



The Effects of Transformational and Transactional Leadership Styles on Psychological Contract: A Managerial Perspective

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ABSTRACT

This study addresses the relationship between leadership styles and psychological contracts from managers' point of view. Managers are considered as organisational agents in forming and maintaining psychological contracts. Therefore, it is notable to investigate psychological contract from the managerial perspective. The purpose of this study was to explore the effects of transformational and transactional leadership styles on psychological contract of managers within the Turkish context. The study sample consists of 316 managers working in private sector companies in Turkey. The proposed model of the study was developed and tested with a structural equation modeling (SEM). The results indicated that transformational and transactional leadership styles have significant effects on the expectations of managers from their subordinates related to psychological contract. Findings of this study provides new insights into the managerial view of the psychological contract and its relationships with leadership styles.

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INTRODUCTION

Employment relationship has been one of the most important determinants of organizational dynamics. The reciprocal relationships between employer and employees gained significant attention following the Industrial Revolution. Psychological contract (PC) refers to the set of unwritten expectations and beliefs between the employer and employees (Schein, 1980). PC had been used for explaining the employment relationship in addition to expectations and attitudes of employees since it was first put forth in 1960 by Argyris (Guest, 2004).

Considering the fact that employment relationship is reciprocal (Guest and Conway, 2002), it is important to explore the perspectives of both parties. It is accepted that expectations and beliefs of managers because they are representatives of the organisations in the eyes of the employees (Coyle-Shapiro and Kessler, 2000). In this context, managers play a key role in the generating and maintaining of PC. Majority of the research on PC has been carried out from the employee point of view. While some of the research focuses on a simultaneous investigation of both sides of the employment contract (Coyle-Shapiro and Kessler, 2002), there are studies which emphasize the expectations of managers or employers as well as PC breach by way of qualitative data collection methods (Purvis and Cropley, 2003; Atkinson, 2007; Nadin and Williams, 2011). The examination of the PC of managers provides a better understanding of the exchange relations constituting employment relationships.

Transformational and transactional leadership styles were introduced by Burns (1978). Transformational leaders are those with ability to direct followers towards a clear vision of the future and to prepare them for higher ideals. Transformational leaders tend to change existing structures and influence people with new opportunities. As in charismatic leadership theory, trust and respect of the followers are also important factors for transformational leaders. Transactional leadership refers to those who work for the sustainability and stability of an existing system, and those who realize the necessary economical and social changes for specific purposes (Lussier and Achua, 2010: 347). According to Bass (1990), transformational and transactional leaders may exhibit different characteristics. Transformational leadership and transactional leadership styles are generally assessed by Multifactor Leadership Questionnaire (MLQ) (Avolio et al., 1999). In this study Turkish adaptation of MLQ was used to determine the leadership styles of managers (Demir and Okan, 2008).

Leadership behaviors have played a significant role in formation and re-negotiation of PC over time. Leadership qualities of managers influence their attitudes and behaviors towards employees. This study was based on the assumption that leadership styles of the managers have an impact on their expectations from their subordinates related to PC. In this study, the objective was to examine the effects of the transformational and transactional leadership styles of the managers on their unwritten expectations from their subordinates regarding PC.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Psychological Contracts

Psychological contract (PC) recognizes the opportunity to explore the context and the processes of the employment relationship, focusing on explicit and implicit contracts. Explicit and implicit contracts are being renegotiated or reshaped over time, based on contextual factors. Hence, the main focus of the PC is the business relationship at the individual level between the employer and the employee (Guest, 2004). PC is the set of beliefs in the terms and conditions of the mutual exchange agreement between two individuals (Rousseau, 1989). In some respects, PC resembles the legal contract. Both legal and psychological contracts contain a number of conditions negotiated for exchange. PC includes not only promises but also expectations with which the parties provide mutual benefits (Wilkinson-Ryan, 2012).

When the definitions of PC are examined, it is seen that different points are emphasized. Perceptions, expectations, beliefs, promises and obligations are mentioned in various definitions. Some researchers defined PC as mutual implicit expectations between parties (Levinson et. al., 1962; Schein, 1980; Herriot and Pemberton, 1997). On the other hand, PC refers to beliefs of an individual regarding work related obligations based on one's perceptions (Rousseau and Greller, 1994; Rousseau, 1995; Morrison and Robinson, 1997).

Conway and Briner (2005) divides the historical development of PC into two periods. The first period involves the early development of the concept which can be traced back to the work of Argyris (1960), Levinson et al. (1962) and Schein (1980). Schein (1980) defines PC as "the unwritten set of expectations between members of an organisation

and the various managers and others in that organisation". The second period spans the works beginning from Rousseau's seminal reconceptualization in 1989. The main reason of this division is that Rousseau's (1990) definition of PC is different from the previous ones regarding the focus of the contracts. In contrast to earlier studies, Rousseau (1989) emphasized individual beliefs regarding the terms and conditions of a reciprocal exchange agreement. Also, Rousseau (1989) degraded PC to the individual level by stating that organisations cannot have PC. However, this view has been criticized for neglecting the employer's perspective (Coyle-Shapiro and Kessler, 2000; Guest, 2004).

PC concept has a significant value for researchers and practitioners because of its relation with some negative employee attitudes and behaviors. Unfulfillment of PC is associated with lower levels of job satisfaction, organizational commitment, organizational citizenship and performance (Zhao, Wayne, Glibowski and Bravo, 2007; Solinger, Hofmans, Bal and Jansen, 2016; Jong, Rigotti and Mulder, 2017). Nevertheless, PC unfulfillment (also known as violation or breach) occur for both sides of employment relationship whether an employee or an employer have different understanding of mutual obligations (Turnley and Feldman, 2000). So that, misunderstanding of reciprocal expectations may result in incongruence between parties.

According to Guest (2004), a potential problem of the PC is that the concept is generally examined from the point of view of the individual. Since the end of the 1990s, the content, fulfillment and violation of the PC have been examined from the point of view of employers or managers (Tsui et al., 1997; Coyle-Shapiro and Kessler, 2002; Kickul et al., 2002; Tekleab and Taylor, 2003; Purvis and Cropley, 2003; Atkinson, 2007; Nadin and Cassel, 2007; Nadin and Williams, 2011; Lee and Taylor, 2014). Although there is no consensus on the definition of PC, it is seen that the majority of researchers agreed on the point of two-way exchange of mutual promises and obligations (Guest and Conway, 2002). Coyle-Shapiro and Kessler (2000) underlined that the majority of the research carried out until the 2000s focused on the employees' point of view. According to the authors, bilateral view provides a better examination of the reciprocity element of PC.

Another point to note in PC is the existence of multiple contract makers in organisations. Signals are sent from various sources called contract makers in the organization regarding what is expected from employees (Rousseau, 1995). Contract makers consist of recruiters, co-workers, mentors, managers, senior management and managerial practices (Conway and Briner, 2005; Guzzo and Noonan, 1994; Rousseau and Greller, 1994; Sims, 1994; Sparrow, 1996).

Behaviors of the executives shape the beliefs of employees as well as their perceptions on the business relationship. According to McDermott et al. (2013), the transmission of contractual elements from organisation to employees occurs at all stages of the business relationship through the managerial practices and managers. Managers play a vital role in human resource management practices ranging from recruitment to performance management (Rousseau, 1995; Tomprou and Nicolaou, 2010). Managers reflect the implications of policies and practices and how they are applied in the organisation beginning from the recruitment stage to the implementation cycle of HRM practices (Maitlis, 2005). In this context, managers have more than one role as communicators, narrators, supervisors and innovators in the formation of the PC (McDermott et al., 2013).

The Role of Transformational and Transactional Leadership Styles on PC

Yukl (2002) defines the concept of leadership as a process of influencing people to fulfill shared goals. Leadership is not only a personal trait but is also an interactive process between the leader and the followers (Rowe and Guerrero, 2011). The multi-factor leadership model involves the transformational and transactional leadership theorized by the contributions of Bass (1985, 1990, 1996, 1997). Transformational leadership is an approach based on the actions of the leader on the followers along with the attitudes they demonstrate to influence them. Transformational leadership emerges as leaders inspire and intellectually stimulate their followers in order to achieve necessary goals while paying personal attention to each individual while coaching or advising. Characteristics of transformational leadership include charisma, inspiration, intellectual stimulation and individualized consideration (Bass, 1990). Transactional leadership is a concept based on the compliance of employees with organisational rules and the fulfillment of the leader's expectations. Transactional leadership is based on motivating employees to comply with organisational standards and procedures (Yukl, 1999). Transactional leadership characteristics are contingent reward, management by exception (active and passive) and laissez-faire leadership. Transactional leadership indicates that leaders promise rewards for performance and stay closely interested in whether the rules and standards are met.

Different psychological dynamics lies behind a manager's leadership style as well as situational context. Transformational leaders are found to have more pleasant experiences at work (Jin, Seo and Shapiro, 2016). In other words, affective experiences of leaders is one the antecedents of leadership. On the other hand, leaders who face complex work conditions tend to act in less transformational way due to the fact that transformational actions require

more evident and simpler work environment helps leader's psychological resource depletion (Byrne et.al., 2014; Doci and Hofmans, 2015). Also, it was found that leaders actually make their own choice of acting transformational. Even though there are many predictors of transformational leadership, most of the studies focus on especially on performance related outcomes (Avolio, Walumbwa and Weber, 2009).

Transformational leadership is considered as an effective leadership style for self-development of employees by individualized consideration. Also, transformational leadership is more favorable in a autonomous and supportive work environment (Breevaart et.al., 2013). Nonetheless, transactional leadership is found to be an effective leadership at clearly defined work settings (McDermott et.al., 2013).

Managers are expected to lead for achieving desired organizational results. As organizational representatives, managers have expectations from their subordinates along with organizational obligations. Managers' PC was found to effect how he or she interpret the employer's obligations (Coyle-Shapiro, 2001). Although PC has been studied from various perspectives in organisational research, its relationship between leadership styles can be considered as under-investigated (Salicru and Chelliah, 2014). One of the most salient approaches to PC was put forward by McDermott et al. (2013) which argues that leadership plays a role between psychological contract and organisational performance. The importance of leadership for psychological contract is based on the fact that organisation party of the relationship is generally represented by organisational agents such as managers.

There are studies about the perception of the managers as the main representative of the associations between the employees and the organisation (Shore and Tetrick, 1994; Tekleab and Taylor, 2003). Shore and Tetrick (1994) underlined the fact that employees tend to see the manager as the chief representative of the organisation in the creation and sustaining of the PC. Hence, the examination of the leadership role has a clear value in understanding the dynamics of reciprocal relations. The relationship between employer and employees rests on the tangible entities such as managers (Asford and Rogers, 2012). It has been noted that the managers' PC has an impact on the employer's evaluation of PC regarding employees at different levels (Randmann, 2013). Bordia, Bordia and Tang's (2010) study revealed that manager perceptions of PC breach were negatively related to manager citizenship behaviors toward employees. Also, managerial PC violation causes abusive supervision toward manager's subordinates (Hoobler and Brass, 2006). Therefore, in order to examine psychological contractor in managerial perspective, revealing the factors affecting the formation of psychological contracts provide a better understanding in reciprocal dynamics. In addition, it is suggested that when a manager negatively evaluates his or her PC, employees' PC evaluations are influenced negatively likewise (De Ruiter, Schalk and Blomme, 2016).

Work environment conditions such as organizational culture and management style effect psychological contracts of managers and employees (Winter and Jackson, 2006). Leaders are people who send signals about what they expect from their employees and what employees should be expecting from their superiors. For this reason, leadership styles are assumed to have an influence the expectations of individuals at managerial positions from their subordinates.

The expectations of managers regarding employee obligations include; commitment to organisational success, commitment to the job, loyalty to organisation, subscribing to the organisational goals and commitment to personal development and growth (Cable, 2010). Despite the fact that there is a dimension distinction between relational and transactional components of PC (MacNeil, 1985; Rousseau and McLean Parks, 1993), managerial examinations were handled with single factor constructs (Coyle-Shapiro and Kessler, 2002; Turnley and Feldman, 2000; Sonnenberg, Koene and Paauwe, 2011). Content-focused assessments are used to reveal mutual obligations and conditions that characterize PC. These assessments are obtained from an employee's point of view, either from the point of view of the employer (work owner or manager) or from both perspectives (Rousseau and Tijoriwala, 1998). In this study, content focused approach was adopted to evaluate managers' PC content. In this study, manager's unwritten expectations from their subordinates regarding psychological contract is assessed in three dimensions in employees' commitment to personal growth, commitment to job and acceptance of manager's authority (Gerçek, 2017). While, transactional and transformational leadership styles are made up of four dimensions each, studies in Turkish context revealed two dimension-structure (Demir and Okan, 2008). Considering the encouraging nature of transformational leadership, the following hypothesis has been proposed:

Hypothesis 1a: *Inspiring charisma of managers has a positive effect on managers' expectations from their subordinates regarding their commitment to personal growth.*

Hypothesis 1b: *Inspiring charisma of managers has a positive effect on managers' expectations from their subordinates regarding their commitment to job.*

Hypothesis 1c: *Inspiring charisma of managers has a positive effect on managers' expectations from their subordinates regarding acceptance of authority.*

Hypothesis 2a: *Individualized consideration and intellectual stimulation behaviors of managers has a positive effect on managers' expectations from their subordinates regarding their commitment to personal growth.*

Hypothesis 2b: *Individualized consideration and intellectual stimulation behaviors of managers has a positive effect on managers' expectations from their subordinates regarding their commitment to job.*

Hypothesis 2c: *Individualized consideration and intellectual stimulation behaviors of managers has a positive effect on managers' expectations from their subordinates regarding acceptance of authority.*

As opposed to transformational leadership, transactional leadership style adopts management by exception approach. Therefore, it is expected that:

Hypothesis 3a: *Management by exception styles of managers has a positive effect on managers' expectations from their subordinates regarding their commitment to personal growth.*

Hypothesis 3b: *Management by exception styles of managers has a positive effect on managers' expectations from their subordinates regarding their commitment to job.*

Hypothesis 3c: *Management by exception styles of managers has a positive effect on managers' expectations from their subordinates regarding acceptance of authority.*

Hypothesis 4a: *Contingent reward behaviors of managers has a positive effect on managers' expectations from their subordinates regarding their commitment to personal growth.*

Hypothesis 4b: *Contingent reward behaviors of managers has a positive effect on managers' expectations from their subordinates regarding their commitment to job.*

Hypothesis 4c: *Contingent reward of managers has a positive effect on managers' expectations from their subordinates regarding acceptance of authority.*

RESEARCH METHODOLOGY

Participants and procedures

The participants to this study consist of 316 managers on upper, middle and lower management levels of private sector companies in Istanbul and Kocaeli provinces in Turkey. A total of 750 surveys were sent to the managers via regular post and e-mail out of which 354 were returned for a response rate of 0.47. 36 of the surveys were disqualified due to missing data. It was observed that 19.9% of the participants were female and 80.1% were male. Considering the management level of the participants; 13.6% of the participants were at lower level management; 43.7% were at middle level management and 24.1% were at upper level management. In addition, it was observed that 18.7% of the participants were business owners. In terms of the size of organisations, 15,8% of the participants were members of micro sized businesses, 29,7% were members of small sized businesses, 28,5% were members of medium sized businesses whereas 29,9% were members of large sized businesses.

Measures

Psychological Contract: The psychological contract of managers was measured by "Managerial Psychological Contract Scale (MPCS)" developed by Gerçek (2017). MPCS consists of 11 items and 3 sub-dimensions called "commitment to personal growth (i.e., considering training and development activities in the organisation as a growth opportunity)", "commitment to job (i.e., making the necessary amount of effort to do the work)" and "acceptance of authority (i.e., fulfilling duties without questioning them)". Regarding the scale reliability, the internal consistency coefficients of the sub-dimensions were 0.84; 0.83 and 0.77 accordingly. Participants rated the degree to which they agreed with the scale items on a 5-point scale (from 1=Not at all to 5=To a very great extent).

Transactional and Transformational Leadership: Transactional and transformational leaderships were measured by "Transformational and Transactional Leadership Scale" by Demir and Okan (2008). inspired by the work of Bass' (1985) "Multi-Factor Leadership Questionnaire". The scale is made up of 22 items in total. The sub-dimensions are called "inspiring charisma ($\alpha=0.78$)"; individualized consideration and intellectual stimulation ($\alpha=0.71$); "management

by exception ($\alpha=0.70$)” and “contingent reward and active management ($\alpha=0.66$)”. Scale items were rated on a 5-point scale (from 1=Never to 5= Always) to indicate how often they engaged in those leadership behaviors.

Data Analysis

Structural equation model (SEM) was used to test the proposed relationships among transformational leadership style, transactional leadership style and PC in terms of their sub-dimensions. Two-order approach measurement model and structural model was used. Two-order approach which carries the concept of examining the goodness of fit indices of the measurement model appears to be more advantageous than the one-order approach (Kline, 2011). The measurement model and the structural model were tested by using the LISREL 8.80 software. Confirmatory factor analysis (CFA) was used in order to test the construct validity. The χ^2 goodness-of-fit statistics and the root mean square error of approximation (RMSEA) were used as absolute goodness-of-fit indices. Acceptable fit of the model is indicated by non-significant χ^2 values and RMSEA values smaller than or equal to 0.08 (Browne and Cudeck, 1993). χ^2/df ratio, root mean square error of approximation (RMSEA), root mean square residual (RMR), non-normed fit index (NNFI), the incremental fit index (IFI), the goodness-of-fit index (GFI) and the comparative fit index (CFI) were used as goodness-of-fit indices in this study.

RESULTS

Descriptive Statistics

The mean, standard deviation and correlation coefficients of the variables used in the SEM are shown in Table 1. It shows that Cronbach alpha coefficients obtained from all scales have acceptable levels of internal consistency (Nunnally and Bernstein, 1994). As seen in Table 1, composite reliability values are greater than 0.70 indicated acceptable reliability (Nunnally, 1978). Correlation coefficients put forth that transformational and transactional leadership styles were significantly related to PC. A high correlation was not observed between the latent variables (>0.85). Regarding the relationship between leadership styles and PC, “individualized consideration and intellectual stimulation” sub-dimension of transformational leadership shows the highest correlation with “commitment to personal growth” sub-dimension of PC.

Table 1 Descriptive analysis and correlations of research variables

Variable	M	SD	Composite Reliability	1	2	3	4	5	6	7
1 Commitment to personal growth	4.47	0.434	0.83	1						
2 Commitment to job	4.76	0.415	0.82	0.64*	1					
3 Acceptance of authority	4.13	0.414	0.77	0.55*	0.41*	1				
4 Inspiring charisma	3.97	0.359	0.82	0.31*	0.05*	0.26*	1			
5 Individualized consideration and intellectual stimulation	4.25	0.475	0.82	0.44*	0.19*	0.32*	0.62*	1		
6 Management by exception	2.50	0.489	0.86	-0.04	0.21*	0.38*	0.17*	-0.02	1	
7 Contingent reward	4.28	0.335	0.70	0.40*	0.33*	0.41*	0.60*	0.79*	-0.21*	1

Notes: N=316 *p < 0.05, ** p < 0.01

Measurement Model

A latent variable for the loading of the corresponding scales was specified for each sub-dimension covered by the measures. The research model and the hypothesized relationships were tested using a path model. The latent variables included PC (consisting of three observed variables namely commitment to personal growth, commitment to job, acceptance of authority). Transformational Leadership (consisting of three observed variables namely inspiring charisma, individualized consideration and intellectual stimulation) and Transactional Leadership (consisting of observed variables namely management by exception and contingent reward). The measurement model analyzes the relationships between the indicators and the latent constructs. The main purpose of the measurement model was to reveal how well the selected measures predict the latent variables. Table 2 shows the final measurement model's standardized factor loadings, t values, error variances and explained variances of the scale items. These indicators demonstrate significant values together with goodness-of-fit indices.

Table 2. Standardized factor loadings, t values, error variances and explained variances of scale items

Items	Standardized Factor Loadings λ	t Values	Error Variance	R ² Explained Variance
Commitment to personal growth				
PCS1	0.62	10.92	0.62	0.38
PCS2	0.70	12.73	0.51	0.49
PCS3	0.70	12.69	0.51	0.49
PCS4	0.61	10.63	0.63	0.37
Commitment to Job				
PCS5	0.62	10.83	0.61	0.39
PCS6	0.59	10.24	0.65	0.35
PCS7	0.71	12.75	0.49	0.51
PCS8	0.65	11.46	0.57	0.43
Acceptance of Authority				
PCS9	0.68	11.53	0.54	0.46
PCS10	0.55	9.02	0.70	0.30
PCS11	0.69	11.78	0.52	0.48
Inspiring charisma				
TTLS4	0.56	9.51	0.69	0.31
TTLS8	0.58	9.92	0.66	0.34
TTLS9	0.65	11.24	0.58	0.42
TTLS16	0.55	9.32	0.70	0.30
TTLS17	0.65	11.05	0.58	0.42
Ind. consideration and intellectual stimulation				
TTLS10	0.64	11.31	0.59	0.41
TTLS20	0.60	10.56	0.64	0.36
TTLS21	0.81	14.96	0.35	0.65
TTLS22	0.64	11.31	0.59	0.41
Management by exception				
TTLS2	0.55	9.78	0.69	0.32
TTLS7	0.77	14.59	0.41	0.57
TTLS11	0.61	11.09	0.62	0.38
TTLS12	0.83	16.17	0.31	0.69
Contingent reward				
TTLS1	0.64	10.69	0.59	0.41
TTLS2	0.55	8.96	0.70	0.30
TTLS3	0.54	9.03	0.71	0.29

PCS: Psychological Contract Scale

TTLS: Transformational and Transactional Leadership Scale

The goodness of fit statistics calculated on the measurement model were as follows: $\chi^2/df=1.58$; RMSEA= 0.042; RMR=0.054; NNFI=0.96; IFI=0.96; GFI= 0.90 and CFI=0.95. Since goodness of fit statistics showed a good fit, the measurement model was considered appropriate and the structural model was formed.

Structural Model

The casual relationships between the latent variables were analyzed using path analysis. According to the proposed hypotheses, the model was tested with direct relationships specified between transformational leadership and PC; transactional leadership and PC in terms of sub-dimensions. The related paths were subtracted from the structural model starting from the smallest of t-values and path coefficients due to the fact that the effects of the sub-dimensions of transactional leadership on PC were found insignificant. The final structural relationships between latent variables following the removal of insignificant paths, standardized path coefficients and t-values were presented on Table 3.

Table 3 The final structural relationships between latent variables after the removal of insignificant paths, standardized path coefficients and t-values

<i>Structural Relationships</i>	<i>Standardized Loadings</i>	<i>t- values</i>
Inspiring charisma → Commitment to Job	0.16	2.06
Individualized consideration and intellectual stimulation → Commitment to Personal Growth	0.49	6.02
Individualized consideration and intellectual stimulation → Acceptance of Authority	0.39	4.96
Management by exception → Commitment to Job	-0.22	-3.01
Management by exception → Acceptance of Authority	0.38	4.98

Examination of the structural relations put forth that the effects of “inspiring charisma” on “commitment to job”, of “individualized consideration and intellectual stimulation” on “commitment to personal growth”, of “individualized consideration and intellectual stimulation” on “acceptance of authority”, of “management by exception” on “adopting to the job” as well as the effects of “management by exception” on “acceptance of authority” were found statistically significant. Results in the final model yielded an acceptable fit between the model and the data ($\chi^2/df=2.15$; RMSEA= 0.061; RMR=0.059; NNFI=0.92; IFI=0.93; GFI= 0.88 and CFI=0.93). Regression coefficients of all paths were found significant. According to Kline (2011) an absolute standardized direct effect of <0.10 indicates a smaller effect; whereas values around 0.30 indicate a moderate effect and values of >0.50 indicate a higher effect. Hence, the results indicated that “individualized consideration and intellectual stimulation” sub-dimension of transformational leadership had a moderate effect (0.49) and explained variance of 24% on the “commitment to personal growth” sub-dimension of PC indicating H1b was accepted. In addition, it was also observed that the “inspiring charisma” sub-dimension of transformational leadership had a positive and moderate (0.16) impact on the “commitment to job” sub-dimension of psychological contract yielding statistical support for H2a and H2c. “Management by exception” sub-dimension had a negative moderate (-0.22) impact on “commitment to job”. Hence, H3b was rejected due to this negative effect. The variance explanation ratio of these sub-dimensions on “commitment to job” sub-dimension is 6.2%. Moreover, it was seen that the “individualized consideration and intellectual stimulation” sub-dimension (0.39) and “management by exception” (0.38) sub-dimension has a positive moderate effect on “acceptance of authority”. These two variables were found to account for 28% of the variance in the “acceptance of authority” sub-dimension of PC supporting H3c. The final model is displayed in Figure 1.

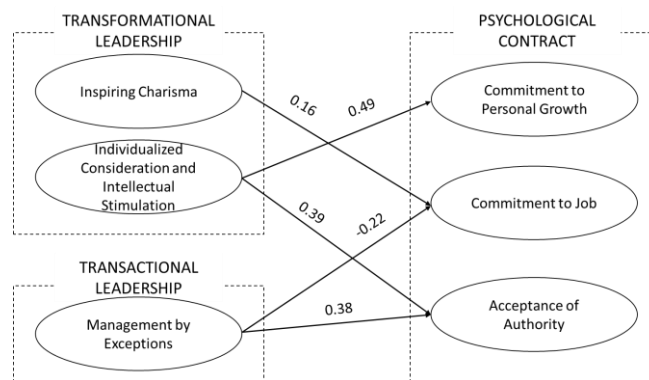


Figure 1 The final model

DISCUSSION AND CONCLUSIONS

This study investigates the effects of transformational and transactional leadership styles of managers working in private sector companies in Turkey on their expectations from their subordinates regarding PC. It was seen that recent studies focused on PC breach related outcomes such as employee attitudes, behaviors and performance (i.e. Conway, Kiefer, Hartley and Briner, 2014; Cassar and Buttigieg, 2015; Gupta, Agarwal and Khatri, 2016; Li, Wong and Kim, 2016). In this study, PC was examined from the point of view of managers. Transformational leadership focuses on empowering individuals, focusing on group goals, being able to see opportunities beyond the present, creating a vision and initiating change. On the other hand, transactional leadership focuses on the fulfillment of job requirements, influencing people with rewards and showing exceptional management behaviors (Bass, 1990). Consistent with the prior research on both employee and employer perspectives, the findings of this study demonstrate that leadership styles have a relationship with PC (Basson, 2008; Chen, Tsui and Zhong, 2008; Behery, Patton and Hussain, 2012; Hui-Chin and Tsui-Yang, 2012; Jabeen, Behery and Abu Elanain, 2015). According to the structural equations provided by the structural model; it has been found that “individualized consideration and intellectual stimulation” sub-dimension of transformational leadership had a moderately explanatory effect on “commitment to personal growth” sub-dimension of PC. In other words, it may be the case that managers with a leadership understanding which focuses on empowering their subordinates and enabling them to approach their problems with different perspectives, have increased the expectations

from employees to see and evaluate these encouraging behaviors as opportunities to improve themselves. Also, it was observed that "individualized consideration and intellectual stimulation" had the highest explanatory sub-dimension of transformational leadership on PC. In Hui-Chin and Tsui-Yang's (2012) work on university staff, high consideration/high initiating structure leadership behavior was determined to be the most favorable for creating relational and satisfied PC. Findings of the authors represent the employee perspective regarding organisational obligations according to employees.

It has been determined that "inspiring charisma" sub-dimension of transformational leadership had a positive and low effect on PC, while "management by exception" sub-dimension of transformational leadership had a negative and low effect on PC. Managers who share a strong sense of purpose display their understanding of success and vision while exhibiting a style of leadership that reassures their subordinates. This may result in leading to an increase in the expectations of managers regarding employees to be committed to their work. It has also been found that "management by exception" factor of transactional leadership had a negative impact on "commitment to job" sub-dimension of PC. In other words, it may be expected that as managers display a passive management leadership style, their expectations regarding commitment to job will decline. However, "management by exception" factor of transactional leadership refers to the situation in which managers only interfere with their subordinates in case of a wrongdoing. Therefore, it seems that this style of leadership does not align with the expectations of the "commitment to job" sub-dimension, which reflects work and effort aspects of PC of managers.

It has been determined that "individualized consideration and intellectual stimulation" sub-dimension of transformational leadership and "management by exception" sub-dimension of transactional leadership have a positive and moderate effect on "acceptance of authority" sub-dimension of PC. In other words, it can be argued that as the individual attention and mental stimulation behaviors of managers towards their subordinates increase, expectations of their acceptance of the authorities increase as well. Likewise, as managers display more passive management leadership style, there may be an increase in the expectations on the subordinates' acceptance of authority. A leader who suggests new perspectives, coaches and leads, and a leader who takes over only when he/she is obliged, both may have the expectation of acceptance of authority. It is an interesting result that both leadership styles have an impact in the same direction.

To sum up, as transformational leadership behaviors increased, managers' expectations of regarding employees' commitment to personal growth, commitment to job and acceptance of authority increased. On the other hand, managers who exhibit transactional leadership behaviors, show a decrease in their expectations for commitment to job as they show passive management behaviors and their expectations for authority acceptance however, decrease. In conclusion, the present study demonstrates the effects of transformational and transactional leadership styles on the expectations of managers regarding employee obligations.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

In this study, the effects of transformational and transactional leadership styles on PC were investigated. Identifying what managers expect from their employees can strengthen the relationship between managers and employees and lead to a good congruence. In the recruitment process, the assessment of employees who can meet different expectations according to the leadership style of the managers can ensure congruence between manager and employee throughout the entire work relationship. The ability of managers to clearly express their expectations from their employees can play a role in determining training needs properly. There may be a formal reflection of employee obligations according to managers' expectations in the performance criteria.

Exclusion of other antecedents of PC other than transformational and transactional leadership is one of the limitations of this study. Personal characteristics of managers were neglected in the research model. Results of this study is limited to collected data in Turkish context. Furthermore, the study data was based on self-reported measures. Hence, new data could be collected from multiple sources to rule out common method bias (Podsakoff et al., 2012). Also, other leadership styles may be included in future researches. In addition, the study sample consists of managers from businesses from a wide range of sectors causing inability to distinguish possible differences.

Managers tend to neglect PC content of lower grade employees (Möller, 2014). Different studies may be conducted to examine whether psychological contracts of the managers and employees differentiate according to the level of management. Another limitation of this study is only employee obligations were handled from managerial perspective. This study adopted content focused measurement of PC. PC violation and breach of managers could be investigated in

further research. Moreover, data could be obtained from employees to assess whether they believe they keep their end of the bargain. Furthermore, some suggestions can be made in the context of the results of this study. Researchers may create new models of social, organisational, and individual variables which may have explanatory effects on psychological contracts. Testing models created from individual variables that may be effective on psychological contracts may be important for understanding what constitutes unwritten expectations.

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