

**Employees' psychological contract in organizations: Using System thinking approach****Salman Iqbal**

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Abstract:

The purpose of this study is to evaluate the measures managers can take to curtail psychological contract breach in order to ascertain exchanges in the manager-subordinate relationship. We used system thinking approach and drew a CLD (casual loop diagram), followed by a stock-&-flow map. For the validation of the CLD, interviews were conducted, targeting individuals (executives) from private sector universities. Interview results were later reported to strengthen the CLD results. Results show that managers are more likely to coach their subordinates, promoting workforce competency to deliver tasks and contextual performance. Consequently, renegeing prospects, psychological contract breaches and violations are significantly lowered. Furthermore, a trusting relationship amid exchange partners causes them to attribute breaches to involuntary renegeing, which encourages them to compromise, consequently allowing socio-emotional exchanges that are conducive to organizational performance in terms of organizational productivity. It can be possible to enhance the employees' motivation and job performance, if psychological contract breach is avoided by the managers that will aid in improving employees' performance and ultimately organizational performance. Promoting Interpersonal trust among managers and employees, and removing informal communications' barriers can enhance organizational performance. Therefore, this paper will help in bringing awareness amid organizational leaders.

Keywords-Informal communications, organizational citizenship behavior, Psychological contract, Psychological contract breach, interpersonal Trust.

Introduction

Argyris (1960) first stated the term 'psychological contract' as a framework for understanding the employment relationships. Before that, Barnard (1938) regarded the employment relationship as an exchange of resources. Argyris (1960) defined psychological contract as an implicit understanding between employees and their organizational representative pertaining to exchange of economic resources; such as



employees would exchange higher productivity and lower grievances in return for commensurate wages and job security (Tekleab & Taylor, 2003). Argyris (1960) was of the idea that employees acknowledged the fact that their workers' productivity would improve if the employees refrain from demonstrating strict supervision and respect the workers' norms. Thus, the psychological contract denotes a tacit agreement between exchange partners, where they imply mutual expectations in their relationship without explicitly voicing those expectations. Employment relationships that are compatible are vital for the accomplishment of organizational goals (Ejimonyeabala, 2014). In order to have successful relationships with organizational members, individuals must be adept at fulfilling their obligations to other members of the organization. An employment contract that is formally documented steers the behaviors of the organizational members. Hence, the psychological contract in an employment relationship alludes to the individuals' perceptions of reciprocal obligations (Ejimonyeabala, 2014).

The fulfillment of psychological contract between individuals is imperative for maintaining successful employment relationships. As among the exchange partners, the negligence in satisfying one's expectations may deter in one's exchange demeanor. Consequently, organizational members may demonstrate lower in-role performance, and lower organizational citizenship behaviors (Tekleab & Taylor, 2003), which may impede achievement of organizational goals and performance. Henceforth, lower degree of exchange by one party may lead to lower reciprocal exchange by the other party, establishing a vicious cycle if both parties keep on retaliating by displaying counter productive work behaviors (Ejimonyeabala, 2014), creating a possibility of worsening the relationship. Contrarywise, fulfillment of mutual obligations by organizational members amplifies trust between them, that has potential of enhancing the degree of reciprocal exchanges amongst them (Cropanzano & Mitchell, 2005), strengthening employment relationships in organizations. The purpose of this paper is to comprehend what managers can do to minimize psychological contract breach in order to endorse reciprocal exchanges in a manager-subordinate relationship. As psychological contract refers to the bilateral exchange agreement between organizational members (Coyle-Shapiro & Kessler, 2002), thus the exchange behavior of a manager is contingent upon the exchange behavior of a subordinate and vice versa. Hence, in a manager-subordinate relationship, obligations of the manager would arise as a response to benefits received from the subordinate and vice versa. Keeping in view the interdependence of both parties' exchange behaviors, this paper studies the issue of psychological contract breach from a system perspective. According to system perspective the psychological contract breach would be taken as the variable, and it would be studied in the context of its relationship with other variables that have some potential of affecting the psychological contract breach (Ericson, 2011). This would prove to be advantageous as the feedback characteristic in reciprocal exchanges can be taken into account by studying relationships among multiple dynamics that influence psychological contract breach. The CLD is a tool for understanding a phenomenon from a system perspective (Peters, 2014), that assists in identifying the root cause of the issue by studying the system structure rather than studying the dynamics in isolation. The employees are an important asset for any organization. A competitive edge can be achieved when employees come up with innovative and productive ideas that prove to be beneficial for the organization. It is



important for employees to know the measures the organizations are willing to take in order to increase their commitment and efficiency (Bakker & Schaufeli, 2008). When employees begin to feel a breach in the psychological contract, they no longer feel comfortable in the organization and hence, they consider leaving. Even if they are unable to give up their job for the sake of remaining employed, they will display a constant discouraged and deviant behavior. (Turnley & Feldman, 2000; Umar & Ringim, 2015). The social and financial implications of the issue of psychological contract breach are that the violations in response to the breach may lower managers' job satisfaction (Ahmad & Khan, 2015). Additionally, psychological contract breach may have an adverse impact on victim's productivity (Ahmad & Khan, 2015). Besides, contract breach may cause disruptions in the organization's progressions that may in turn lead to the operational efficiency of the organization to be lowered (Wisdom, 2012). By studying the problem of psychological contract breach from a system perspective, the root cause of psychological contract breach between managers and subordinates could be determined which would assist them in taking corrective measures conducive to the fulfillment of psychological contracts between the exchange partners. This paper can prove beneficial in elaborating the concept of how numerous dynamics lead to psychological contract breach in a manager-subordinate relationship. This can also aid in presenting a holistic view of the problem under consideration (Barnabè, 2011). Furthermore, the research question of this paper is, what can managers do to minimize psychological contract breach in order to ensure reciprocal exchanges in manager-subordinate relationship? Responses from individuals performing managerial roles in private-sector universities were obtained to address this research question. The respondents had control of their respective departments and were responsible for administering a group of people. It was observed that lower exchanges exhibited by the managers lead the subordinates to lower their obligations to the managers in retaliation, and to demonstrate lower performance in addition to withdrawing organizational citizenship behaviors, which negatively influence organizational performance (Coyle-Shapiro & Kessler, 2002). The psychological contract breach perceived by managers may negatively influence their psychological wellbeing and their relationship with subordinates (Wisdom, 2012). The overview of this paper includes the reviewing of existing literature in the context of psychological contract after the introduction section. We implemented system thinking approach and put together a CLD followed by a stock and flow map. Interview results were later added to support the CLD results. This study addresses the research problem of psychological contract breach, which is mostly studied using linear techniques and remain unaddressed. Hence, the objective is to understand the psychological breach in organization as non-linear behavior. This paper reviews the existing literature, and draw causal loop diagrams based on the literature review. Stock and flow maps are also formulated from CLDs. The study is qualitative in nature; hence, interviews are conducted to validate the CLDs. Finally conclusion is drawn.

Literature review:

In the current dynamic business environment, the globalization and hyper-competition prompt organizations to proactively adapt their business strategies and organizational structures (Alcover et al., 2017). In order to exhibit swift responses to the customer's



ever-changing needs, organizations need to have flexible organizational structures that can facilitate interpersonal communication and expedite decision-making processes. Therefore, the ability of an organization to be responsive towards changing market conditions has the utmost importance. The institutions tend to bring flexibility in their organizational structures by creating networks instead of rigid hierarchies, promoting spontaneous social interactions rather than structured coordination that helps in enabling participative and proactive decision making instead of solely top-down communication and reactive decisions (Ejimonyeabala, 2014). Such developments have transformed the employment relationships (Shore & Coyle-Shapiro, 2003).

The traditional employee-organization relationship characterized by job security and predictability in return for loyalty and hard work has become uncommon. While the non-traditional employment relationships, such as virtual teams, cross-functional teams characterized by flexibility have begun to emerge. (Robbins et al., 2013). As a result, dynamism has brought considerable uncertainty in employee-organization relationship (Alcove et al., 2017). The uncertainty in employee-organization relationship owing to environmental unpredictability may bring uncertainty in employees' view of how to behave in an unexpected situation, that is, role perception, and how organization believes the employees should behave in the particular situation, that is, role expectation (Robbins et al., 2013). Therefore, in order to maintain successful employment relationships, it is necessary for members of an organization to fulfill their obligations to one another, which require understanding of the notion of psychological contract in employment relationships. The psychological contract in an employment relationship refers to the unwritten set of mutual obligations that an employee and an employer have to each other (Ejimonyeabala, 2014).

Factors Influencing Fulfillment of Psychological Contract

Psychological contract motivates the exchange partners to fulfill their commitments to each other owing to the norm of reciprocity in exchange relationships (Ejimonyeabala, 2014; Soares, & Mosquera, 2019). According to the norm of reciprocity, individuals respond to a favor given by their exchange partner with another favor or a rewarding action. Similarly, in response to hostile behavior from the exchange partner, individuals demonstrate resentment towards that exchange partner (Fehr & Gächter, 2000). Therefore, reciprocity in an employment relationship reinforces social exchange that may occur directly because of the exchange. Hence, an employee would be motivated to fulfill his obligations to the organizational representative in the hopes of fulfillment of his expectations by the organizational representative, and vice versa. Consequently, it is essential to understand the dynamics that contribute to the reciprocation of psychological contract in an employment relationship, as it would enhance managerial awareness of how to restore or strengthen mutual relationship or social exchanges between an employee and the organizational representative. The following sections discuss the factors that lead to satisfaction of the psychological contract in a manager-subordinate relationship.

Psychological contract explicitness



Psychological contract explicitness refers to clarity of an unwritten set of mutual obligations of certain parties to a contract (Guest & Conway, 2002). A psychological contract in a manager-subordinate relationship would not be fulfilled if the exchange partners were mutually agreed to the content of their psychological contract. Psychological contracts are composed of exchange partners' perceptions concerning the implicit and explicit promises to each other (Conway & Briner, 2005; Kraak & Linde, 2019). The study suggests that employees form perceptions regarding mutual obligations in their employment relationship from divergent sources that potentially lead to inconsistencies in the information an employee receives concerning what the employee is obligated to exchange, and what he will get in return (Alcover et al., 2017). Diverging assessments of psychological contract in manager-subordinate relationship can initiate role ambiguity among the exchange partners (Haggard & Turban, 2012). Role ambiguity arises when individuals are uncertain or unclear about their obligations in the exchange relationships. This may hamper their understanding pertaining to what constitutes their inducements and contributions, which may further lead to hindrance in the fulfillment of their psychological contract. Besides, in employment relationships, tangible inducements such as monetary incentives can be assessed objectively while assessments of promises concerning intangible exchanges such as organizational support and career development opportunities are relatively subjective (Alcover et al., 2017).

A psychological contract cannot necessarily be interpreted in detail because it evolves over time. However, through performance management processes such as performance appraisal and feedback, it can be ensured that performance expectations are agreed upon by both parties to a contract, and are reviewed regularly (Haggard & Turban, 2012). Thus, formal communication between organizational members is helpful for bringing clarity to the performance expectations; however, in order to cater individual needs of the organizational members, informal communication can be more effective. Besides, psychological contracts are informal and unwritten exchange agreements between individuals (Conway & Briner, 2005), therefore, it can be argued that informal communication is more effective to negotiate the psychological contracts between managers and subordinates. Employees tend to rely more on informal communication whenever they feel threatened or under stress because informal communication brings openness in interpersonal communication. Openness in interpersonal communication refers to individuals' willingness to reveal or self-disclose information about them as appropriate. Therefore, openness in communication fulfills informational needs of employees (Forsyth, 2018), hence, leads to explicitness of the psychological contract between the exchange partners, and ultimately to fulfillment of mutual obligations and minimizing psychological contract breach.

Moreover, informal communication rests on social relationships among individuals in an organization (Conway & Briner, 2005). Therefore, it can be argued that relationship-oriented leadership is an enabler of informal communication in organizations. Leadership behaviors can be classified as task-focused or relationship-focused (Forsyth, 2018). Therefore, relationship-oriented leaders put more emphasis on developing relationships with their team members; consequently, they are more likely to communicate informally with their staff that encourages the exchange partners to openly discuss the contents of their psychological contract. Further, relationship-oriented managers are receptive to the



interactions and expectations of subordinates (Gill, 2016). They tend to focus on the general well-being of the team members, thus, they are mainly communicative, which contribute to psychological contract explicitness.

Employees' Competencies in organization

Once employees have competencies in terms of required knowledge, skills, and abilities to deliver task and contextual performance in organization, they can fulfill the psychological contracts in their employment relationships. Competency refers to an individual's ability to do something efficiently and effectively. It includes possession of relevant knowledge, skills, and attitude to perform a task (Hoffmann, 1999). The contents of psychological contract in a manager-subordinate relationship may include mutual obligations with respect to both task and contextual performance in organization.

In addition to have clarity of mutual obligations to fulfill the psychological contract, the exchange partners must have required competencies to fulfill mutual obligations in their relationship. Therefore, it is essential for the managers to coach their subordinates in order to develop their competencies to deliver optimum task and contextual performance in organization. With the help of coaching, employees' thoughts and behaviors can be directed toward accomplishment of organizational goals that help in minimizing renegeing prospects, that is, non-fulfillment of one's obligations (Hameed & Waheed, 2011).

Thus, coaching helps in improving employees' competency (KSA) to deliver optimum task and contextual performance in organization, which minimize renegeing prospects, that is, failure to fulfill one's obligations to the exchange partner, and lead to fulfillment of the psychological contract in a manager-subordinate relationship. Notably, psychological contract is a bilateral exchange of economic or socio-emotional resources (Forsyth, 2018).

Exchange, Reciprocation, and Trust

Exchange and reciprocation are essentials of the psychological contracts as in exchange relationships, psychological contracts are termed as reciprocal exchange agreements (Coyle-Shapiro & Parzefall, 2008; Lambert, Bingham, & Zabinski, 2020). Exchange refers to the act of giving a resource to an individual with the anticipation of receiving an equivalent resource in return. Blau (1964) contrasted social exchange with economic exchange. According to him, economic exchange involves interchange of specified resources where the exchange partners have specified obligations. For instance, exchange of specified wages for productivity reflects an economic exchange. In contrast, social exchange involves relatively unspecified obligations where trust between the exchange partners is central to the interchange of socio-emotional resources that the exchange partners' contributions to each other will be reciprocated. For instance, exchange of loyalty with career development opportunities reflects social exchange. Trust refers to a situation where an individual willingly relies on the actions of his exchange partner such that the individual is uncertain about the outcomes of the actions of the exchange partner (Bamberger, 2010).

The reciprocation of contributions received by an individual engender trust between the exchange partners and one's level of trust in his exchange partner that he will fulfill his obligations influences one's exchange behavior toward his partner (Wisdom, 2012; Coyle-Shapiro & Kessler, 2002, Coyle-Shapiro, Pereira Costa, Doden, & Chang, 2019).



It consequently encourages ongoing reciprocal exchange of economic and socio-emotional resources between the exchange partners (Tanis & Postmes, 2005; Blau, 1964). Thus, reciprocity and consistent social exchanges augment trust that the other party holding the contract will fulfill his obligations (Ejimonyeabala, 2014) that has the potential of extending the contents of the psychological contract as exchange partners' level of trust in each other increases (Conway & Briner, 2005).

Therefore, in a manager-subordinate relationship, the subordinate's obligations to his manager would arise in response to the benefits received from the manager, and vice versa. It is because the exchange of economic and socio-emotional resources leads the recipient to feel indebtedness that encourages him to reciprocate to his exchange partner (Coyle-Shapiro & Parzefall, 2008). Indebtedness refers to the feeling of owing gratitude for a favor or service. Felt-indebtedness would be more once an individual realizes that his exchange partner contributes more than was agreed (Turnley et al., 2003), which can lead the individual to strengthen his social exchange relationship with the exchange partner, and the individual would attempt to raise the reciprocal contributions to his exchange partner (Coyle-Shapiro & Parzefall, 2008).

Psychological Contract Breach

Psychological Contract could be interpreted that when an individual perceives that, he/she has received less than the partner promised in terms of economic or social exchange. One perceives that the exchange partner has not fulfilled his obligation, which leads to the individual's perception of non-fulfillment of the psychological contract with the exchange partner, alternatively, which leads to the individual's perception of psychological contract breach (Alcover et al., 2017). Thus, psychological contract breach refers to an individual's cognitive evaluation that his exchange partner has failed to meet his promise or obligation. One's cognitive evaluation that his expectation is not been fulfilled by the exchange partner usually results in negative emotions such as anger, disappointment, and resentment (Nadin & Williams, 2011; Wisdom, 2012), which are conceptualized as psychological contract violation (Conway & Briner, 2005; Coyle-Shapiro & Kessler, 2000; Wiechers, Coyle-Shapiro, J & ten Have, 2019). Previously, researchers used psychological contract breach and violation interchangeably until Morrison and Robinson (1997) differentiated psychological contract breach from psychological contract violation (Coyle-Shapiro & Parzefall, 2008).

Therefore, psychological contract breach and violation have potential of lowering the victim's competency to deliver task and contextual performance in organization as the victim feels less inclined to invest emotionally or materialistically in the exchange relationship that may lead to reneging prospects. Reneging refers to one's failure to fulfill obligation to exchange partner (Morrison & Robinson, 1997). The level of trust between manager and subordinate can be declined due to psychological contract breach and violation (Conway & Briner, 2005). A decline in the level of trust further encourages tendencies to interpret that a breach has been committed (Coyle-Shapiro & Kessler, 2002), which can adversely influence future exchanges in the manager-subordinate relationship. Thus, if an individual has low level of trust in his exchange partner then the individual would be more likely to perceive that a breach of the psychological contract may occur, consequently, it could cause the individual to lower his reciprocal



contributions. It is because the individual attempts to restore equity to the exchange relationship by lowering his contributions to an extent that he perceives as fair, in light of psychological contract violation (Blau, 1964). Psychological contract violation mediates the impact of breach on the victim's trust in the violator of the contract (Coyle-Shapiro & Parzefall, 2008). Accordingly, high level of trust in the exchange partner that he will fulfill his obligations leads an individual to attribute breach to involuntary renegeing (Wisdom, 2012), which is unintentional nonfulfillment of the contract that can be due to role ambiguity, lack of required competencies (KSAs) or unavoidable circumstances (Ejimonyeabala, 2014). Consequently, less intense emotional response to psychological contract breach occurs when an individual perceive the breach as an unintended act (Nadin & Williams, 2011). Therefore, the victim would be less likely to exhibit negative attitudes and behaviors toward the violator of the psychological contract. In contrast, low level of trust in the exchange partner leads an individual to attribute breach to voluntary renegeing (Wisdom, 2012), which is intentional nonfulfillment of the contract that arises when the exchange partner deliberately decides to breach the psychological contract even though he is capable to fulfill it (Ejimonyeabala, 2014).

Methodology

Research Design:

System dynamic is a methodology and it has a set of modeling tools to illustrate, understand the complex model and counter initiative behaviour of systems (Forrester, 1997) that may include social and technical. Jay Forrester initially proposes this field, he was pioneered his work at MIT School of Management, it is still growing in respected discipline that endorses system thinking as a core concept (Forrester, 2009).

It has used as a principle method in various studies similar climate monitoring, medical sciences, social sciences (Morris et al., 2010). Ideally, system dynamic model is used to meet a particular purpose. It is crucial that the model represent reality in a way that they are adequate representations of the specific aspect of reality under study. By comparing the model with observations of reality and improving it, empirically grounded the description of the aspect of reality under the study (Otto Müller, 2013).

The results of the system dynamic were well established and flexible for many complex system and system behaviour. As per managerial perspective, system dynamic model is easy to explain and instinctive, become an important asset while discussing the complex system with experts and non-experts (Morris et al., 2010). System thinking part of System dynamics model and its components had demonstrated its validity for over four decades (Barnabè, 2011). According to Rodrigues, and Bowers (1996) system dynamic feedback loop approach is used in social economic and environmental systems.

In this study, to validate diagrams drawn through literature review, face-to-face interviews were conducted with nine individuals executing managerial roles in private-sector. As psychological contract breach is a highly individualized subjective construct (Conway & Briner, 2005), therefore, unstructured interviews were used as the data collection method so that subjective interpretations of the respondents grounded in their organizational context could be acquired. The interviews were conducted to validate the model by asking for expert assessments about the model's behavior (Luna-Reyes & Andersen, 2003). Moreover, before conducting the interviews with the respondents, pilot



testing of the interview questions was carried out with two individuals performing managerial roles in the University; one of them was also a colleague of the researcher. Furthermore, respondents were interviewed individually so that their responses remain uninfluenced by the answers of other interviewees and interpretations remain unbiased. The researcher conducted all interviews personally so that respondents could be briefed about the research problem, and respondents' queries regarding the research topic could be addressed. Private sector educational institutes were chosen because they are easier to approach and the culture within them is flexible and transparent. It could lead to openness and visibility of psychological contract breach.

System perspective approach:

The HR practitioners are not fully aware of system perspective; neither have they aggressively pursued system thinking approach. According to Sveiby et al. (2002) the absence of enthusiasm towards system thinking approach by the Human Resource practitioners is global. The review of management journals from a system thinking point of view on Human Resource Management and its features like workforce management, workforce planning, and workforce value creation and organization design depicts many areas that are still untapped and unexplored. Following this Sveiby et al. (2002) mentioned, "Outside of the system dynamics community itself, the material was minimal." System Dynamics model and its components had demonstrated its validity for over four decades (Barnabè, 2011). According to Rodrigues and Bowers (1996) system, dynamic feedback loop approach, used in social economic and environmental systems. This depicts the worldwide acceptance of system thinking approach. Since the inception of computer software, it is widely used to communicate the key elements to managers (Rodrigues & Bowers, 1996). System dynamic approach provides holistic view of a complex phenomenon increasing the understanding about complex interrelations via feedback loop (Rodrigues & Bowers, 1996).

Therefore, system perspective is a holistic approach to understand a phenomenon in the context of its system (Kirkwood, 1998). Understanding a problem in the context of its system enables an individual to move beyond conventional approach of analysis limited to events and reactive decisions where an individual's ability to affect future and bring systemic change is low (Kirkwood, 1998). Typically, individuals tend to perceive the world at the event-level storytelling and then take reactive decisions. Analyzing a problem from a system perspective enables us to look at the bigger picture of the situation. Further, a causal loop diagram shows inter-relationships among variables constituting a system by mapping feedback loops (Bala, Arshad, & Noh, 2017). Causal links represent cause and effect relationships among variables in a system (Bala, Arshad, & Noh, 2017). In a causal loop diagram, a causal link from a variable A to another variable B is marked positive (+) to indicate a positive relationship between the two variables in a system, that is, a change in variable A causes a change in variable B in the same direction. Moreover, the cause-effect relationships that do not constitute feedback refer to open loop thinking (Kirkwood, 1998). Open loop thinking views an action independent of its results, and does not use information feedback to determine if the action needs to be changed to achieve the set objectives (DiStefano, Stubberud, & Williams, 1997). Conventional thinking constitutes open loop thinking and most individuals have a tendency to think in linear or non-feedback terms (Forrester, 2009). It



is because individuals seldom comprehend the presence of feedback in controlling systems that change with the passage of time (Otto Müller, 2013). The below-mentioned causal loop diagram is constructed using the Vensim Software. A review of the psychological contract literature, confirms the structural validity of the system.

Figure 1: Causal Loop Diagram:

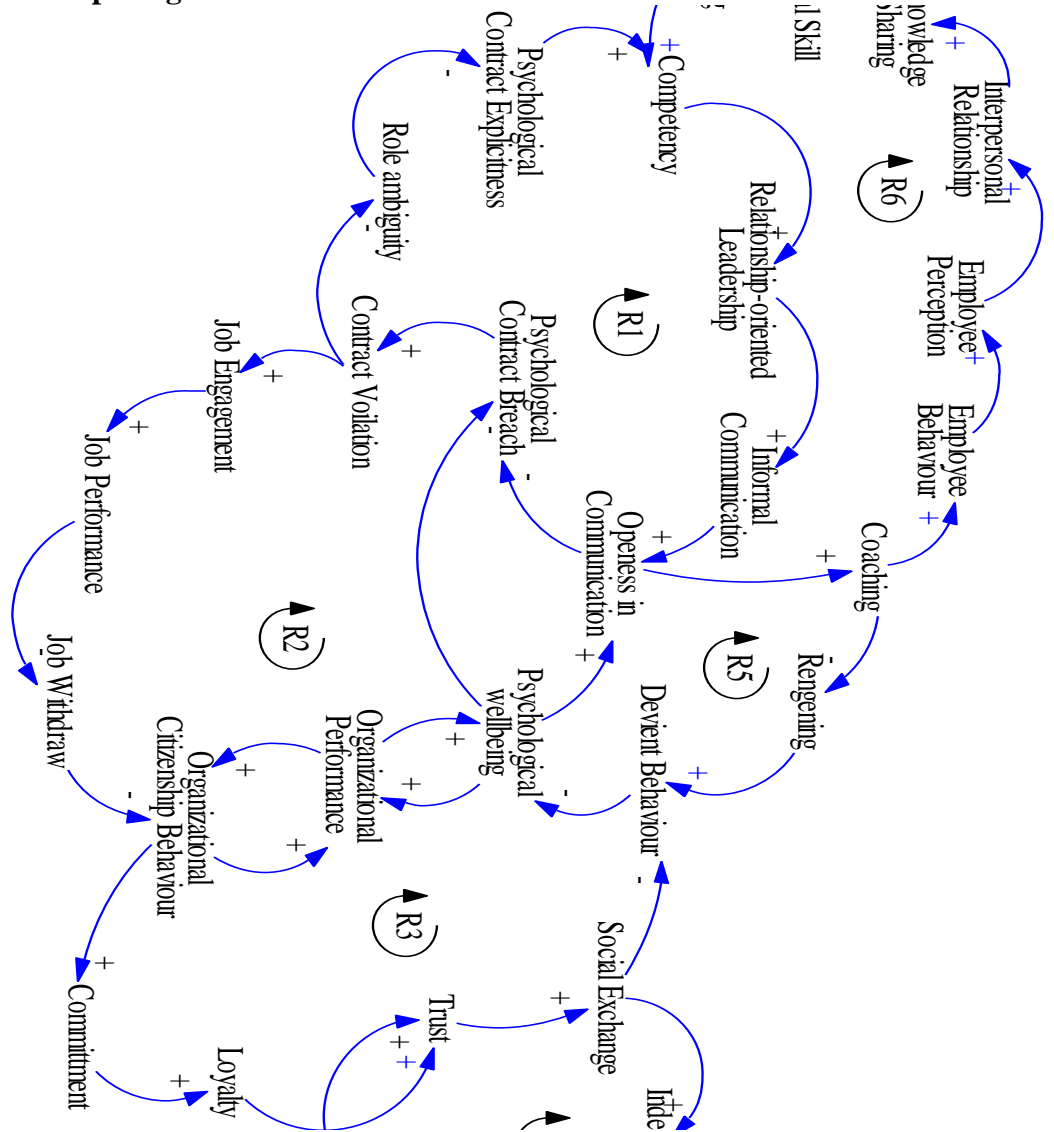
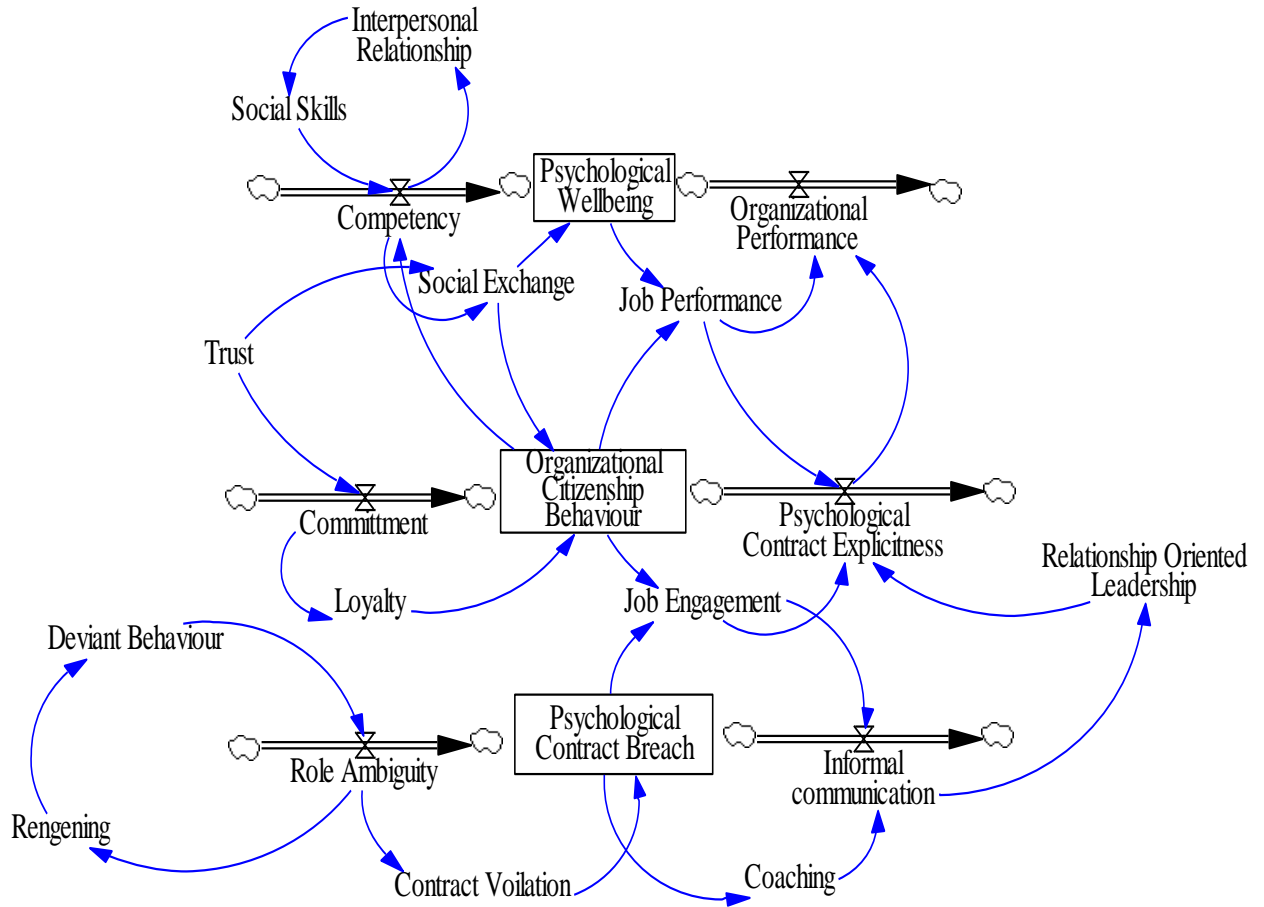




Figure 2: Stock and Flow Diagram:



Discussion and practical implications:

The findings suggest that in order to fulfill psychological contracts in manager-subordinate relationships, the managers need to make sure that the contents of psychological contract are explicit between the exchange partners. Informal communication facilitates openness in communication that aids in bringing clarity to mutual expectations in exchange relationships. The subordinates must have the ability in terms of required knowledge, skills and attitude to fulfill obligations. Coaching subordinates helps them in delivering optimum tasks and contextual performance in organizations, thus satisfying managers' expectations. Demonstrating relationship-oriented leadership by showing personal concern to subordinates and assisting them in their personal and professional development allows the subordinates to discuss their concerns with their managers. In addition, subordinates would be better able to fulfill their obligations that would assist in minimizing prospects of psychological contract breach.

Further, psychological contract breach has the probability of lowering the exchange partners' level of trust in each other. Reneging by subordinates can lower managers' level of trust in the subordinates. Consequently, a decline in the level of trust further



encourages the victim's tendency to interpret that breach has been committed, which diminishes the victim's feelings of personal obligations to the violator, particularly when psychological contract breach is attributed to intentional renegeing. Therefore, reduced exchanges by managers can lower subordinates' feelings of personal obligations to their managers that can thwart their exchange behavior. This could further decline the managers' trust in their subordinates that may accelerate the vicious cycle. Thus, a trusting relationship between a manager and subordinate is essential for their psychological contract fulfillment. Reciprocation of psychological contract in turn propagates trust amid the exchange partners that is conducive in developing their relationship.

Keeping in view the importance of human resources in organizations, minimizing psychological contract breach between managers and subordinates is essential for maintaining harmonious employment relationships that are paramount in achieving mutual goals. Psychological contract breach can lower the victim's psychological wellbeing in terms of lower job satisfaction, reduced commitment to perform in-role and extra-role behaviors, and lesser motivation to continue with the employment relationship. Besides that, psychological contract violation can generate lower feelings of personal obligations to the violator of the contract that can lower reciprocal exchanges in the manager-subordinate relationship, which can encumber an organization in obtaining competitive advantage through human resources. Moreover, individuals working at managerial positions in organizations can be more task-focused than relationship-focused as they may focus solely on getting the work done from subordinates without having any personal concern for them. Subsequently, power imbalance and social distance between a manager and subordinate can cause communication barriers that can hamper explicitness of psychological contract between them. Leading subordinates in an impressionable way can cause them to be emotionally detached from the organization that can result in lower organizational citizenship behaviors. So, exhibiting relationship-oriented leadership by showing personal concern to subordinates and helping them ameliorate while on job can aid in removing communication barriers between managers and subordinates and enabling them to perform better in the organization

Centered on the literature-based discussion of the existing evidence about the psychological contract breach to ensure exchanges in manager-subordinate relationship, this paper presents a CLD illustrating the psychological contract breach. This CLD is evolved from the literature review that is divided into two system dynamic models, one of which is the causal loop diagram. The system modeling provides visualization about psychological contact.

This paper aims to address the research gaps such as the research in which managers are taken to be victims of psychological contract breach. Researches like these are still in their infancy and should be addressed (Nadin & Williams, 2011), with research involving psychological contract breach experienced by managers being carried out across different sectors (Wisdom, 2012). Hence, there is a dearth of research on psychological contract outside the Western economies (Westwood, Sparrow, & Leung, 2001). For this paper, all individuals performing managerial roles in private-sector universities in Lahore are considered as population of this study. The respondents replied with different answers to the questions.



The respondents stated the unwritten set of mutual expectations between themselves and their subordinates. One of the respondents said: *“There are expectations which are mutually agreed between me and my subordinates. For example, I always expect that I should be respected, my subordinates should be honest with me, whenever they make a mistake, they should not lie to me. My subordinates expect me to provide them with job security, they want me to be their trainer, and they want me to help them in accomplishments of tasks that are beyond their job descriptions.”*

As the respondent said, that the expectations are mutually agreed between him and his subordinates. This refers to the explicitness of the psychological contract, that is, the mutual expectations are communicated between the exchange partners and they have clarity of what is expected of them and what they can expect in return, which enables the fulfillment of the psychological contract between the exchange partners. So, the set of expectations comprising a psychological contract have an obligatory quality (Nadin & Williams, 2011). *“...Before giving the task to subordinates, if I ask them how was yesterday? How is your family? What are your kids doing? Then I am trying to create an atmosphere where they can discuss their issues with me”*

The above-stated response indicates that a manager-subordinate relationship that goes beyond the formal obligations fosters interpersonal communication. By exhibiting relationship-oriented leadership in form of showing personal concern to subordinates and giving them a sense that their manager do care about their problems, the subordinates feel free to discuss their job or non-job related problems with the manager. Existing researches support the idea that relationship-oriented leadership facilitates informal communication between managers and subordinates (Gill, 2016).

One of the respondent replied the answer of the question “how informal communication between manager and subordinate affect their relationship.” *“I feel more comfortable when I have informal ties with my subordinates...informal communication with subordinates would allow them to have no fear in asking anything or giving their feedback to the manager...”*

Therefore, informal communication between a manager and subordinate would encourage them to discuss their expectations with each other that allow them to understand what they are expected to contribute and what they should expect in return. Hence, in order to fulfill psychological contract in a manager-subordinate relationship, the mutual expectations must be communicated clearly, and mutually agreed (Guest & Conway, 2002), besides, the exchange partners must have competency in terms of required knowledge, skills, and attitude to fulfill reciprocal obligations in their relationship (Hameed & Waheed, 2011). Moreover, the respondents commented on how trust between manager and subordinate affects their relationship.

“Trust is the bond between the senior and the junior. If you are trustworthy for your juniors and your juniors are trustworthy for you, then you been able to create the environment of the whistle blowing. Because if there is something wrong going in the workplace then definitely they report you and you been able to overcome the situation. So then everybody would believe in maximum output.”

Therefore, trust between the manager and subordinate aids in creating a workplace environment that is conducive to whistle blowing as the exchange partners would be encouraged to expose any information or activity to each other that they perceive



unethical within the organization. Consequently, they would be prompted to exchange socio-emotional resources in terms of honest and sincere feedback to each other, which would enable them to improve their performance in workplace.

Therefore, exchange generates indebtedness that induces the receiver to reciprocate to the exchange partner (Coyle-Shapiro & Parzefall, 2008).

“...One of my subordinates is very punctual and reliable on job. So, I am inclined to rely on him for my important assignments.”

The consistent exchanges develop the recipient’s belief that his exchange partner’s actions will not be counterproductive to his personal or professional interests. As a result, he is more likely to maintain that relationship (Roehling, 1997). A manager’s level of trust in his subordinate that s/he will fulfill his obligations influences the manager’s exchange behavior toward the subordinate (Wisdom, 2012). Such as, if a manager has trusting relationship with his subordinates then he is likely to delegate more powers to the subordinate. Based on all findings a table is formulated, Table 1 that shows themes derived from the interviews, which are clubbed together to form variables:

Table 1- Themes clubbed together to form variables	
Themes	Variables
<ul style="list-style-type: none"> • Creating atmosphere where subordinates can discuss their issues with their manager • Assisting subordinates with their personal issues • Providing respectful treatment to subordinates • Taking part in the personal life of subordinates • Developing complementary relationship with subordinates 	Relationship-oriented leadership
<ul style="list-style-type: none"> • Taking care of the psychological needs of subordinates • Trying to be as empathetic as possible with staff • Giving allowances to subordinates on the basis of their issues 	Trust
<ul style="list-style-type: none"> • Discussing work issues in a friendly way during non-work hours • Spending time with subordinates during lunch break and discuss anything 	Informal communication
<ul style="list-style-type: none"> • Subordinates have clarity of performance expectations • Both managers and subordinates know what is expected of them • Clearly communicating instructions to subordinates 	Psychological contract explicitness
<ul style="list-style-type: none"> • Discussing performance issues and providing solutions to subordinates • Role modeling to subordinates to perform a job • Training staff to be emotionally intelligent • Guiding subordinates to overcome their performance deficiencies • Motivating subordinates to perform better 	Coaching
<ul style="list-style-type: none"> • Team members know their rights and obligations • Subordinates showing more obedience to manager and 	Competency (KSA) to perform in



<ul style="list-style-type: none"> perform task on time • A subordinate feeling comfortable that people around him are concerned about him so he performs better • Behaving professionally in workplace • Performing better on job 	organization
<ul style="list-style-type: none"> • Work domain is not clear • No one can be held responsible for establishment of goals • Uncertainty in workplace 	Role ambiguity
<ul style="list-style-type: none"> • Showing low performance on job • Showing counter-productive behaviors: lateness, absenteeism, backbiting the manager • Avoiding extra-role behaviors • Failure to fulfill manager's expectations 	Reneging
<ul style="list-style-type: none"> • Non-fulfillment of expectation • Being disloyal and being ineffective at work • Failure in task performance 	Breach & Violation

Conclusion:

In developing countries, it is vital for the exchange partners to fulfill reciprocal obligations because non-fulfillment of the psychological contract lowers the victim's feelings of personal obligations to the violator of the contract. Consequently, the victim may lower his exchange behavior towards the violator by demonstrating lower in-role performance and lower display of organizational citizenship behaviors. In order to bring equity to the exchange relationship, the victim lowers his contributions in response to psychological contract breach, especially when breach is attributed to voluntary reneging. Conversely, fulfillment of psychological contract between a manager and subordinate brings mutual satisfaction that encourages the exchange partners to continue the employment relationship. Moreover, the causal loop diagram is being used for problem structuring in order to exhibit the phenomena of psychological contract breach from a system perspective. Interviews with individuals performing managerial roles in the private-sector universities were conducted and the results were used to construct the causal loop diagram. This study addressed the research problem related to linear measurement of psychological contract. Psychological contract is a complex concept and may not be measured linearly, therefore, system thinking approach is utilized that help to measure complex phenomenon using various loops as mentioned in casual loop diagrams (CLD). The various controllers explained in stock and flow explained that how various concepts are controlled. This paper can also be tested using quantitative methodology using hypothetical values and simulation techniques. As, we have conducted interviews, that help to validate our CLDs and explain the psychological contract in organization.



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