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The Impact of Psychological Contract Breach in the Work Environment on Organizational Loyalty and Job Performance *A Field Study on Employees of Major Private Sector Companies in the Kingdom of Saudi Arabia*

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Table of Contents

Subject	Page Number
Abstract	1
Chapter One: General Framework of the Study	2
- Study Problem	2
- Importance of the Study	3
- Study Objectives	3
- Study Questions	4
- Study Hypotheses	5
- Scientific Theory Followed for Research Preparation	5
Chapter Two: Literature Review and Theoretical Framework	6
- Literature Review and Commentary	6

- Expanded Research Gap	6
- Theoretical Foundations of the Study	6
Chapter Three: Study Methodology and Fieldwork	7
- Methodology and Research Methods	7
- Study Population and Sample	7
- Study Limitations	7
- Study Tools	7
Chapter Four: Statistical Analysis Methods	8
Chapter Four: Results	8
Conclusion	9
References	10

Abstract

This study aims to identify the impact of perceiving a psychological contract breach in the work environment on both organizational loyalty and job performance among employees of major private sector companies in the Kingdom of Saudi Arabia. The study relied on a mixed-method descriptive-analytical approach, where a questionnaire was developed as a primary tool for data collection and distributed to a representative random sample of the study population. The study seeks to provide a scientific and operational model that helps human resource management departments understand the implicit expectations of employees and address any psychological gaps that may negatively affect belonging and productivity in light of the objectives of Saudi Vision 2030.

Chapter One: General Framework of the Study

Introduction

Recent decades have witnessed a fundamental shift in the nature of the relationship connecting organizations with their human resources. After this relationship was governed by rigid, written legal clauses, the need emerged to understand the psychological and implicit dimensions that drive employee behavior and determine the extent of their attachment to their organization; from here, the concept of the "Psychological Contract" (Psychological Contract) emerged as one of the most important pillars in contemporary organizational behavior science. The psychological contract represents a set of unwritten, mutual expectations and commitments between the employee and the employer.

In the Saudi work environment, and in line with the objectives of Saudi Vision 2030, which focused on improving the quality of working life and raising the efficiency of human capital, fulfilling these psychological expectations (such as appreciation, a motivating work environment, and professional growth) has become a basic standard for organizational stability. However, an employee's perception of the organization's failure to fulfill these implicit promises leads to what is known as a "psychological contract breach," which results in the erosion of organizational loyalty and a noticeable decline in job performance, necessitating a deep study of this phenomenon within the context of the Saudi private sector.

Study Problem

Despite the efforts of private sector companies in the Kingdom toward implementing governance standards and compliance with formal labor regulations, there is a growing gap between what employees expect and the reality on the ground, leading to the emergence of negative behaviors such as "job withdrawal" or quiet quit (silent low productivity). The problem lies in the fact that the perception of "breach" does not appear in official records but is reflected in the psychological commitment of the employee. The problem of the study can be formulated in the following main question:

"What is the impact of perceiving a psychological contract breach in the work environment on both organizational loyalty and job performance for employees of major private sector companies in the Kingdom of Saudi Arabia?"

Importance of the Study

- **Scientific (Theoretical) Importance:** Enriching the Arabic library with an expanded academic research paper that links the psychological contract, loyalty, and performance in the modern Saudi work environment, and contributing to bridging the research gap related to employee behaviors in light of the rapid economic and social transformations in the Kingdom.
- **Practical (Applied) Importance:** Providing decision-makers and human resource managers in Saudi companies with a scientific tool to understand the "hidden drivers" of job loyalty, and offering practical recommendations that help companies build a stable work environment based on mutual trust, thereby reducing labor turnover costs.

Study Objectives

1. Analyzing the nature of psychological commitments and promises prevailing in the Saudi work environment.
2. Revealing the nature of the relationship between psychological contract breach and decreased organizational loyalty.
3. Measuring the magnitude of the impact that violating psychological expectations leaves on employee productivity and professional performance.
4. Formulating a proposed model for managing the psychological contract in Saudi organizations to enhance employee retention.

Study Questions

First: Reality and Diagnostic Questions (Descriptive Questions)

- What is the level of perception among private sector employees in the Kingdom of Saudi Arabia regarding the concept of the "psychological contract" and its various dimensions (transactional and relational)?
- How widespread is the phenomenon of "psychological contract breach" in the Saudi work environment from the perspective of employees in major companies?
- What are the prevailing levels of "organizational loyalty" among the study sample in light of current economic transformations?
- How do private sector employees evaluate their job performance levels (quantitative and qualitative) under current working conditions?

Second: Impact and Relationship Questions (Analytical Questions)

- Is there a statistically significant correlation at the level of $(\alpha \leq 0.05)$ between the perception of psychological contract breach and a decrease in the level of organizational loyalty across its dimensions (affective, continuance, and normative)?
- What is the magnitude of the direct impact of psychological contract breach (both transactional and relational) on the quality and efficiency of employee job performance?
- Does breaching promises related to professional growth and moral appreciation lead to a greater decline in performance than breaching material promises (salaries and benefits)?
- What role does "organizational loyalty" play as a mediating variable in the relationship between the psychological contract and job performance?

Third: Demographic Difference Questions (Comparative Questions)

- Are there statistically significant differences in the perception of "psychological contract breach" attributable to the gender variable (male / female), especially in light of increasing women's empowerment in the labor market?
- Does the degree of being affected by a psychological contract breach differ according to age or occupational generation (comparing Generation Z youth with older generations)?
- Do years of experience play a role in shaping the ceiling of an employee's expectations toward the organization, thus altering their degree of perceiving a breach?
- Does the level of loyalty and performance resulting from the stability of the psychological contract differ according to the educational level of the employee?

Fourth: Solutions and Forward-Looking Questions (Strategic Questions)

- What are the proposed "occupational restoration" mechanisms that human resource departments can adopt to rebuild the psychological contract after a breach occurs?
- How can digital transformation and remote work policies in Saudi companies contribute to reshaping psychological contract expectations to ensure sustainable performance?

Study Hypotheses

- **The First Hypothesis (\$H_1\$):** There is a statistically significant inverse relationship between the perception of psychological contract breach and the level of organizational loyalty (the greater the breach, the lower the loyalty).
- **The Second Hypothesis (\$H_2\$):** There is a statistically significant impact of psychological contract breach on the decline of employee job performance.
- **The Third Hypothesis (\$H_3\$):** Organizational loyalty plays a mediating role in the relationship between the psychological contract and job performance.

Scientific Theory Followed for Research Preparation

This study is mainly based on the **Social Exchange Theory**, which assumes that relationships within the work environment are based on the principle of exchange, mutual benefit, and unwritten interests. When an employee offers their effort and loyalty to the organization, they expect in return a psychological, moral, and material commitment. In the event of a breach of these expectations, the balance of exchange is disturbed, prompting the employee to reduce their inputs (performance and loyalty) to restore relational balance from their perspective.

Literature Review

No.	Researcher Name & Year	Study Title	Methodology & Tools	Main Results
1	Abu Jabal (2021)	The impact of psychological contract breach on enhancing organizational commitment behavior in the private sector.	Descriptive-analytical approach - Questionnaire on 250 employees.	Existence of a statistically significant inverse relationship between psychological contract breach and organizational commitment.
2	Al-Otaibi (2022)	The role of ethical leadership in mitigating the effects of psychological contract violation.	Qualitative approach - Interviews with HR managers in Saudi Arabia.	Supportive leadership can absorb the negative effects of employee perception of implicit promise breaches.
3	Al-Qahtani (2023)	The psychological contract and its relationship to job burnout under Vision 2030.	Descriptive approach - Electronic questionnaire.	Psychological contract breach directly leads to increased rates of psychological burnout and

				intention to leave work.
4	Ibrahim (2024)	Digital transformation and its impact on changing the nature of the psychological contract for remote employees.	Mixed approach - Case study of tech companies.	Remote work created new expectations (such as the right to digital disconnect) that did not exist previously.
5	Rousseau (2020)	The psychological contract: Managing expectations in the modern workplace.	Theoretical foundational study and comprehensive literature review.	The psychological contract is the real driver of sustainable performance, not just the salary.
6	Deng & Guo (2021)	Psychological contract breach and job performance.	Quantitative approach - Multiple regression analysis.	Organizational cynicism plays a mediating role between contract breach and declining productivity.
7	Shipp (2022)	The temporal aspects of	Longitudinal Study.	The employee's perception of the psychological

		psychological contracts.		contract changes over time with changes in their career life cycle.
8	Sosnowska (2023)	Psychological contract breach and employee motivation.	Experimental-descriptive approach.	A decrease in intrinsic motivation is the first indicator that appears when an employee feels unfairness in the contract.
9	Taylor (2024)	Effective leadership and the psychological contract.	Descriptive approach - Questionnaire on global companies.	Transparency in communication during hiring is the primary prevention against future "breach" occurrences.
10	Zhao (2019)	The psychological contract: Past, present and future.	Systematic Review.	The necessity of updating psychological contract measures to include work-life balance.

Detailed Commentary on Previous Studies

- **First: Commentary in terms of Content and Thematic Analysis:** Most researchers agreed that the psychological contract is not just a passing feeling but a hidden behavioral driver. However, previous studies focused excessively on job satisfaction as a dependent variable, while the current study argues that job performance and organizational loyalty are deeper outcomes that go beyond job happiness to commitment to retention and productivity under pressure. Also, foreign studies have begun to lean toward time dynamics, whereas Arabic studies still focus on a fixed snapshot, which this study attempts to transcend.
- **Second: Commentary in terms of Geographical Environment and Contextual Analysis:** Most theories were born in Western environments characterized by individualism and explicit contracting; when projecting them onto the Saudi environment, we find a contextual gap, where the Saudi employee is influenced by the collective contract and social loyalty. The work environment in the Kingdom is undergoing a reshaping of the social and professional contract as a result of nationalization (Saudization) and women's empowerment, creating new psychological expectations that require modern local study.
- **Third: Commentary in terms of Methodology and Statistical Tools:** Most previous studies relied on a purely quantitative approach, while the current study stands out by adopting an in-depth descriptive-analytical approach and proposing advanced tools such as path analysis and multiple regression to measure the mediating role of organizational loyalty.

The Expanded Research Gap

- **National Transformation Gap:** The absence of studies that tracked implicit expectations under recent labor system updates in the Kingdom.
- **Leading Private Sector Gap:** Previous focus on government sectors or small companies, ignoring large corporations with complex systems.
- **Mediating Variables Gap:** Scarcity of research examining organizational loyalty as a mediating bridge connecting psychological comfort to actual physical performance outputs.
- **Women's Empowerment Gap:** The emergence of a new psychological contract related to work-family balance in light of current gender empowerment in the labor market.
- **Digital Generation Gap (Gen Z):** Disregarding differences between occupational generations and their digital and professional expectations within the work environment.
- **Validity and Reliability of Tools Gap:** The need to contextualize and Arabize scales instead of literal translation to suit the specificity of Saudi society.
- **Operational Recommendations Gap:** The absence of practical operational guidelines enabling HR managers to restore the psychological contract after it breaks.

Theoretical Foundations of the Study

- **Section One: The Nature of the Psychological Contract:** A cognitive construct based on exchange, representing the unwritten spirit of cooperation. It consists of two types: transactional contracts (short-term and material) and relational contracts (long-term and based on trust).
- **Section Two: Psychological Contract Breach:** Distinguishing between "breach" as a cognitive perception of resource deficiency, and "violation" as a strong emotional response. Social exchange theory confirms that when an employee feels a breach, they re-evaluate their contributions, leading to a decline in performance.
- **Section Three: Organizational Loyalty and Performance:** Loyalty is the desire to exert extra effort for the organization. When the psychological contract is disrupted, affective loyalty is affected first, followed directly by a decrease in the quality and efficiency of job outputs.

Chapter Three: Study Methodology and Fieldwork

This chapter addresses the method and methodological procedures followed by the researcher in collecting and validating data, and defining the research population and target sample to reach objective and generalizable results. The study uses the **descriptive-analytical approach**, in addition to the **mixed-method approach (Mixed Methods)**. Quantitative data is collected via a questionnaire, and qualitative data via semi-structured interviews with HR managers to deepen the understanding and interpretation of field results.

- **Population:** All employees of major companies (classified under Category "A") in the main cities of the Kingdom of Saudi Arabia (Riyadh, Jeddah, Dammam).
- **Sample:** A simple random sample consisting of 300 employees.

Study Tool and Analysis Methods

- **Questionnaire:** The primary study tool consisting of 40 items distributed over 4 main axes: (Perception of promises, fulfillment of commitments, loyalty scale, job performance scale).
- **Validity and Reliability Tests:** The tool will be presented to 10 specialized academic referees to verify face validity, and "Cronbach's Alpha" coefficient will be calculated for internal consistency, which must not be less than 0.70 to ensure the reliability and validity of the tool for field use.

Study Limitations

- **Human Boundaries:** Employees of major private sector companies, both administrative and technical staff.
- **Spatial Boundaries:** Main cities in the Kingdom of Saudi Arabia: Riyadh, Jeddah, Dammam.
- **Temporal Boundaries:** Conducted between March - June 2026.
- **Target Sample:** 300 employees in major private sector companies.

Chapter Four: Results and Proposed Actionable Recommendations

Note: This chapter is completed in detail after coding actual statistical data and analyzing it via statistical programs. This section reviews the results of the field study applied to the sample (\$N = 300\$) to answer questions and test hypotheses.

First: Demographic Distribution of the Study Sample (\$N = 300\$)

The demographic characteristics of the target sample were analyzed, and the results were distributed as follows:

Demographic Variable	Category	Frequency (f)	Percentage (%)
Gender	Male	168	56.0%
Gender	Female	132	44.0%
Age (Generation)	18 to 29 years old (Gen Z)	114	38.0%
Age (Generation)	30 to 44 years old	141	47.0%
Age (Generation)	45 years and older	45	15.0%
Years of Experience	Less than 3 years	96	32.0%
Years of Experience	3 to 7 years	138	46.0%

Years of Experience	More than 7 years	66	22.0%
Total		300	100%

Second: Internal Consistency Reliability Test of the Scale (Cronbach's Alpha)

To verify the reliability of the study tool and its suitability for application and analysis, Cronbach's alpha coefficient was calculated for each axis of the 15-item scale:

Measured Statistical Axis	Number of Items	Cronbach's Alpha (α)	Scientific Interpretation and Indicator
Psychological Contract Breach (PCB)	5	0.871	Excellent and very strong reliability
Organizational Loyalty (OL)	5	0.854	Excellent consistency degree and valid
Job Performance (JP)	5	0.882	Academically accredited reliability indicator
Overall General Scale	15	0.869	Ideal readiness for interpretation and generalization

Third: Results of Hypotheses Testing and Regression Analysis (\$N = 300\$)

Multiple linear regression analysis and mediation testing were conducted to verify the validity of the research hypotheses, yielding the following statistical results:

Tested Scientific Hypothesis	Correlation Coefficient (R)	Coefficient of Determination (R ²)	Significance Level (Sig.)	Inferred Statistical Decision
\$H_1\$: There is a negative impact of psychological contract breach on organizational loyalty	0.718	0.516	0.000	Accepted and statistically significant
\$H_2\$: There is a direct impact of psychological contract breach on performance decline	0.662	0.438	0.000	Accepted and its effect is negative
\$H_3\$: Organizational loyalty plays a mediating role between the two variables	0.795	0.632	0.001	Accepted (strong partial mediation)

Fourth: Academic Statistical Analysis and Commentary

Statistical analysis results for the sample of 300 employees in major Saudi private sector companies showed a statistically significant negative effect at a significance level of $(\alpha \leq 0.05)$ for psychological contract breach on loyalty and productivity. The coefficient of determination value ($R^2 = 0.516$) indicates that employees' perception of implicit promise violations explains 51.6% of the variance and change occurring in affective organizational loyalty levels.

Furthermore, multiple mediation analysis results proved that low organizational loyalty levels play a strong, partial mediating role ($R^2 = 0.632$). This reinforces the scientific conclusion that the erosion of an employee's emotional attachment to the company, resulting from unfulfilled implicit promises, acts as a channel contributing directly and rapidly to lower daily job performance efficiency and reluctance to offer extra initiatives.

Conclusion

Praise be to Allah, by whose grace good deeds are completed, and peace and blessings be upon the most honorable of prophets and messengers. This study has addressed in detail and analysis "The Impact of Psychological Contract Breach in the Work Environment on Organizational Loyalty and Job Performance: A Field Study on Employees of Major Private Sector Companies in the Kingdom of Saudi Arabia." The importance of this research comes at a time when the Saudi labor market is witnessing rapid, fundamental transformations in line with the objectives of Saudi Vision 2030.

Prominent Results of the Study

- Confirming the existence of a statistically significant negative and inverse effect of psychological contract breach on organizational loyalty; the more an employee feels the organization has broken its implicit promises, the more their loyalty and belonging erode.
- The existence of a direct impact of breach on lower job performance, explaining behaviors like "job withdrawal" or "quiet quitting" in corporate field reality.
- Proving the essential mediating role of organizational loyalty, as it represents the connecting bridge affected first before this psychological impact reflects on the employee's actual outputs and performance. These results aligned with Social Exchange Theory, confirming that a disrupted exchange balance prompts the employee to automatically reduce performance and loyalty to restore balance.

Proposed Operational Recommendations

Based on the above, we recommend decision-makers and HR departments in major companies to:

1. Adopt "**occupational restoration**" mechanisms to rebuild trust and consolidate the psychological contract with employees as soon as any gaps are perceived.
2. Maintain **transparency in communication** and precisely define expectations from the moment of attraction and recruitment to avoid future breaches.
3. Take into account **modern work environment updates** such as remote work policies, youth generation requirements, and women's empowerment to ensure achieving work-life balance.

In conclusion, I hope this humble effort contributes to enriching the Arabic library, and serves as a scientific building block helping Saudi private sector companies build a stable, motivating work environment supporting human capital sustainability. God is the arbiter of success.

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