Exploring Faculty Psychological Contract through Leadership Style and Institutional Climate in a Higher Education Setting

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Abstract

This study aims at investigating the impacts of leadership style and institutional climate on faculty psychological contract (PC). Two hundred questionnaires were distributed to the faculty members a private university in Taiwan with a valid return rate of 74.5%. The study results indicated that both leadership style and institutional climate had impacts on faculty's psychological contract (PC). Supporting to the existing literature, high consideration/high initiating structure leadership behavior was found the most favorable in creating relational and satisfied PC. It is worth to note that low consideration/low initiating structure leadership behavior was perceived the second favorable in creating faculty's relational PC, which is inconsistent with the literature that this type of leadership style generally leads to dissatisfied subordinates and the lowest productivity among group members. It is concluded that in a highly motivated team such as college faculty with a homogeneous level of expertise, this hands-off leadership style may be more effective than high consideration/low initiating structure leadership.

Keywords: leadership style, institutional climate, psychological contract (PC)

1. Introduction

Higher educational institutes in Taiwan today are facing the most competitive challenge due to the educational reforms recent years. One of the most sweeping changes in educational reform took place in Taiwan when the government issued the "Twelve Education Reform Mandates" in 1998. This change brought about greater access to education at all levels (BICER, 1998). Accompanied with this Act, there has been an increase of colleges and universities in four-year level. According to Ministry of Education in 2005, there were only 51 four-year colleges and universities in 1992 compared to currently 179 to date (Ministry of Education, 2011), the increase rate in 19 years is phenomenal. The situation inevitably increases the competitions among colleges and universities, which also increases the competitions among schools on recruiting and retaining qualified faculties.

In addition, with a greater competition in the high-tech society today, the environment of higher education has become more complicated, competitive and business-like. The school presidents are not only expected to effectively enhance academic development but also to work as a professional manager who is able to effectively manage and motivate staff and faculty in order to keep the school competitiveness. It is even more the case for private universities in Taiwan. It is believed that one of the crucial leadership challenges in any organizations today is to create and maintain a more viable relationship between employer and employees. A major element of this relationship is employee psychological contract (PC) (Schein, 1980; Tornow, 1988). The psychological contract represents the employee and employer's beliefs and perceptions about what they owe to each other, and is significantly related to their behaviors (Robinson & Rousseau, 1994).

Campisano (1992) determined that the leadership behaviors of the college or university can be a major influence on the level of instructor commitment to a school. In addition, according to Schneider, Smith, and Goldstein (2000), the organizational climate does relate highly to an instructor's attitudes and behaviors. One of the most important factors has been related to how significantly an instructor can influence their commitment level towards the quality within an institutional climate (Pacifico, 1994).

Based on the discussion above, the purpose of this study was to investigate the dominant leadership style of the president and the perceived institutional climate, in terms of the PC of the faculty members in a private university in Taiwan. This study does have significance because the status of a faculty member's PC needs to be upheld as the higher level of education has become more increasingly competitive. The results of the study also provide important support for the validity of initiating structure and consideration in leadership research.

2. Theoretical Framework and Hypothesis

2.1 Leadership Style

Leadership is the process by which a person exerts influence over other people and inspires, motivates, and directs their activities to help achieve group or organizational goals. Effective leadership increases an organization's ability to meet all challenges, including the need to obtain a competitive advantage, the need to foster ethical behavior, and the need to manage a diverse workforce fairly and equitably (Moorhead & Griffin, 2004). The leadership styles developed by Stogdill (1962) at the Ohio State University were applied in this study. There are four combinations from two dimensions – initiating structure behaviors (task-oriented) and consideration behaviors (people-oriented). *Quadrant I* (low on consideration/ high initiating structure) leader is task-oriented and interested in getting the work done; however, they often forget that the process that he/she has to deal with human beings. A *Quadrant II leader* (high initiating structure/high consideration) is efficient and effective with managing both people and tasks. The *Quadrant III leader* (high consideration/low initiating structure) maintains a friendly relationship with subordinates and is usually concerned about a subordinate's welfare, but as viewed to be ineffective in accomplishing things. The *Quadrant IV leader* (low consideration/low initiating structure) can be accompanied by a group that demonstrates chaos and ineffectiveness (Tracy, 1987).

2.2 Psychological Contract

Rousseau (1989) concluded that an employee's PC should be defined as an "individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (p. 123). As an active faculty member and participant of an institution, a faculty member often creates, expects and seeks out a PC as a means for representing and understanding the employment relationship with his/her institution (Shore & Tetrick, 1994). An instructor's belief is based on the perception that a promise has been made by the institution (e.g. challenging and meaningful work, fair and competitive wages, growth opportunities, and job training) in exchange for a faculty member's obligation (e.g., giving the institution and students his/her time, energy, knowledge and technical skills) (Roehling, 1996, Rousseau & Tijorwala, 1998).

MacNeil (1985) categorized two fundamental components of a PC - "transactional-PC" and "relational-PC" that were adopted to determine an instructor's perceptions of a PC in this study. The two dimensions are time frame and performance requirements. Time frame refers to the length of the employment relationship while performance requirements are the prerequisites of performance as a condition of employment. Transactional-PC is related to interest exchanges with a shorter timeframe (McDonald & Makin 2000). Relational-PC is concerning a longer relationship and a greater involvement between employees and the employer, and it fosters trust, loyalty and mutual support (Rousseau 1990). Relational-PC is frequently treated as an indicator of a long-term employment relationship (Rousseau & McLean, 1993). Psychological Contract (PC) helps to define the relationship between employees and organizations (Rousseau, 1989). The relationship between leaders and employees is well defined in the literature as the leaders are usually playing a role as an agent between their organizations and the employees, who assume the responsibility of communicating, encouraging and motivating employees for their organizations. However, little evidence in research directly addresses the relationship between leadership behavior and employee PC.

Therefore, based on the above notions, we proposed hypothesis 1 as follow:

Hypothesis 1: Leadership behavior has an impact on faculty psychological contract.

Consideration style has been associated with satisfied subordinates and fewer absences (Immegart, 1988) and is more strongly related to follower satisfaction (leader satisfaction, job satisfaction), motivation, and leader effectiveness, while initiating structure was slightly more strongly related to leader job performance and group-organization performance (Judge, Piccolo, & Ilies, 2004). Lunenberg and Ornstein (1991) concluded that leadership demonstrating a behavior high in both consideration and initiating structure often results in a high performance and satisfaction level among instructors.

Previous research suggests that high levels of initiating structure may actually reduce an employee's sense of responsibility and thus reduce the level work satisfaction and organizational commitment (Salancik, 1977; Robbins, 1998). Low on both consideration and initiating structure is termed 'laissez faire' in which leaders are hands-off and allow group members to make the decisions. Researchers have found that this is generally the leadership style that leads to the lowest productivity among group members (Sekaran, 2004).

Based on the discussions above, we proposed hypotheses 2 as follows:

Hypothesis 2: Consideration leadership outperformed initiating structure leadership in creating faculty's relational and more satisfied PC.

2.3　　Institution Climate

At the broadest level, organizational climate describes how organizational members experience organizations and attach shared meanings to their perceptions of this environment (Schneider, Smith & Goldstein, 2000). Most also agree that individuals interpret these aspects of the organizational environment in relation to their own sense of wellbeing. A college or university climate has been defined as the "feel" of an institution (Halpin & Croft, 1963); or its "collective personality" (Norton, 1984). As one moves from institution to institution, it is possible to note that one institution does feel different from another, which is primarily the result of an institution's climate. Some research suggests that the climate perceptions are associated with a variety of important outcomes at the individual, group and organizational levels. These include leader behavior (Rousseau, 1989; Rentsch, 1990), turnover intentions, job satisfaction, individual job performance (Pritchard & Karasick, 1973), and organizational performance (Lawler, Hall, & Oldham, 1974; Patterson, West, & Lawthom, 1977). Other indicators of a healthy and favorable school climate were identified in a study by Howard, Howell, and Brainard (1987) including the degree of respect, trust, opportunity for input, cohesiveness, caring, high morale, and school renewal.

When leaders are able to acknowledge employees as collaborators rather than purely as a functioning employee, the PC becomes a powerful and determining factor for the success of an organization. One of the most important tasks for a leader has to be how to create a better organizational climate that motivates all of the employees and promotes their willingness to work hard, while promoting an individual employee's PC.

Based on the discussions above, we proposed the second hypothesis as follows:

H3. The institutional climate has an impact on the faculty PC.

3.　*Methodology*

A quantitative research method was adopted for this study. Two hundred questionnaires were distributed to the full time instructors in X University with a valid return rate of 47.5%. Validated instrumentation was used to measure the respondent's perceptions of three major constructs. The Ohio State University's "*Leadership Behavior Description Questionnaire (LBDQ)*" (Stogdill, 1974) was adopted and translated into Chinese Mandarin to measure the dominant leadership style of the president of a private university. The *Organizational Climate Descriptive Questionnaire* (Halpin & Croft, 1963; Litwin & Stringer, 1968) was adapted and revised to measure faculty perceptions of the institutional climate. The psychological contract section of the instrument adopted the questionnaire *"Perceived Organizational Support"* (Eisenberger, Huntington, Hutchison & Sowa, 1986) for the purpose of measuring the extent of participants' support to the organization for identifying the extent of the PC satisfaction as well as PC tendency - relational (mean scare above 3.5) vs. transactional (mean scare below 3.5). Five-point Likert scale was utilized to measure the extents of the constructs. The overall reliability was tested with a Cronbach's alpha .96.

4.　*Findings*

The population of this study consisted of faculty member in X University in Taiwan. Two hundred questionnaires were distributed to all the full-time faculty members with a valid return rate of 47.5% (95 faculty members). Among them, male faculties still a dominated group with 74 (77.8%) respondents. Most of the respondents fall in the ages between 31 to 50 years old (85.2%) with a largest age group between 31-40 years old (58.9%). Sixty-six percent of the respondents were married. The largest group of the professor rankings was lecturers (48.4%); the second largest group was assistant professors (33.7%). There were more than one third of the respondents worked as a full-time faculty and administrator. Eighty-one respondents (85.2%) believed that the president demonstrated high consideration and high initiating structure leadership behaviors.

Seventy-five respondents perceived that the school climate was favorable while twenty of them believed that the school climate was unfavorable. According to the test results, eighty-three respondents tended to have relational PCs while only twelve of them tended to have transactional PCs.

4.1   The Impact of Leadership Style on Faculty Psychological Contract

The results indicated that the F value was 7.52 with a p-value of .05; therefore, the hypothesis 1 is accepted. Quadrant II (high consideration/high initiating structure) was found to be the best leadership approach for creating relational PC with a mean score of 4.73. Quadrant IV (low consideration/low initiating structure) was found to be the second best for creating relational faculty PC (mean score 3.77), while Quadrant I (low consideration/high initiating structure) created transactional PC (mean score 3.07) (see Table 1). The Scheffe Post hoc test was performed for testing the hypothesis 2. The results indicated that the leader demonstrates high consideration/high initiating structure leadership behaviors, the faculty PC tended to be the most relational and satisfied, which outperformed the rest three leadership styles. When the leader demonstrated low consideration/high initiating structure behavior the faculty PC tended to be most transactional. However, leadership behavior that was low on both consideration and initiating structure also created relational PC. Therefore, the hypothesis 2 was rejected. The ranking from the best to the least for creating faculty PC satisfaction was Quadrant II, Quadrant IV and Quadrant I respectively. Quadrant III was eliminated from comparison since there was not significant amount of participants who perceived that the leadership behavior was demonstrated (see Table 2).

4.2   The Impact of Institutional Climate on Faculty Psychological Contract

According to a t-test, the results indicated that the t value was 4.86 with a p-value of .00; therefore, Hypothesis 3 was accepted. The findings indicated that the perceived institutional climate did affect faculty PCs, in which favorable institutional climate (mean score higher than 3.5) did create better PC satisfaction (see Table 3).

5.   *Discussions and Conclusion*

The results indicated that the leadership behaviors did have an impact on the faculty PC. Quadrant II (high consideration/high initiating structure) was the best leadership approach for creating relational PC satisfaction, which supported the findings of the previous study on leadership and PC in other type of organization (Chu & Fu, 2004). When the university president emphasizes both achieving institutional goals and the needs of the faculty, the faculty PC tended to be relational and satisfied. It is worth to note that the findings indicated that Quadrant IV was the second best for creating a relational PC, which is inconsistent with Stogdill's (1962) research findings stating the quadrant IV (low consideration/low initiating structure) leadership behavior does not only lower an employee's productivity but it also creates dissatisfied employees (Salancik, 1977; Robbins, 1998; Sekaran, 2004). This style of leadership is closed to 'laissez faire', in which leaders are hands-off and allow group members to make the decisions. It is generally considered that this type of leadership leads to the lowest productivity among group members; however, the result of this study supported the notion stated by Lewin, Lippitt & White (1938) that in a highly motivated and aligned team with a homogeneous level of expertise, laissez-faire style may be more effective.

Schneider, Smith and Goldstein. (2000) determined that an organizational climate was highly related to employee attitudes and behaviors. Other research suggested that the climate perceptions are associated with a variety of important outcomes at the individual, group and organizational levels. The findings of this study did support the previous literature that if the favorable institutional climate is created in the university then the faculty members will enjoy their work and have a better PC satisfaction.

The important contribution of the study was that the test results added more valid information to the lack of existing literature on the relationship between leadership behaviors and faculty PCs in higher education. The leadership styles of a president that helps to create a relational PC are crucial for maintaining a quality group of college faculty. Since this study was conducted only on the faculty members in a single private university, its applicability remains limited. Further research could look at more colleges and universities across Taiwan in an effort to produce are more valid literature to this area.

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Tables

Table 1: ANOVA test results of leadership style on PCs

Leadership behavior	mean	S.D.	d.f.	F	p
Quadrant II (HC/HI)	4.73	.75	3	7.52**	.00
Quadrant III (HC/LI)	4.07	-			
Quadrant IV (LC/LI)	3.77	.39			
Quadrant I (LC/HI)	3.07	.31			

**: $p < .01$

Table 2: Scheffe Post hoc afterward on leadership and PCs

Leadership behavior (I)	leadership behavior (J)	M.D. (I) – (J)	p
Quadrant II (HC/HI)	Quadrant IV (LC/LI)	.95**	.00
	Quadrant I (LC/HI)	1.48**	.00
Quadrant IV (LC/LI)	Quadrant II (HC/HI)	-0.95**	.00
Quadrant I (LC/HI)		-1.48**	.00

**: $p < .01$

Table 3. t- test on institutional climate and PC

Institutional climate	mean	S.D.	df	t	p
Favorable S.C.	4.20	.77	93	4.86**	.00
Unfavorable S.C.	3.08	.57			

** $p < .01$