

## **Linking Psychological Contract and Innovative Work Behavior, moderated path analysis of Organizational Resources and mediated role of Work Engagement**

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**Abstract**— The objective of the study was to examine the relationship between psychological contracts, with mediating role of work engagement, and moderating role of organizational resources on Innovative work behavior. For empirical analysis survey was conducted on information technology software houses in Rawalpindi and Islamabad. Data was collected from 177 employees, using questionnaire. Results also indicated that work engagement has a partially mediation effect between transactional contract, relational contact and innovative work behavior. The organizational resources also moderated the relationship between transactional contract, relational contract and work engagement. Hence, the combined effect of relational contact, transactional contact and organizational resources enhanced the employee's engagement, which in return increased the effectiveness of their innovative work behavior. The findings disclosed the significant positive relationship between psychological contract and innovative work behavior.

**Keywords:** IWB, psychological contract, work engagement

### **I. INTRODUCTION**

Understanding the nature of employment relationship has important for both employers and employees. From employees perspective most of individuals at least at some point will enter into an employment relationship with one or more employers and when this relationship is working it can support psychological contract and productivity (Parzefall & hakanen, 2010). It can be used for the prediction of a wide range of individual as well as organization outcome; the interesting thing is that the results are not consistent in the literature. Variation does exist in the size of this

relationship, and also in the sign between the psychological contract, attitudinal and behavioral outcomes of employees who experiences it.

Rousseau (1989) define psychological contract as: the trusts of individual about the terms and conditions of a mutual exchange agreement between the focal person and another party. The key issue here about believes that a promise has been made and a consideration offered in exchange for it binding the parties for some set of mutual obligations. Since last twenty years the notation of psychological contract emerged as a logical device to exploring and understanding employment relationship and work place behavior (Parzefall & hakanen, 2010; Rousseau, 1989, 1990, 1998; Millward & Hopkins, 1998). Psychological contract represent individual beliefs about the give and take obligation among themselves and their organization, there are two organizational procedures that affects the psychological contract variable such as justice procedure and social structure (Morrison & Robinson, 1997).

Two type of psychological contracts explained by the previous researchers that is transactional and relational contract (Rousseau, 1989, 1990, 1998; Bal & Kooij, 2011). Transactional contract nurture to only mentioned short-term responsibilities requiring limited participation of the parties (individual not fully drowned in his assigned task), where relational contracts state to long-term responsibilities that hold an attention on socio emotional elements such as affiliation, trustworthiness, care, faith, and job security (Suazo, Martínez & Sandoval, 2009; Hui et al., 2004). In more specified way Psychological contract

literature is from employee perspective to fulfillment of contractual obligation to influence employee's behavior (Kahn, 1990; 1992; Millward & Hopkins, 1998). Psychological contract sound determinant of behavior's (Bal&Kooij, 2011; Parzefall & hakanen, 2010).

Innovative work behavior consists of three ideas, idea generation, idea promotions and idea realization (Scott & Bruce, 1994). Innovative behavior refers to the intended formation introduction and application of new ideas inside a work role (Janssen & Van Yperen, 2004; Farr & Ford, 1990). Innovative work behavior motivational factor for employees, and may be the outcome of contractual fulfillment (Yuan & Woodman, 2010; Woodman, Sawyer & Griffin, 1993). When employees feel that contract violation can be occurred they are not willing to engage him in discretionary behavior, while employees feel that there will be no contractual violations than employees will likely to engage him in discretionary behavior (Zhao, Wayne, Glibkowski & Bravo, 2007; Amabile, Hennessey & Grossman, 1986).

Generating creative ideas is a component of innovative work behavior, however innovation is risky effort, to engaging employees in innovative act in a work place brings benefits and costs (Scott & Bruce, 1994; Suh, 2002). Innovations serve the economic function of improving efficiency and that innovation decisions are based on performance outcome (Farr & Ford, 1990). Innovation is a multistage process, the process continuous with an idea promotion, which means when workers generated an idea then need to find followers for implementation and the final step of process is realization of idea by producing a model (Jong &Hartog, 2010; Suh, 2002).

To gain leads for new visions about exactly how and why different psychological contract types (transactional/relational) enable individuals' innovative behavior, present study identifying this mechanism. Furthermore, this study will form the theoretical basis for further studies on this construct. The study will also provide guidelines to practitioners how enhance organizational resources and increase

employee engagement that helps to maximize productivity and innovative work behavior.

## **2. LITERATURE REVIEW**

### **Psychological Contract and Innovative Work Behavior**

Literature conceptualized innovative work behavior in term of individual's characteristics, behavior, product and trait (Reuvers et al., 2008). Organizations rely on their employees to innovate their process method and operations (Janssen, 2000; Suazo et al., 2009). Literatures have found psychological contract types relational and transactional contract vary in their influence on IWB (Hyland& Beckett, 2004).

More precisely, negative relationship between transactional contract and IWB (Thompson & Heron, 2003, 2006; Ramamoorthy et al., 2005). Furthermore fulfillment of contract, perception lead to loyalty, organizational commitment, performance, intention to stay with employer, contractual fulfillment depends on employee's feelings that their expectation about contractual obligation has been met or unmet (Ramamoorthy et al., 2005). Met expectation and perceived obligation of employee may seem to be similar construct; they reflect two different type of psychological contract (Wanous et al., 1992). Through work experiences employee expectation have been satisfied, it's an employee assessment and belief. Such expectations may be shaped individually without any explicit or implicit promises of the manager (Storey et al., 2002). Psychological contract types such as relational contract, researchers have found that are advantageous to engendering innovative work behavior (Goldsmith, 1986).

This speaks off logic that innovation is a procedure of long term, individuals essence their hard work towards the assigned task over a long periods of time shows innovative work behavior (Hyland& Beckett, 2004). When bodies perceive that the manager of the employee has been fulfilled his obligations, they are more likely to perceive an obligation to engage in discretionary and voluntary behavior's that leads to innovative work behavior, may be benefit to the organization (Herriott et al., 1997). When bodies feel that contractual violation can be accrued so they are not likely to engage in discretionary and voluntary

behaviors, Employees cannot innovative if they are not discretionary in behavior and also cannot taking a part as a volunteer (Reuvers et al., 2008). Employees believed in organizational obligations in term of need, fairness, training, growth and discretionary behavior (Herriott et al., 1997).

Innovative work behavior motivational factor for employees, and may be the outcome of contractual fulfillment (Yuan & Woodman, 2010). In previous study Amabile (1986) have found that different kind of psychological contract like transactional and relational influences on innovative work behavior, transactional contract negatively related to innovative work behavior while relational contract positively related to innovative work behavior (Amabile, Hennessey, & Grossman, 1986; Hyland& Beckett, 2004). Generating creative ideas is a component of innovative work behavior, however innovation is risky effort, to engaging employees in innovative act in a work place brings benefits and costs (Scott & Bruce, 1994). Literature showed that met expectations and perceived obligations both will positively affect the innovative work behavior (Thompson & Heron, 2003, 2006).

*Hypothesis 1. Transactional contract has a negative and significant relationship with innovative work behavior.*

*Hypothesis 2. Relational contract has a positive and significant relationship with innovative work behavior.*

#### **The Mediating Role of Work Engagement**

Work engagement is characterized by vigor, dedication, and absorption, (Bakker & Schaufeli, 2004), vigor is characterized by high levels of energy and mental resilience while working, the willingness to invest effort in one's work, and persistence even in the face of difficulties. Dedication refers to being strongly involved in one's work, and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge. Absorption is characterized by being fully concentrated and happily engrossed in one's work, whereby time passes quickly and one has difficulties with detaching oneself from work (Schaufeli et al., 2003). Employee engagement can be a source of competitive advantage (Macey et al., 2009).

Contractual types and IWB, important motivational mechanism do not express openly between construct type and IWB (Rich, Lepine& Crawford, 2010; Amabile, Hennessey, & Grossman, 1986). We take mediator employee engagement for three main reasons, that innovative work behavior and employee engagement both are motivational issue and motivational construct which is fulfilling work related state of mind that is characterized through vigor dedication and absorption (Cartwright & Holmes, 2006; Amabile, Hennessey, & Grossman, 1986). Fully engaged employees will be proactive, show initiative about work, effectively and efficiently collaborate with colleagues to spend physical, cognitive and emotional energies in their assigned work role (Schaufeli& Bakker, 2008). According to Kahn (1990) individuals features and awareness of work nurture three psychological conditions which is continuously effect the willingness of individuals to fully engage in his work.

Psychological conditions associated to contractual types that enhance work engagement which lead to innovative work behavior (Schaufeli, 2003). Temporary employees hold transactional contract raise to only short-term and mentioned responsibilities requiring partial involvement between the parties (Bal & Kooij, 2011). Because of short term mentioned responsibility employer fail to provide loyal and trusting interpersonal relationships (Suazo et al., 2009; Rousseau, 1989, 1990), so in a response individual are unable to take risks because they are fear to negative penalties (Suazo et al., 2009). These failures of emotional state of safety, so willingness of individuals decrease to engage them completely in work roles.

Finally the partial participation of employee in transactional contracts stops individuals from investing energies into assigned work role (Bal & Kooij, 2011; Kahn, 1990, 1992). Relational contracts refer to long-term responsibilities that contain an attention on socio emotional features such as affiliation, faithfulness, carefulness, belief, and job security (Cartwright & Holmes, 2006; Schaufeli, 2003). Long term contract among parties secure employment socialization

availability of physical activity and development chances and career paths (Cartwright & Holmes., 2006). This phenomenon makes logic of meaningfulness for the objective in the job, when employees feel secure and more socialize that leads to fully engage individuals in his work (Kahn, 1990). According to Rich et al (2010) viewpoint, engaged employees should display innovative work behaviors they are utilizing physical, cognitive and emotional energies. Physical energy speaks of extra time spent on job task or working for additional time with regard to their standard job timings, As cognitive energy speaks of devotion and greater intensity to innovative responsibilities with regard to job task and emotional energy speaks of innovative roles that are established by their close attention to the work which has direct link with the success in their job task. As a result of the study, transactional contract has a negative relationship with work engagement and positive relationship among relational contract, employee engagement and innovativeness (Zhang & Bartol, 2010).

*Hypothesis 3. Work Engagement mediates the relationship between transactional contract and innovative work behavior.*

*Hypothesis 4. Work Engagement mediates the relationship between relational contract and innovative work behavior.*

**The Moderating Roles of Organizational Resources:**

Job resources can be physical, social, psychological or organizational that could be characterized into two categories organizational and social resources (Van Emmerik, Euwema & Bakker, 2007; Woodman et al., 1993). Organizational resources refer to managerial or supervisory performance opinion or a feedback and training (Akker et al., 2005; Demerouti et al., 2001). Social resources are important social side aspects as they affect to their coworkers, subservient and supervisors (Richter & Hacker, 1998; Bakker et al., 2005). Literature suggests that supervisory support and social influences is the factor of work environment that's lead to group interaction, and important experience of innovations (Xanthopoulou, Bakker,

Demerouti & Schaufeli, 2007; Amabile, 1988; Woodman, Sawyer, & Griffin, 1993).

When an individual has a transactional contract, under plenty of organizational resources, a respectable quality relationship between employer and employee is interested to put their hands on big responsibilities and become sincerely involved in their job task (Woodman, Sawyer, & Griffin, 1993; Thompson & Heron, 2005; Amabile, 1988).

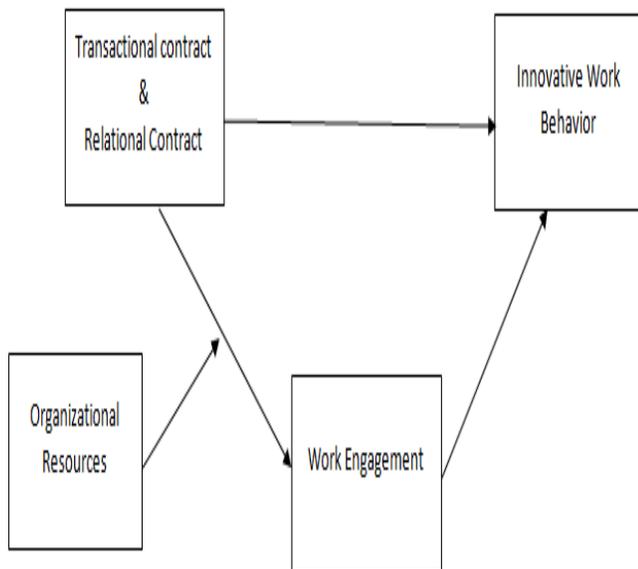
When an individual is assisted with plentiful organizational resources it makes that individual to stimulate themselves by providing physical, cognitive and emotional energies by investing psychological meaningfulness, psychological safety, and psychological availability in the job task (Kahn, 1990, 1992; Sawyer, & Griffin, 1993). To reduce a negative relationship between work engagement and transactional contracts if the organization puts high level of organizational resources on it (Schaufeli et al., 2003). When an individual has a relational contract, under plenty of organizational resources, a respectable quality relationship between employer and employee has been create to involve sincerely in their job task (Woodman, Sawyer & Griffin, 1993; Thompson & Heron, 2005; Amabile, 1988). A plenty of organizational resources raise employee's motivational factor to enhance their assigned job task and makes employee effective and efficient (Ryan & Deci, 2000; Schaufeli & Bakker, 2004; Kahn, 1990). Consequently, we agree to a point that work engagement have a positive relationship with relational contract under the high level of organizational resources.

Employee's innovation relevant skills and domain relevant skills are strengthened when they are supervised in a perception of social side of innovation, the social procedure of collaboration and communication of creative response and coaching (Molm, 2010; Amabile, Hennessey & Grossman, 1986; Amabile, 1983, 1988). The individual who is highly engaged in his assigned goal will always be drowned in his work, always exploring various solutions for the problem, devotedly searching for unique ideas, promoting and realizing the new ideas

(Schaufeli et al., 2003). Consequently, we agree to a point that work engagement and relational contract have a positive relationship under the high level of organizational resources.

*Hypothesis 5. Organizational resources moderates and strengthens the link between transactional contract and work engagement.*

*Hypothesis 6. Organizational resources moderates and strengthens the relation between relational contract and work engagement.*



## METHODOLOGY

### Sample and Procedure

This study is cross sectional study with independent, dependent, mediating, and moderating variables. Data on these variables are collected from IT industries, software houses of Rawalpindi and Islamabad. Primary data on independent, dependent, mediating and moderating variables was collected from managerial and non-managerial employees of software houses. Questionnaire survey method used for primary collection of data, respondents were assured of anonymity and ensured that no information they provide will be disclosed to anyone and only use for the academic purpose. Respondent were requested to fill the questionnaire attentively and also give sincere

opinion. The data for this research was collected within a time frame of 30 days.

The total number of employees contacted and requested to fill the questionnaire were 300. Out of these 200 questionnaires were collected manually agreed times. Out of 200 questionnaires 23 were excluded due to missing data or inappropriate response. The remaining 177 questionnaires were used for analysis and actual response rate were 59%. Data represents the demographic composition of sample in term of gender. The Data shows that sample were diverse in term of gender as both male and female were the part of sample and 25.9% of respondent were female while 74.1% of respondent were male.

Data represents the demographic composition of sample in term of experience. Data shows that sample also varied in term of job experience. Such as 47.41% respondents had an experience 1-5 years, 26.45% respondents had an experience of 6-10 years, 16.12% respondents were having job experience between 11-15 years, 0.1% had a job experience of 16-20 years. Data represents the demographic composition of sample in term of qualification. Data shows those 61.29% respondents were BS (hons) degree holder, 30.19% respondent have a MS Degree and 8.52% respondents have graduation Degree. None of the respondent among the sample has PhD, Metric and Inter Degree.

### Measures

#### Psychological Contract

The psychological contract questionnaire is an 18 items (transactional contract 9 items, relational contract 9 items) 5 point Likert scale questionnaire developed by Millward and Hopkins (1998). Alpha reliability value of transactional contract .75 and relational contract .69 with response options ranging from strongly disagree to strongly agree. This value shows internal consistency is strong and acceptable, no need to delete any item.

#### Innovative Work Behavior

De Jong and Den Hartog, (2010) 6 item scale will be used to measure the innovative work behavior of employees. Alpha reliability value of .88 with response options ranging from strongly disagree to

strongly agree. This value shows internal consistency is strong and acceptable, no need to delete any item.

**Employee Engagement**

The work engagement questionnaire is a 09 items 5 point Likert scale questionnaire developed by Schaufeli & bakker, (2003). Alpha reliability value of .81 with response options ranging from strongly disagree to strongly agree. This value shows internal consistency is strong and acceptable, no need to delete any item.

**Organizational Resources**

The organizational resources questionnaire is a 06 items 5 point Likert scale questionnaire developed by Wagenman, Hackman, & Lehman, (2005). Alpha

reliability value of .78 with response options ranging from strongly disagree to strongly agree. This value shows internal consistency is strong and acceptable, no need to delete any item.

**RESULTS AND ANALYSIS**

**Regression Analyses**

To test hypotheses, several regression analyses were performed in which gender, age, qualification and tenure were taken as control variables.

**Table 1**  
**Means, Standard Deviation, Correlation**

Notes: \*\*p< .05 and \*\* p < .01

Variable	Mean	S.D.	1	2	3	4	5
Transactional contract	3.5281	.48841	1				
Relational contract	3.5281	.48841	.058**	1			
Organizational resources	3.1908	.53588	.332**	.044**	1		
Work engagement	4.0133	.42835	.142	.142	.165**	1	
Innovative work behavior	4.5421	.50157	.346**	.346**	.307**	.299**	1

Correlation is the assessment of the relationship between two or more variables. Correlation coefficients generally range from -1.00 to +1.00 represent strong negative correlation between different variables and +1.00 represent strong positive correlations between different variables. If there is no relationship between variables then it will be shown by zero. Pearson correlation is commonly used type of correlation coefficient, which is also known as product moment correlation or linear correlation, this table below shows the correlation and significance of independent, dependent moderator and mediator variables.

To test for mediation and moderation, we tailed the method outlined by Baron and Kenny (1986). According to Baron and Kenny (1986), four criteria need to be met to support full mediation. First, the

independent variable (i.e., transactional and relational contract) needs to be significantly related to a mediator (i.e., work engagement). Second, transactional contract and relational contract needs to be significantly related to innovative work behavior. Third, work engagement needs to be significantly related to innovative work behavior. And finally at the fourth step, the relationship between independent variables and dependent variables must disappear when mediator is introduced into the regression equation predicting dependent variable. If the coefficient between independent variables and dependent variables after introducing mediator into the regression equation remains significant, but is reduced, there is evidence for partial mediation. Table 2 represents the results of mediation following the steps suggested by baron and Kenny, (1986). At first step,

the effects of control variables and mediating variable on dependent variable were tested. At second step the effect of independent variables on dependent was checked and so on.

**Table 2**

**Result for mediation Analysis**

Predictor	IWB		
	$\beta$	R <sup>2</sup>	$\Delta R^2$
<b>Step 1</b>			
Control Variable		<b>0.34</b>	
<b>Step 2</b>			
<b>Control mediator</b>			
Work engage	<b>.357***</b>	<b>.115***</b>	<b>0.082***</b>
<b>Step 3</b>			
Trns Contract	<b>-.265**</b>	<b>.176**</b>	<b>0.060**</b>
Relat contract	<b>.265**</b>	<b>.176**</b>	<b>0.060**</b>

P<.05, \*\*p<.01, \*\*\*p<.001

According to Baron and Kenny (1986), moderator is supported if the interaction term (independent variable\* moderator) and dependent variable is significant. In addition, the relationship between independent and dependent variable and moderator and dependent variable also significant, but these are not relevant to moderation (Baron & Kenny, 1986). In table 2 interaction terms are defined, because of 2 independent and one moderator. According to Baron and Kenny (1986), mediator is supported when independent and mediator variable have the variation, and mediator must effect on dependent variable and have variation between these two variables. There is also a third path of the mediation according to Barron and Kenny (1986), independent must affect dependent variable but it must be less (Baron & Kenny, 1986), table shows all the conditions of Baron and Kenny (1986), related to the mediation. Barron and Kenny, (1986), mediation analysis was carried out to set whether the effect of transactional contract and relational contract on innovative work behavior could

fully or partially be explained by employee engagement. In order to be as possible multiple regression analysis for mediation were performed.

The third and fourth hypotheses stated that work engagement mediates the relationship between independent variables (i.e. transactional and relational contract) and innovative work behavior. To find mediating role of work engagement, three steps regression analysis was conducted. In the first step demographics were controlled, the value obtained for R square was 0.034. In the second and third step, independent variables were regressed on dependent variable controlling the effect of mediator that is work engagement. The value obtained were such that the Beta value was 0.265\*\* at p=0.001 which was significant, this means that partial mediation effect of work engagement is present between independent and dependent variables.

**Table 3**

**Result for moderation Analysis**

Predictor	WE		
	$\beta$	R <sup>2</sup>	$\Delta R^2$
<b>Step 1</b>			
Control variable		<b>.066</b>	
<b>Step 2</b>			
Tra contract	<b>-.026***</b>		
Rela contract	<b>.026***</b>		
Organizational Resources	<b>.288***</b>	<b>.179***</b>	
<b>Step 3</b>			
TCxOR	<b>.535**</b>	<b>.225**</b>	<b>.046**</b>
RCxOR	<b>.535**</b>	<b>.225**</b>	<b>.046**</b>

P<.05, \*\*p<.01, \*\*\*p<.001

The table 3 shows the results of moderation. The moderated regression analysis as shown was used to examine the interactive terms of independent variables (transactional and relational contract) and organizational resources. Firstly, control variables were entered into the model, in the second

Step the impact of independent variables and moderating variable were controlled, then, in the last step, the interaction terms were entered, and the result were significant as shown in table 3. The results of interacting factor ( $\beta=.535^{**}$  at  $p=0.004$ ). There is no negative sign which indicates that it strengthening the relationship. Hence, the results are similar to the 5th and 6th proposed hypotheses; organizational resources did moderate the relation between independent variables and work engagement.

## DISCUSSION

The purpose of this present study is to explore relationship among psychological contract types and IWB with mediating role of work engagement and moderating role of organizational resources. Six hypotheses were tested in this study. All hypotheses were accepted.

First hypothesis (H1) transactional contract and IWB were showing relationship. According to results this get proved that transactional contract and innovative work behavior are negatively associated with each other, because Transactional contracts raise to only short-term and mentioned responsibilities requiring partial involvement of the parties in case of temporary employment. In transactional contract organizations fail to provide supportive and trusting interpersonal relationship. Manxhari (2015), Kabasheva, Rudaleva, Bulnina & Askhatova, (2015), Rousseau (1990), Morrison and Robinson(1997) studies support this hypothesis that is transactional contracts have negative and significant relationship with employee innovative work behavior.

Second hypothesis (H2) relational contract and IWB were showing relationship. According to result this get proved that relational contract and innovative work behavior are positively associated with each other, because relational contracts refer to long-term responsibilities that trigger the socio emotional elements of individuals such as affiliation, reliability, care, faith, and job security. In relational contract organization provide supportive and trusting interpersonal relationship that enhances innovative work behavior. Manxhari(2015), Kabasheva et al (2015) studies support this hypothesis that is relational

contracts have positive and significant relationship with employee innovative work behavior.

Hypothesizes three and fours about mediation of this study. According to results mediating variable that is work engagement is showing mediation between transactional and relational contracts, and innovative work behavior. This get proved that Work engagement play a mediation role between transactional contract and IWB. Transactional contracts can reduce psychological conditions of individuals that condition foster by work engagement, so finally work engagement reduces leading to a Parallel reduction in IWB. According to results of H4 mediating variable that is work engagement is showing mediation between relational contracts, and innovative work behavior. According to Kahn, (1990) that relational contract foster three psychological conditions meaningfulness, safety, and availability, that stimulate work engagement which enhance innovative work behavior of individuals, because psychological meaningfulness states that sense of return on investment. Psychological safety care, confidence, and interactions, are depends on safety. Psychological availability connected with the sense of individuals' which stimulate, psychological, and physical resources of individuals to invest his energies in performances. This relationship supported by Kahn (1990), Thompson and Heron (2003, 2006), Rich et al (2010) studies.

Hypothesis H5 and H6, are about moderation of this study. According to results of moderating variables that is organizational resources showing moderation between transactional/relational contracts, and work engagement. Organization resources moderate the positive significant relationship between transactional contract and work engagement because of Plentiful organizational resources it makes that individual to stimulate themselves by providing physical, cognitive and emotional energies that triggers the individual psychological conditions. Organizational resources are important factors of social side because resources affect to their colleagues and supervisors. IT industry can reduce a negative affiliation between work engagement and transactional contracts if the IT industry's puts a plentiful organizational resource on

it. Organizational resources also moderate positive significant relationship between relational contracts and work engagement. A sufficiently organizational resources raise employee's motivational factor to enhance their assigned job task and makes employee effective and efficient. When an individual has a relational contract, under organizational resources, a respectable quality relationship between employer and employee to engage sincerely in their job that's lead to innovative work behavior. Molm,(2010). Xanthopoulou, Bakker, Demerouti & Schaufeli, (2007), studies support hypothesis H5 and H6.

### **Theoretical and Practical Implication**

Present study has three practical implications, Relational contract foster individuals IWB. Contractual types develop through different approaches, primarily psychological contract form during the recruitment process (Aggarwal & Bhargava, 2009), where employer needs to form relational contract with employees because of relational contract manager can engender individuals innovative work behavior. Realistic job previews is another approach to form relational contract by generating an appropriate fit between individuals and there organizations. Finally it does clarify realistic job previews, that what organization is expected from individuals during the job and should be individual displays what they can expect from their organization (Layne, 1980). Organizations can form relational contract through successful realistic job previews, a different approaches can also encourage individuals to build relational contract with the IT industry of Pakistan such as long term incentives, a faire reward system, stock option etc. (Macneil, 1977; Provan & Gassenheimer, 1994). Training and orientation programs socialize employees into personal identification with their organization (Thompson & Heron, 2005).

IWB affects by work engagement, if employees experience job autonomy and professional development opportunities so it develops fully engaged behavior of employees (Bakker et al., 2014). IT industry of Pakistan can also encourage his employees to involved in work engagement through

different approaches like individual can take a part in decision making, employer should treat employees fairly, training and orientations about new technologies, using a proper channel of communications (Gilson, & Harter, 2004).

If the organizational resources of IT industries are plentiful so the behaviors of the individuals should be innovative. More specifically for those IT industry employees who embrace transactional contract. So both employers and employees know, what software houses expected from his employees and what employees expected from their organizations. 2) Managers have an opportunity to improve organizational resources by generating collaboration and mutual support among individuals this can increase the individual's confidence level and develop positive work environment (Schaufeli & Bakker, 2004). With the help of positive interactions social resources can be developed that's leads to the participative management (Suazo et al., 2009; Tekleab & Taylor, 2003).

### **Limitations and Recommendation**

There are some limitations in this study, apart from some theoretical and practical implications which should be addressed in future studies. All studies are subject to limitations, for present study data was collected from software houses to identifying the relationship among psychological contract and innovative work behavior, Data was collected from very minimum amount of population, from only two cities of Pakistan, (Islamabad and Rawalpindi) these results cannot be generalized on other industries of public sector. This study was cross sectional, data was collected from respondent of IT industry of Pakistan.

To extend the boundary conditions of psychological contract theory, future research can also examine the roles of other moderators. For instance, Ramamoorthy et al. (2005) contended that a high-power distance may result in supervisors being directive about what employees should and should not do. Cultural deference mold psychological contract, hence present study also suggest an approach to future researchers that cultural values plays an important role in individuals behaviors , such as

individualism/collectivism, power distance, and long term/short term orientation (Hofstede, 1994). Thomas et al. (2003) specifically claimed that individualist cultural values motivate individuals to form more transactional contracts while collectivist cultural values stimulate individuals to form more relational contracts.

Future research can integrate motivational mechanisms (e.g., work engagement) with behavioral mechanisms (e.g., knowledge/information sharing behavior) to develop a more complete understanding of the mechanisms underlying the link between psychological contract types and innovative behavior (Thompson & Heron, 2006). Previous researchers specifically focused on individual level of psychological contract (Rousseau, 1989), further studies on psychological contract types must explore group level analysis, present study suggest to future researchers that group level psychological contract types can influence on IWB. It is suggested to future researcher's that other more reliable and accurate data collection tools should be used to collect data like interviews, observation, or discussion for more insight and depth. It has been proved that group discussions as well as interviewing techniques very obviously provide opportunity to researcher's to investigate the deep rooted phenomenon in more objective manner.

### Conclusion

In this study for the first time important moderated variable job resources and motivational mediating variables work engagement have been studied, which helped in behavioral outcomes of psychological contract. On psychological contract a number of studies are available, the interesting thing is that the results are not consistent and on many occasions the direction of relationship is also not the same. Variations do exist in the size of these relationships, and also in the sign, between the psychological contract and innovative work behavior outcomes of employees who experience it. Hence the role of mediator and moderators are key importance in this study which can provide a reasonable justification.

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