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FROM FULFILMENT TO CREATIVITY: EXAMINING THE LINK BETWEEN PSYCHOLOGICAL CONTRACT FULFILMENT, WORK ENGAGEMENT, AND EMPLOYEE CREATIVITY

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Abstract

Employees catalyze the growth of an organization. Therefore, successful organizations empower their employees to make decisions and present distinctive solutions. This ensures the creative involvement of employees, helping the organization attain a competitive edge. Since employee creativity is crucial for organizational sustainability, fostering creativity among employees is vital to achieving organizational objectives. Creative solutions enable organizations to meet the demands of a dynamic environment. Thus, organizations should prioritize involving employees in the exploration of novel ideas and the presentation of creative solutions. This study aims to examine how work engagement mediates the relationship between psychological contract fulfillment and employee creativity. Data was gathered from service sector organizations operating in Karachi, with a total of 332 respondents using pen-and-paper methods. The hypotheses were examined using hierarchical regression. The findings indicate a positive correlation between psychological contract fulfillment and employee creativity. Additionally, it was observed that work engagement partially mediates this relationship. The study concludes by providing recommendations for practitioners to boost employee creativity.

Keywords: Psychological Contract Fulfillment, Work Engagement, Employee Creativity.

Introduction

The current business environment is changing at a great pace. It has increased the competition and poses a threat to the survival of the organizations. These rapid changes have pushed organizations to reassess their strategies, policies, and procedures. One of the important aspects for organizations is to align and inculcate creativity into their strategic outcomes (Azeem et al., 2021). Through creative solutions, organizations may meet the demands of the dynamic environment. Therefore, the greater concern of the organizations is to ensure the involvement of the employees in the exploration of novel ideas and present creative solutions. In this way, organizations may achieve effectiveness and attain long-term sustainability (Oubaziz & Matmar, 2021). For this reason, researchers in the field of Human Resource

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Management (HRM) are concerned with identifying the ways that may enhance employee creativity.

The study has discussed employee creativity and work engagement in parallel. Work engagement (WE) refers to a psychological state in which employees show physical, emotional, and mental commitment toward work and responsibilities. Several scholars have researched WE, and they have pointed out that WE is affected by psychological contract fulfillment (Yu, 2022; Li, et. al., 2023). They have studied that when employees are engaged in their work, they devise novel solutions. Similarly, engaged employees are willing to exert extra effort in their work and strive for distinctive outcomes. Also, their engaged behavior benefits the organization in achieving a competitive edge.

In this view, the current study sought to analyze the mediating role of work engagement in the relationship between psychological contract fulfillment and employee creativity. However, previous studies primarily focused on psychological contract breaches and their negative effects on several psychological outcomes at individual levels. Given that, this study highlights the positive effect of psychological contract fulfillment and the mediating role of WE in increasing employee creativity.

Scope of Research

This research contributes to twofold. First, it capitalizes on the mediating role of work engagement, which has scantly been discussed in terms of psychological contract fulfillment and creativity. Second, it shifts the focus of the scholars from contract breaches and counterproductive work behaviors to positive psychology and constructive behaviors in organizations.

Rationale of Research

Employees catalyze the growth of the organization. Therefore, successful organizations empower their employees to take charge of decisions and present distinctive solutions. By this, organizations ensure the creative involvement of their employees, which helps them attain a competitive edge. Since employee creativity is crucial for organizational sustainability, ways to foster creativity among employees are vital to achieving organizational objectives. Given the context, currently, the catalyst to creativity and indicators to ignite creativity among workers are insufficiently discussed; therefore, researchers are greatly focusing on identifying ways to enhance creativity among employees and benefit organizations to sustain a competitive business environment.

Research Problem

In the past, studies have investigated how the psychological contract breach between employees and their employers' results in counterproductive work behaviors. That is, most of the research has focused on when the contract is not fulfilled rather than when it is. This study wants to change that stream of research. It aims to shed light on the good side (i.e., "contract fulfillment"), specifically how fulfilling the psychological contract can boost creativity at work. The study analyzes it by checking out how engaged employees are in their work and how that links to their creativity.

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Research Questions

The study sought to answer the following research question:

1. Does the fulfillment of the psychological contract influence the creativity of employees through work engagement?

Research Objectives

The study has three objectives:

1. To analyze the impact of psychological contract fulfillment on employee creativity.

2. To examine the relationship between work engagement and employee creativity

3. To measure the mediating role of work engagement in the relationship between psychological contract fulfillment and employee creativity.

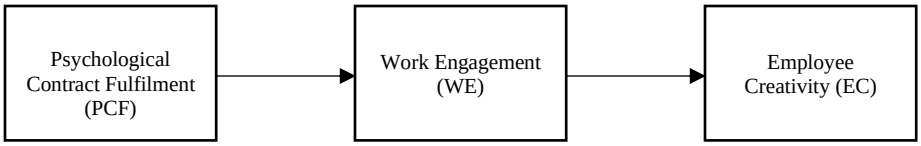
Theoretical Framework

Social exchange theory (SET) describes that individuals' interpretations of the mutual obligations and duties between employees and employers (Rousseau, 1995) are commonly employed to comprehend employees' reciprocal behaviors within the context of employment relationships. SET posits that social exchange encompasses interdependent interactions wherein the actions of each party are contingent upon those of the other.

Enhancing the psychological contracts held by Individuals and their role within employment relationships are commonly used by expanding SET interpretations of the actual rights and duties reciprocated between employers and employees, as outlined by Rousseau (1995). At the same time, the SET theory is based on the idea of social exchange, which involves mutually dependent interactions where the experiences of one party are contingent upon the behavior of the other.

Social exchange theory is outlined by illuminating its theoretical frameworks; Blau (1964) posits that through these mutual exchanges, employers and employees build trust and commitment. Moreover, the theory incorporates the perceived ease of completing obligations in exchanges. This involves people evaluating the balance of the exchange relations in the course of their practice with the organization and identifying self-effort and contributions as well as self-rewards and recognition (Adams, 1965). In addition, social exchange theory is very rich in such concepts as psychological contracts and relational norms, which are the main invisible agreements that clearly define the roles or requirements of the partners (Blau, 1964; Rousseau, 1995).

Research Framework



Research Hypotheses

H_1: Psychological contract fulfillment is positively related to employee creativity.

H_2: Work engagement is positively associated with employee creativity.

H_3: Work engagement mediates the relationship between PCF and EC.

Significance of Research

This research offers considerable contributions to the fields of academia and organizational management by specifying the complex patterns concerning psychological contract fulfillment with creativity and work engagement. Therefore, the study presents significant insights into understanding the influence of organizational factors on innovative behavior among employees by establishing the relationship between psychological contract fulfillment and employee creativity through the lens of work engagement. Additionally, the findings of this study have practical implications for improving ways of thinking about human resource management initiatives and the focus of efforts to create a professional environment that is amenable to fostering creativity and innovation. In conclusion, these observations have the potential to enhance efficiency and competitiveness in organizations within contemporary organizational environments.

Limitations

This examination has numerous limitations. The findings will not be generalizable past the organizational context studied, as psychological agreement fulfillment, work engagement, and employee creativity can vary across unique settings. The reliance on self-pronounced facts introduces potential bias, and the cross-sectional design limits the capability to infer causality. Additionally, cultural elements that impact these relationships have not been appreciably explored, which may additionally affect the applicability of the outcomes to numerous cultural contexts. Future research must not forget longitudinal research and larger, greater samples to enhance the robustness and generalizability of the findings.

Literature Review

Previous research has generally examined how Psychological Contract Breach (PCB) influences work outcomes, including work performance, organizational citizenship behavior, and job autonomy (Santos et al., 2024). Nevertheless, there may be limited research centered on employee creativity within the context of the

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psychological contract, specifically to PCF (Rogozińska-Pawełczyk, 2023). Employee creativity includes deliberate activities pointed toward producing, pushing, and carrying out original thoughts in the workplace to work on by and large execution. When employees feel their psychological contracts are being met, they are motivated to participate in innovative ways, as per the company's standards. Social exchange inside the organization altogether influences people's ability to take part in creative work, and those impervious to change might present difficulties for advancement disapproved of employees (Mehta et al., 2024).

Researchers have predominantly inspected the connection between psychological contract break and creativity, especially according to a breakpoint of view. For example, studies have found negative connections between apparent breaks of the psychological contract and advancement-related ways of behaving across different functions of the organization. The idea of "engagement" in hierarchical settings was first presented by Bakker, et. at., (2023), described by power, devotion, and retention. Drawn into the concept of work engagement and social exchange, people are proactive and energetic about handling difficulties, with various expectations from the organization (Aldabbas et al., 2023).

Work Engagement (WE) has been distinguished as an inspirational driver of creative work, with connected employees showing upgraded execution because of their positive outlook and characteristic inspiration. Creativity is fundamental for long-haul hierarchical achievement and attaining sustainability in a business environment. Highly engaged employees will quite often support their energy for work and answer difficulties with positive feelings and proactivity, along these lines cultivating creativity (Peng et al., 2023). Given this, the current study fills the gap by considering work engagement as a mediator leading to creativity.

Effective psychological contracts address unconscious psychological needs such as affection, aggression, dependency, and achievement of ego ideals by sharing valued resources with employees. Psychological ownership is also rooted in unconscious needs, particularly the need for belonging, akin to a "home." When organizations fulfill these unconscious needs through relational psychological contracts, they foster both organizational relational psychological contract fulfillment and psychological ownership beliefs, which are likely to correlate (Chang et al., 2020). However, assessing and managing these unconscious needs is difficult, leading to their reduced focus on organizational behavior research.

There are three main experiences through which individuals develop a sense of ownership of an object. Greater control and use of an object lead to a sense of possession and integration into one's extended self. It is suggested that intimate relationships with objects result in deep knowledge and subsequent feelings of ownership. Philosophers (i.e., Jussila, Tarkiainen, Sarstedt, and Hair, 2015) also explored ownership, with Locke arguing that we own ourselves and our labor, thus feeling ownership over the objects we create and invest ourselves in. Psychological ownership theory, drawing from these ideas, posits that experienced control, intimate knowledge, and self-investment in an entity are key routes to developing feelings of ownership.

Employees who believe that the organization has failed to deliver on its promise to provide adequate job resources are less likely to fully engage in their work. Similarly, when employees feel unsupported by their managers, they tend to conserve their energy and reduce their work engagement. According to the Job Demand-Resources model, insufficient work resources lead to employee disengagement. Gordon's (2020) research demonstrated that perceived breaches of the psychological contract have a more negative impact on hotel managers' work engagement, particularly when they perceive lower support from their supervisors.

On the other hand, engaged employees benefit from ample organizational resources, resulting in lower stress levels. While research in this area is limited, previous studies suggest that engaged employees are more likely to indulge in positive work behaviors (Soares and Mosquera, 2019

In this view, this study believes that WE mediate the effect of PCF on employees' creativity. Past studies have not widely researched the connection between PCF and employees' creativity, especially considering the mediating role of WE.

Research Methodology

The study gathered data from various organizations in the services sector in Karachi. Before collecting data, the study reached out to the management of these organizations to secure their approval and obtain informed consent from employees. Information was gathered using a traditional, non-AI method, utilizing a paper-based version. A sample of 500 employees was selected to participate in the questionnaire. These organizations requested the individuals to respond to inquiries, provide their background details, and evaluate their PCF, work engagement, and employee creativity. A total of 339 individuals (with a response rate of 67.8%) provided their input, out of which 332 were considered for further analysis.

Out of the participants, 45.6% were women, and 54.4% were men. A significant portion of the sample consisted of employees aged 18 to 30. According to the statistics, a significant portion of the employees, 56.78%, held a bachelor's degree, while 15.02% had obtained a master's degree or higher qualifications. Furthermore, it is worth noting that half of the participants in the sample group had five years of experience or less. Experience levels of 6-10 years and 11-15 years were discovered in 20.51% and 15.38% of the total, respectively. A mere 13.19% possessed 16 years of experience or more.

Analyses and Interpretations

Hierarchical regression analyses were conducted to assess the proposed hypotheses and found that PCF exhibited a positive relationship with employee creativity ($\beta=0.313$, $p<0.01$), thereby supporting H1.

Similarly, the analysis also resulted in a positive relation between work engagement and employee creativity ($\beta=0.264$, $p<0.01$).

To assess WE's mediating effect, we conducted a bootstrapping analysis (5000 times) following the method proposed by Preacher et al. (2017). Table 5 presents the

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95% bootstrap confidence intervals for WE's indirect effect. The results indicate a significant indirect effect of WE on employee creativity (β=0.083, 95% CI = [0.040, 0.136]), providing further confirmation for H_3.

Table 01: Mediation Analysis

	Effect	SE	t	p	LLCI	ULCI
Total Effect	0.313	0.043	7.222	0.000	0.228	0.398
Direct Effect	0.230	0.042	5.452	0.000	0.147	0.314
Indirect Effect	0.083	0.025	6.267	0.000	0.040	0.136

Note: **p< .05; **p<.01; two-tailed tests.*

Hypothesis 1 supported the idea that the PCF positively impacted employees' creativity (Barnhill & Smith, 2019). It is explained that employees generate, promote, and realize ideas that lead to innovative work behavior when their expectations of the organization are fulfilled. Based on the results, it is reasonable to assume that when organizations provide a situation (e.g., working from home, welfare policies) that fits the desires of their employees, positive psychological contracts are formed so that employees generate new ideas and gradually enhance their application to the workplace resulting in creative outcomes.

The results also suggest that WE mediated the relationship between PCF and employee creativity (Chang et al., 2013; Schaufeli, 2003). To elaborate, a state of fulfillment psychological contact for employees enhances WE and, in turn, leads to creativity. Thus, the potential influence of PCF on employees' creativity may have originally been shaped by the change in WE.

Discussion

The study provides substantial contributions to multiple facets of the concepts. Initially, we discovered that the psychological contract fulfillment formed between employees and employers has a beneficial influence on employee creativity when examined from the perspective of social exchange theory. The psychological contract, as described in previous research, is intricately linked to the reciprocal dedication and confidence that exists between employees and employers (Karani et al., 2022).

The study conducts a comprehensive analysis of the positive factors and establishes correlations between the notions of work engagement (WE) and employee creativity using the Social Exchange Theory (SET). Prior research has investigated the correlation between work engagement (WE) and employee creativity and found a positive relation. This study also showed that the impact of perceived psychological contract fulfillment (PCF) on work engagement is positive. Previous studies by Agarwal (2017), Chang et al. (2013), Hanif and Khan (2016), and Ng et al. (2010) have examined many aspects of the psychological contract, and the results also extend the understanding of the results of previous studies in the context of services sector of Pakistan.

This paper focuses on how the fulfillment of the psychological contract by the employees within organizations is important and where attention is given to the nature of the practical consequences. Thus, the psychological contract serves the function of fulfilling the promise within the working relationship, which is framed by trust and understanding. To address these issues, organizations must ensure that the precise evaluation of negative feedback and genuine demands from employees remains a top priority. With regards to the use of humor in the organization, it should be understood that to achieve the intended outcomes, businesses need to invest the necessary amount of resources and then provide the appropriate conditions to work in. In doing so, we can reach a comprehensive identification and negotiation of the employees' Aspirational Psychological Contract, thus creating a sound bridge for the development of a strong psychological contract. It is possible that using this strategy will enhance employees' imaginative thinking by raising the organization's competitiveness and improving its position in the labor market (Bannay et al., 2020).

In addition, the recommendations have it that increasing work engagement is an important strategy that businesses need to use in their bid to enhance their creativity. This discovery is in concordance with prior research done by Jia et al. (2022), which shows that job engagement is the cue for productivity or creativity by employees. Organizations must understand that creative approaches from the employees are crucial in preventing organizational dilemmas. Accordingly, it is suggested that managers consider focusing more attention on the psychological needs of employees. This will act as a stimulus to ensure that people work harder on their tasks, foster innovation and innovations, and ensure the firm translates into greatness.

Practical implications

It is evident that psychological contracts are vital for encouraging creativity and meaningful working engagement and, therefore, should be promoted optimally. Some of these predictors include articulation of roles and responsibilities, subsequent progression within the career ladder, and standard organizational policies that guarantee the delivery of organizational promises to the employees. The methods that can be used to increase work engagement are, first of all, developing intense, stimulating, and personally significant work roles and adopting a positive organizational climate that supports creativity by permitting people to try out novel approaches to their work. Time and space to create also encourage creativity since creators are not rushed to produce their ideas.

Moreover, it is crucial to teach and train managers in the leadership and methods that are needed to handle emotions and manage employee expectations and concerns. Graded feedback procedures and providing the employees with an opportunity to participate in organizational decision-making increases their commitment. At the organizational level, there is a need to incorporate policies that provide options for working flexibly and establish methods that recognize and reward creative and innovative efforts.

Also, the levels of psychological contract breach and work engagement must be checked from time to time to evaluate the effectiveness of the work-engagement interventions that have been developed. By doing so, the psychological contract may

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be fulfilled, leading to high work engagement that can create more creative input that will enhance organizational success.

Conclusion

The study concludes that within the context of SET integration, work engagement aims to be viewed as an important job resource. This engagement ensures that individuals respond positively to the kind of treatment they get from their supervisors or other colleagues in order to uphold high standards of social exchange. Hence, to avoid compromising the overall well-being of the employees, organizations have to honor their obligations that are aimed at achieving psychological contracts. This comfort helps them to be more productive, as well as innovative. Employees should also maximize the use of their contacts, specifically with colleagues, as they can help in the efficient and productive exchange of resources for creative targets. In this aspect, the organization needs to meet the expectations of its employees in order to increase production and advance innovation. Research shows that when organizations honor psychological contracts and meet employees' expectations, employees become more committed and productive in their undertakings. This involvement, in turn, stimulates creativity and encourages the employees to develop ideas or procedures. This study reveals that giving strategic attention to serving the psychological contracts leads to enhancing work engagement and creativity and, hence, personal and organizational performance. This research, thus, offers important pointers to organizations that are in search of ways to earn a competitive advantage by having a more productive and creative workforce.

Recommendations

- This study recommends training managers on the importance of fulfilling unexpressed promises and building an environment of trust within the organization.

- It also recommends creating a culture that encourages collaboration, open communication, and mutual respect.

- This study also recommends that managers provide adequate resources and support to help employees feel valued and capable of performing their roles effectively.

- The organization shall develop programs or policies that encourage risk-taking and experimentation without fear of negative consequences.

- Managers shall devise strategies such as offering meaningful work, recognizing achievements, and providing growth opportunities to boost engagement.

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