy that they [foreigners] cannot... well, they are urged not to leave the Apodaca area. In other words, airport to hotel and hotel to plant. (Firm MX-3)

The analysis of the interviews indicates that employees might accept working ‘temporarily’ in firms that do not provide the HRM systems designed for narcoterrorism environments, given the difficulties associated with finding a job. However, employees do not want to risk their lives when travelling to their workplaces; therefore, when they find another alternative, a firm that provides the security-related benefits mentioned above, they change firms. This relational obligation also creates another dynamic in the recruitment and selection process, as the HR managers interviewed argue that finding employees whose profiles fit the firms’ organisational values is difficult, especially when they seek to avoid hiring a candidate with narcoterrorism links. The mismatch between firms’ and candidates’ values seems to be a consequence of narcoterrorism. According to our analysis, certain candidates’ value scales and moral behaviour have seemingly been weakened, which could be a potential threat to firms’ work environments and resources. The following quotation from an HR manager illustrates this concern:

...even here [in this plant], we had a person who was in an organised crime group. I did not realise because I requested [from]

him [only] the information and documents that were regularly assessed in our former recruitment and selection process...everything was 'fine'. (Firm MX-3)

The interviewed HR managers agreed that strict recruitment and selection processes have been implemented, such as processes to avoid hiring employees who might associate with narcocartels. We found common recruitment and selection patterns in Colombia and Mexico, such as home visits and the verification of criminal records. Subordinates and managers tend to agree about the necessity of strict security measures, even though they might be extreme. A coordinator in Colombia explained such measures as follows:

That [set of security measures] is very demanding – there is a great deal of demand from the firm, but at the same time, it is good for us. It is for our own safety and for that of the customer. (Firm CO-1)

One recurrent pattern in the interviews concerns managers encouraging employees to participate in brainstorming sessions to develop security policies and practices and to endorse organisational values and ethics. Overall, the interviews indicate that an organisation must demonstrate its support for its employees. Based on our results, we propose a psychological contract model in the narcoterrorism context (see Figure 1), which is discussed in the following section.

Insert Figure 1 about here

6 Discussion

This research provides initial evidence in an effort to understand the impact of the narcoterrorism context on duty-of-care strategies and thus psychological contracts (Rousseau, 2000). Based on psychological contracts and HRM theory and research, we proposed a model in which the narcoterrorism context shapes the design and implementation of HRM systems and security and control systems, which appeared to be the content of psychological contracts. Our proposed model (see figure 1) involves duty-of-care strategies that integrate the following explicit and implicit interpretations and understandings. HR systems develop both transactional and relational psychological contracts. In terms of the transactional approach, we argue that HRM systems function as mechanisms to maintain the firm's *status quo*, which means avoiding the impacts and consequences of narcoterrorism. This appears to be achieved by designing HRM systems for narcoterrorism environments, for example, implementing strict recruitment and selection policies and processes to avoid hiring employees with links to narcoterrorism. We understand the transactional approach to psychological contracts as employees seeking income and employers pursuing employees who will not bring the direct

or indirect impacts of narcoterrorism to their firms. HRM systems' adaptation processes generate paradoxes in the firms visited. Medellín and Monterrey seemingly offer a substantial supply of potential employees, but, according to HR managers, finding a candidate in the local labour market who fits the firm's profile is difficult.

Our results also seemingly indicate that HRM systems help re-negotiate the content of psychological contracts towards the relational approach. Our findings suggest that strengthening and guaranteeing firms' *status quo* is achieved through the interpretation of HRM systems, which appear create commitment and trust between employers and employees and thus re-negotiate the content of the psychological contracts. In this dynamic, we found that agents (Sherman and Morley, 2015) or line managers develop a key role by interpreting and implementing HRM systems as a compromise among managers and subordinates. This dynamic shapes psychological contracts towards the relational end of the continuum, as employees seem to appreciate working in an organisation that does not expose them to the risks and negative effects associated with narcoterrorism. The firms visited have introduced contingent HRM policies and practices in HRM systems, such as flexible work schedules, security-risk training, and contingent compensation and benefits, which employees appear to appreciate. One contribution of our research involves

the integration of contingent HRM policies and practices in HRM systems to understand the content of psychological contracts in narcoterrorism contexts.

A further contribution of our research concerns increasing the important role of line managers or ‘agents’ in building and maintaining psychological contracts. Our theory suggests that line managers have the intrinsic skills to perform discretionary adaptations to HRM systems (e.g., McDermott et al., 2013; Sherman and Morley, 2015). Our results propose that line managers’ sensitivity to the criminal acts and violent attacks to which employees can be subjected tends to shape mutual loyalty and commitment between managers and subordinates. We found that local line managers perform discretionary adaptations, for example, changing work schedules and paying their subordinates’ taxi fares, because they are concerned with the welfare of employees. Line managers appear to understand employees’ absences and lateness to work, among other issues, in the context of the narcoterrorism environment. Line managers’ sensitivity seems to be supported by explicit duty-of-care HR strategies, such as training, job design and benefits programmes that are tailored to the narcoterrorism context. Employees seem to appreciate firms’ support when tragic incidents occur. Support for employees’ families appears to be highly appreciated by the subjects interviewed. These results yield further

support for a relational psychological contract in narcoterrorism environments. This relational approach might be interpreted as an understanding of the role of firms and managers in constructing a model of society and sustainable development. This model is developed through firms' and managers' acknowledgement of the narcoterrorism context. Firms and managers are thus classified according to their blindness (taking for granted narcoterrorism's indirect impacts) or foresight regarding the direct impacts of the violence and organised crime associated with narcoterrorism. We interpret this dynamic as a blinding mechanism, also referred to as avoidance (e.g., Sutter, et al, 2013), which forestalls a confrontation with a reality that has affected the participants' lives. This antagonism towards narcoterrorism either strengthens or weakens the psychological contract between employees and their firms.

We also propose in our model security and control systems, which contribute to both relational and transactional psychological contracts. We identified pragmatic firms' investment in 'hardware', such as surveillance technologies for protecting infrastructure and the hiring of private guard, which appears to complement HRM systems. All the firms that we visited have explicit work-related security measures to prevent the negative consequences of narcoterrorism, such as robbery and assault. Work-related security measures related to health and safety are standardised policies that

have been implemented in the firms visited. Private guards, security cameras and employee searches before leaving the workplace, among other measures, are also standard practices observed in our sample, which seem to be common practices in narcoterrorism contexts (e.g., Andonova et al., 2009; Sutter, et al., 2013). As argue above, employees seek to work in a workplace in which their lives are not exposed to narcoterrorism impacts and consequences, which we interpret as a transactional approach. We also argue that investment in ‘hardware’ contributes to relational psychological contracts, as employees and line managers propose security and control systems to senior managers. We argue that this dynamic establishes commitment between employers and employees in workplaces that invest in duty-of-care policies that seek to protect employees from narcoterrorism impacts and consequences. HR and line managers are required to make special efforts to develop innovative, effective and timely implementation of duty-of-care strategies in narcoterrorism contexts. Narcoterrorism attacks are random and unpredictable; therefore, a deep understanding of the narcoterrorism is required to combat such attacks. We argue that psychological contracts through duty-of-care strategies on 1) HR systems, 2) Line manager ‘agent’, and 2) security and control systems can build mutual support and concern between an

employer and its employees (Rousseau, 1990) in a narcoterrorism environment.

Fear appeared in our research as an important factor in the narcoterrorism context. Fear seems to be a powerful emotion that shapes the rationale for managers and subordinates to move along the continuum of psychological contracts. Narcoterrorism attacks and their random and unpredictable consequences, such as violence and crime, seem to be the source of the terms and conditions of the psychological contracts. The results of our thematic analysis suggest that employees appreciate their employers' and line managers' unconditional support and concern for their wellbeing (and that of their families) – a relational approach – more than they appreciate their jobs' monetary rewards – a transactional approach. This tentative finding might suggest that the content of psychological contracts for the eight firms visited is based on a relational (Rousseau 1990), implicit understanding.

6.1 Strengths and limitations

Generalisability is one of the primary limitations of our research. The 30 interviews at the eight firms covered here only provide exploratory evidence related to the continuum (from relational to transactional) of psychological contracts. Future research based on our thematic analysis

could focus on developing a survey instrument to obtain data from line managers and subordinates related to the terms and conditions of psychological contracts in security-risk environments, such as narcoterrorism contexts, which could then be used to test our findings.

6.2 Implications

This research provides tentative evidence about how the narcoterrorism context shapes psychological contracts. Our results reveal that due to governments' inability to defy drug cartels, institutional arrangements in narcoterrorism contexts are more complex than in other contexts and are more complex than the arrangements embodied in the traditional institutional models that often are used to study psychological contracts. However, little evidence exists about how such frameworks function in security-risk contexts.

For example, our results indicate that HR professionals' and line managers' understanding of narcoterrorism environments may lead to the implementation of duty-of-care strategies based on a logic different from that observed in more stable institutional contexts. Our findings suggest that HRM systems supported by security and control systems appear to be a pragmatic and efficient response to narcoterrorism's direct and indirect impacts. Notably, employee involvement and participation in designing

security policies seem to be key factors in duty-of-care strategies. Trust (e.g., Robinson, 1996) is an important aspect in contexts characterised by a decrease in trust at the governmental and civil-society levels. This factor clearly poses a challenge; the firms in our study are unable to rely on traditional institutions, a difficulty that we confronted in selecting our sample for this research. Thus, employees welcome their employers' unconditional support because they may be unable to quit their jobs or to leave the city. This research makes as a useful contribution to the discussion of the duty of care that may be applicable in security-risk contexts beyond Colombia and Mexico. Therefore, we call for future research to test the relationships proposed in this study.

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Appendix 1

Interview Guide

Questions from the Mexican national survey of victimisation and perceptions of public safety (INEGI, 2013)

Direct and Indirect Impacts

- (1) E-mail threat
- (2) Phone threat
- (3) Face-to-face threat
- (4) Robbery or assault in the street or on public transport
- (5) Total or partial theft (e.g., a vehicle, a firm's material)
- (6) Injury due to physical aggression
- (7) Fraud or bank-card cloning
- (8) Theft or assault at a firm
- (9) Extortion (payment: *cuota uso suelo*)
- (10) Kidnapping
- (11) Destruction of firm property
- (12) Murder
- (13) Social media

Illustrative questions (direct impacts of narcoterrorism) elaborated

based on Claus (2010), McNulty (2014) and Rousseau (1990)

- (1) How does the level of organised crime and violence affect the firm's results?
- (1) Do you feel that the firm's external environment (organised crime and violence) has affected the firm? If so, please describe this effect.
- (2) Do you feel that the level of organised crime and violence affects HRM policies and practices? If so, please explain.
- (3) What are the main strategies designed and implemented to respond to organised violence and crime?
- (4) What do you think about such strategies?

- (5) What were (are) the HRM policies and practices implemented to 'deal' with organised crime and violence?
- (6) What do you think about such policies and practices?
- (7) Describe the process of developing such policies and practices.
- (8) Were you involved in this process?
- (9) Describe the role of your immediate superior in relation to the implementation of such policies and practices.
- (10) What do you think about such a role?
- (11) Describe how organised crime and violence have affected the firm's work environment.

Illustrative questions (indirect impacts of narcoterrorism):

- (1) Describe how organised crime and violence have affected your own life.
- (2) Describe how organised crime and violence have affected employees' motivation at work.
- (3) Describe how organised crime and violence have affected employees' stress levels at work.
- (4) Describe how organised crime and violence have affected employees' efficiency at work.

Table 1 Sample (CO-Colombia; MX-Mexico)

Firm Background	CO-1	CO-2	CO-3	CO-4	MX-1	MX-2	MX-3	MX-4
Ownership	Private-Colombian	Private-Colombian	Private-International consortium: Costa Rican, Colombian and German	Private-Mix of Colombian and Swiss	Private-Japanese	Private-Mexican	Private-US	Private-Brazilian
Employees	135	141	190	660	510	1,804	70	1,300
Major Business	Manufacturing: Supplies for the furniture and mattress sector	Service: Passenger transport and freight	Service: Restaurant fast-food chain	Manufacturing and sale of elevators, escalators and ramps	Manufacturing of bathroom furniture	Wire and cable manufacturing	Manufacturing air-conditioning equipment	Manufacturing of compressors for the refrigeration industry
Major Market	International	Local	Local	International	International	International	International	International

Table 2 Sample Interviewees in Colombia

Firms	Name of Position	Years in the post
Firm CO-1	1. HRM Director	8
	2. HR Assistant	1.3
	3. Coordinator of Transport	4.5
Firm CO-2	1. Managing Director	9.5
	2. Member of the Administrative Board and Manager of the Value Chain	18
Firm CO-3	1. HRM Director	1
	2. Sales Director	1.5
Firm CO-4	1. HRM Director	0.5
	2. Payroll and Benefits Coordinator	18
	3. Customer Service Assistant	15
	4. Supervisor	1.5

Table 3 Sample Interviewees in Mexico

Firms	Name of Position	Years in the post
Firm MX-1	1. HR Director	3.8
	2. EHS Superintendent Environment, Health and Safety	6
	3. Training Supervisor	0.3
	4. Finance	6
Firm MX-2	1. HR Director	14
	2. Payroll and Benefits Coordinator	3
	3. Training Coordinator	1
	4. Training Coordinator	1.4
	5. Manager of Industrial Relations	10
Firm MX-3	1. HR Supervisor	5
	2. Customer Service Representative	0.8
	3. Supervisor	3
	4. Coordinator of RH-Outsourcing	0.25
	5. Maintenance Supervisor	6
Firm MX-4	1. HR Director	1
	2. Property Protection and Security Coordinator	2.8
	3. RH Specialist	1.5
	4. HR Specialist	1.5
	5. HR Leader	2

Figure 1

