



The impact of leadership on psychological contracts: an exploratory study of the National Treasury

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ABSTRACT

This research investigates the relationship between different leadership styles and different types of psychological contracts. This stems from the need that many organisations have, to manage and retain talented employees who possess skills that are critical to the sustained success of the organisation. Leaders in particular tend to be at the centre of managing and influencing the employee's experience and as such it is of great necessity that they understand how different leadership approaches impact on the unwritten, yet critical expectations and experiences of employees.

The literature provided discusses psychological contracts and leadership. There are various instruments in the literature that were used to compile the questionnaire to gather data for analysis. The dependent variable, psychological contract, was measured mainly using Millward and Hopkins's (1998) transactional and relational psychological contract instrument with some enhancement adapted from work done by Rousseau (2000). Bass and Avolio's (1997) theory of Full Range Leadership Development was then the basis of the Multifactor Leadership Questionnaire tool which was used to measure Leadership as the independent variable.

The study presents findings from 151 National Treasury employees, of which 33% were managers and 67% were non-management. Data obtained from these research instruments was statistically analysed. Overall, the findings from this study suggest that although the relationship that exists between relational psychological contracts and transformational leadership is not very strong, there is a positive association. It appears that transactional and transformational leadership do play a role in the kind of commitment employees make with the organisation. Lastly, an unanticipated outcome in relation to tenure within an organisation provided insight into the importance of understanding the context within which psychological contracts develop.

KEYWORDS

Leadership: Refers to the group of individuals who are tasked with managing, directing and guiding employees, in an organisational context, towards achieving the organisation's objectives. It also refers to the act of guiding; directing and managing towards the attainment of those goals, therefore leaders exist across many levels of seniority.

Psychological contract: An individual's belief regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party. In an employment relationship, the parties tend to be the employer and employee and the obligations created tend to be for future benefit.

Talent: A person or people who possess skills that are critical to the functioning and success of the organisation. These individuals tend to have high potential for future senior roles in the organisation.

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Signature:

Date: 7 November 2012

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1. CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1. Research Setting

In an ever evolving world, there are inevitable changes in the traditional employer-employee relationship across the world. There are many implications for the attraction, motivation and retention of workers based on fundamental changes in these employment relationships (Turnley & Feldman, 2000; De Vos, Magnack, & Buysen, 2005). Rousseau (1990) points out the increase in the number of unwritten or implied contracts that have arisen in the employment relationship. These are known as psychological contracts and they are influenced by a number of factors.

Many organisations in the 1990's realised that the traditional sources of competitive advantage, such as natural resources, access to financial resources, technology, protected or regulated markets and economies of scale had become increasingly easier to emulate and thus lost their strategic power. Strategy researchers and practitioners therefore started searching for new strategic possibilities. This led to the birth of a resource-based view (RBV) of the firm. With this there was a move from focusing outside the organisation, but rather looking at the internal context of the organisation, and the greatest emphasis was laid on the crucial role of organisational resources and capabilities, which were viewed as a strategic foundation of the organisation and the primary source of competitive advantage. (Kazlauskait & Buciunien, 2008). This supports the view to acquire, develop and retain the best human resources for the organisation as a source of competitiveness.

This research aims to add to the body of knowledge around psychological contracts by focusing on an area that seems to have been neglected by many scholars. This is the area of understanding the impact of leadership on psychological contracts. The literature in this study will show that a lot of material exists relating to leadership and psychological contracts as respective constructs that impact employees, however little has been studied about the exact influence of leaders, their styles in particular, on the psychological contracts of employees, and ultimately how they can influence and manage these. This study attempts to do this using the National Treasury as a microcosm of organisations that have employees with critical and scarce skills; and that have a necessity to understand, attract and retain the best talent to ensure sustainable achievement of organisational goals.

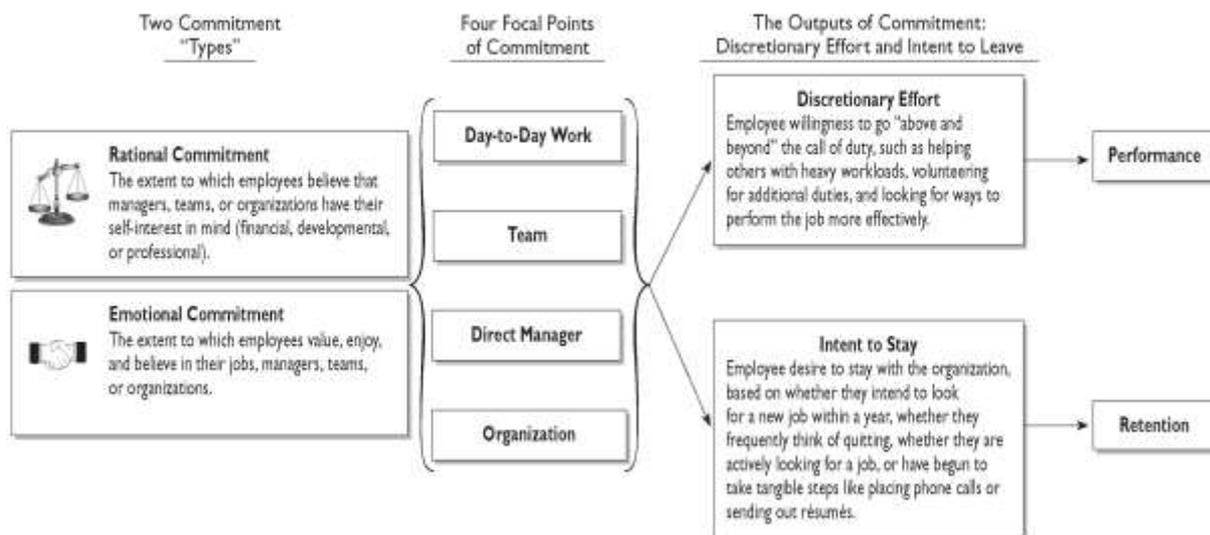
Leaders of organisations create a tone for the experience and fulfilment of the employment agreement (Ulrich & Smallwood, 2007). It is therefore important to understand how this influences the unwritten contracts that exist in the employment relationship. This study aims to answer the following research questions:

- Do particular leadership styles accompany specific types of psychological contracts?
- Which types of leadership styles inspire confidence and motivation in employees, which in turn create a more relational psychological contract?
- Do employees with longer service in an organisation have a more positive association with that organisation in terms of psychological contracts?
- Does leadership influence the change in psychological contracts over time? In a positive or negative sense.

The psychological contract, which refers to employees' subjective interpretations and evaluations of their deal with the organisation (Rousseau, Ridolfi, & Hater, 1996; Rousseau, 2001; Turnley & Feldman, 1998), is one of the key construct in the management and understanding of the employment relationship. The linkage then, as suggested by researchers in this field, is that effective retention does not lie solely on managing HR practices, but also managing the employee's expectations in relation to the HR practices (De Vos et al., 2005).

The National Treasury has been equally affected by these phenomena. As a result, they have done work on employee engagement to better understand factors that impact the commitment levels of employees. The Corporate Leadership Council offers a definition of employee engagement as the extent to which employees commit to something or someone in their organisation and how hard they work and how long they stay as a result of that commitment (Corporate Leadership Council, 2008). Figure 1.1 below shows the levers impacted by employee engagement.

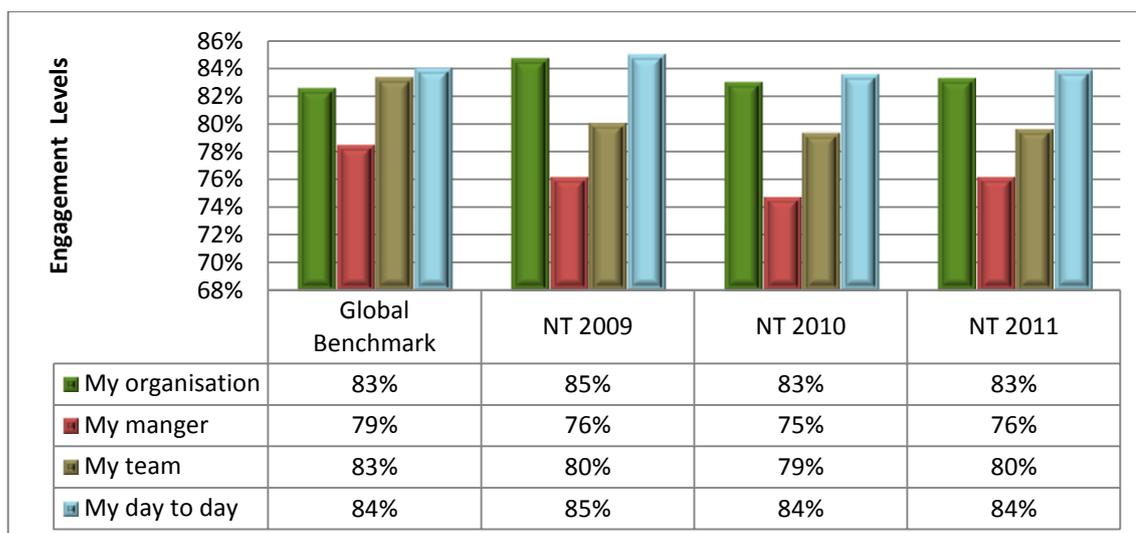
Figure 1.1: Engagement Defined



Source: Corporate Leadership Council (2008)

What is of interest with regards to three consecutive surveys by the organisation in relation to employee engagement, is the perceptions of employees around their leaders versus the organisation and their job. As shown below in Figure 1.2, the results have shown consistent commitment by employees to their jobs and the organisation, but with little commitment to their managers. This forms an interesting context for the environment in which this study is conducted.

Figure 1.2 : Summarised Employee Engagement results (2009-2011)



Source: National Treasury Human Resources OD Unit (2012)

In their efforts to compete and survive, organisations tend to attract and retain talented employees who have competencies that are critical for organisational survival (Horwitz, Heng, & Quazi, 2003), however increases in organisational voluntary turnover are often linked to these employee's loyalty to their own career growth rather than organisational loyalty (Cappelli, 2001; De Vos et al., 2005). This makes the driving of retention to be a challenging experience, however there little dispute that it's a necessary challenge to address since retention stands out as a key HR practice that organisational leaders are required to exercise in order to reduce voluntary turnover rates (Cappelli, 2001).

Built on the resource-based view, there is agreement about the role that human resources play in the competitiveness and successes of an organisation. Kazlauskait and Buciunien (2008) agree that the unique, valuable and specific features that human resources have tend to qualify them for a source of competitive advantage.

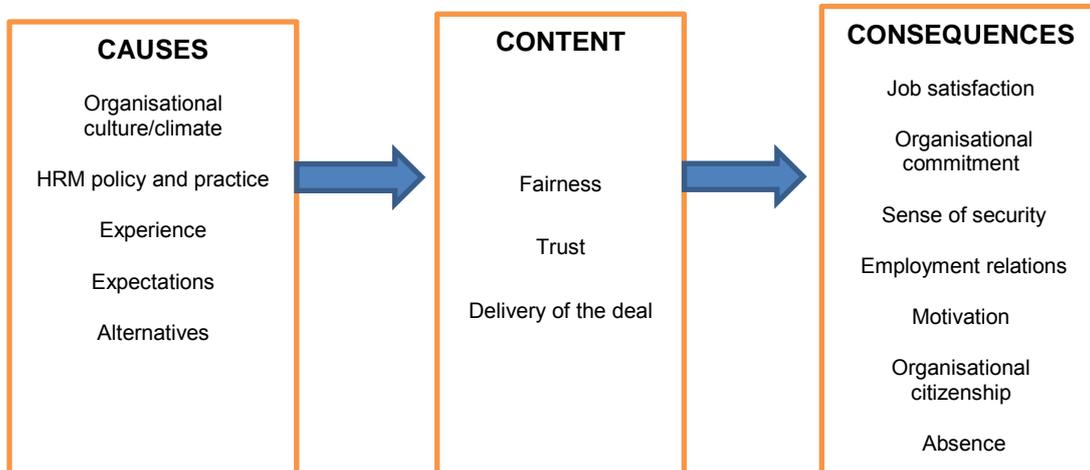
Loss of critical employees has many consequences for organisation as shown by Abbasi and Hollman (2000), there is negative impact on innovation, consistency in providing service to guests may be jeopardized, and major delays in the delivery of services to customers may occur. Ramlall (2003) further highlights that the combined direct and indirect costs associated with a loss of a critical employee are quite significant, especially given the knowledge that is lost with the employee's departure. It is therefore important to explore all avenues that can lead to understanding, attracting and retaining talent better.

1.2. Research Problem

Guest (1998) recognised a few conceptual and empirical challenges with psychological contracts and proceeded to develop an emergent theory built around the causes, content and consequences of the psychological contract. Guest's model (figure 1.3) below expands on the aspects that tend to impact psychological contracts in the workplace. Policies, practices and culture cannot be ignored as providing the context for the work relationships. This then informs the content of the contracts formed in relation to perceived fairness and delivery of the deal with ultimate consequences on how parties judge the contract that has been agreed to. In relation to violation, it is quite clear that if the environment and content of the contract are not to the expected

level of either party, there will be negative consequences for the relationship and contract that has developed.

Figure 1.3 : Guest’s model of the psychological contract



Source: Guest (1998)

In line with Maguire’s (2002) discussion on the model above, Rousseau & Robinson (1994) looked at key factors that impact job satisfaction and quickly found that the disappointment of broken promises sets in when the organisation is perceived to be ignoring those aspects of an employee’s work which is important sources for their satisfaction. It may become very difficult for an employee to be motivated to perform, and obtain satisfaction from, doing the job when the employee can no longer rely on the promised incentives.

Guest (1998) also speaks about multi-agents that make up the organisation and recognises that each agent could possibly have a different impact on the individual compared to another. This study looks at leaders within the organisation as one such agent. Leaders have a significant role to play in meeting the multiple needs and promises to employees by virtue of the roles they have in organisations (Winter and Jackson, 2006).

Guest's theory aims to specify influences on the psychological contract. He highlights that broadly these tend to reside in the organisation and the individual which may include the traditional definition of expectations. His theory introduces a new dimension of looking at the state of the psychological contract as being influenced by the content rather than pure obligations and expectations that may or may not be violated. He expands to define the content as being made up of three key elements which are trust, fairness and delivery of the deal.

This study aims to establish the existence of different leadership styles and identify ways in which these leadership styles relate to different types of psychological contracts of employees. The research will compare whether the psychological contracts of employees that perceive particular leadership styles differ in significant ways and determine the significance of a leadership approach in positively influencing the psychological contracts of employees. This study goes further explore whether leadership indeed may impact the psychological contract of employees in an organisation.

This research is relevant to supporting organisations to better understand the nature of the psychological contracts in the organisation and the influence of leadership styles on them. This can be used in conjunction with other input to respond to challenges facing that organisation. Leadership has been identified as the independent variable and The Psychological Contract as the dependent variable. The findings of the research may also support other researchers in this field, as an addition to the existing body of knowledge.

1.3. Research Aims

This research aims to identify and analyse the relationship between leadership and psychological contracts of employees within the National Treasury, by ascertaining which leadership styles exist and their relationship with different types of psychological contracts.

The changing nature of psychological contracts is also a key factor in making this an important issue. Employee-employer relationships have evolved from purely rewarding good employees with job security. The privilege of job security no longer exists, now employees are required to add value, whilst they also have more choice in choosing their employers. Hung-Wen and Ching-Hsiang (2009) therefore argue for the priority for upgrading service quality is to improve employees' work attitude.

There is also acknowledgement of the impact of critical skills employee's power and ability to choose the nature of relationship that they have with their employers. There are extrinsic and intrinsic dynamics that are always at play. De Vos (2005) distinguishes between these by showing that while retention management addresses the type of organisational incentives and HR strategies that are effective in reducing voluntary employee turnover, the psychological contract focuses on employees' subjective interpretations and evaluations of these incentives and how these affect their intentions to stay. This places pressure on the success of such practices since they might only turn out successful if they are in line with what employees value and what they take into account when deciding to stay with or leave the organisation.

In their paper of the unifying approach to the critical role of human resources and their management, Kazlauskait & Buciunien (2008) refer to psychological contracts as a critical aspect to acquiring sustainable competitive advantage across organisations. They argue that psychological contracts together with a combination of knowledge skills ability and human resource practices create a formula for successful, satisfied employees.

This study will examine the perceptions of employee's psychological contracts by looking at the current theory and research relating to psychological contracts and the role of leadership. This investigation will relate back to the National Treasury across these constructs.

This study will therefore focus more on exploring the theoretical constructs of psychological contracts and leadership in the work context. Although there are other linkages to constructs of career development, retention and employee engagement, there will be less in-depth exploration of these constructs. It is the aim of this study to add to the body of knowledge around key influencers on the psychological contract in order to anticipate and manage the consequences.

1.4. Research Motivation and Relevance

Despite the fact that considerable research has been completed on psychological contracts and leadership approaches, respectively, this study is different in that it ventures more towards measuring and understanding how these variables impact on one another. In particular, employee's perceptions of leadership styles and how these impact how they, in turn, perceive their obligations in the employment relationship.

In their discussion about high involvement work systems (Boxall & Macky, 2009) indicate that the management of professionals has high levels of involvement with them carrying larger, more ambiguous tasks that rely on discretionary judgement and team meetings that pool expert knowledge. This dynamic suggests that improvement of employee commitment is more involved and requires partnership with employees.

Although this study looks at psychological contracts rather than pure employee engagement, there is a foundation to suggest that perceptions about leadership exist within the organisation that may impact on the type of psychological contracts that impact day to day experiences in the organisation. The people in a position to improve on the picture above are the leaders of the organisation due to the significance their role.

1.5. Report Layout

This research document is divided into seven chapters. Above and beyond this chapter of introduction where the problem is outlined, the research is motivated and the aim and method of study are sketched, the chapters are as follows:

Chapter 2 is the literature review which presents an argument within academic literature to show the need for this research. The literature is relevant, current and academic. The literature sheds light on the topic, and also forms a base for a new discussion around the relationship of leadership and psychological contracts.

Chapter 3 looks at the research hypotheses. Statistical hypothesis testing procedures will be followed.

Chapter 4 describes in detail, the methodology used in the exploration of the impact of leadership on psychological contracts of employees at the National Treasury, South Africa.

Chapter 5 contains the presentation of the sample and results of the research. The data presented will be linked to the hypotheses set out in Chapter 3. The relevant descriptive/analytical results are shown.

Chapter 6 discusses the results in terms of the hypotheses and in terms of the literature. The hypotheses form the major headings of this chapter and shows depth and insight of the findings in terms of the study and in light of the theory base. This chapter also examines whether the research objectives were met.

Chapter 7 highlights the main findings of the research, conclusions are drawn and there are recommendations to stakeholders based directly on findings. As well as the recommendations for future research and managerial implications.

1.6. Chapter Summary

This chapter provides a background to the hypotheses and aims. It provides justification for the research and describes the adopted methodology. A layout of the study is offered in line with appropriate definitions provided. On these fundamentals the thesis can progress to the literature review in chapter 2.

2. CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This section looked at the findings from academic literature and theory in the themes of leadership approaches and psychological contracts, as investigated in this research. There was also a focus on how these areas interrelate to assist in resolving the problem of understanding the extent to which leadership may affect employee's psychological contracts. The literature review enabled a foundation to be set for answering the research problem identified.

The first segment of the chapter explored the definition of the psychological contracts, how they function, the various types of contracts and different perspectives that have developed over time in the effort to understand this dynamic concept. The second segment looked at the concept of leadership from its various definitions to how it has evolved over time and how various leadership theories have also developed and this led to a discussion of the Full Range Development Theory which formed the basis of the research attempt to answer the research problem that has been presented in the previous chapter.

2.2. Psychological Contracts

2.2.1. Introducing and defining psychological contracts

Membership of an organisation tends to be established through contracts. There is a tendency to focus more on legal contracts of employment; however these varied in an employment relationship. Authors, Rousseau (1990) and Organ (1990) built on the concepts of psychological contracts and organisational citizenship behaviour (OCB), respectively and became associated with these classic constructs over time. Rousseau (1990) not only pointed out the increase in the number of unwritten or implied contracts that have arisen in the employment relationship, but went further on to define psychological contracts as “beliefs, based upon promises expressed or implied, regarding an exchange agreement between an individual and, in organisations, the employing firm and its agents” (Rousseau, 2004, p.120).

Atkinson (2002) defined the psychological contract as the set of practical and emotional expectations of benefits that employers and employees can reasonably have of each other. Atkinson also recognised the shift in the psychological contract from being characterised by the exchange of loyalty for security, to rather being based on fairness, trust and delivery of the deal.

Maguire (2002) spoke more to the Imperceptible features of the psychological contract by pointing out that although many aspects of this relationship may be covered by legislation, enterprise agreements or included in an employment contract signed by the employee there were always likely to be aspects of the employment relationship which are limited to the subconscious. Therefore this unseen aspect of the exchange has come to be known as the psychological contract.

Cullinane & Dundon (2006) traced the history of psychological contracts to the social exchange theory and the work of Argyris (1960) who used the term 'psychological work contract' to describe an embeddedness of the power of perception and the values held by both parties (organization and individual) to the employment relationship (Cullinane & Dundon, 2006, p.114). These authors significantly highlighted the fact that employment relationships are shaped as much by a social as well as an economic exchange.

Rousseau & Robinson (1994) made a case for the importance of expectations in the employment relationship. She clarified that in order for parties to have incentive for future contributions, there had to be promises of certain exchanges. It was clear from her discussion that the promises in and of themselves do not make a contract. It is rather the paid-for-promises made in exchange for some consideration that typically constitute the contract. These included exchanges for hard work, accepting training or transfers can be offered in exchange for promises, either implied or stated, of pay, promotion, growth or advancement.

Robinson and Morrison (1995) shared a definition of Organizational citizenship behaviour (OCB) as referring to employee behaviour that was extra-role, that promoted organisational effectiveness, and that was not explicitly recognised by an organisation's reward system and they argue that it was widely believed that organisations could not survive unless employees were willing to sometimes engage in OCB. Similar to the discussion on psychological contracts, this notion looked at individual Organ's (1990) contributions within organisations that went beyond traditional expectations in the employment relationship.

With the prevailing view that human resources are key to the success of an organisation, psychological contracts became important to understand and manage for a lot of employers. Once understood and managed, the psychological contracts of employees could be channelled towards the growth and success of many organisations (Cullinane & Dundon, 2006).

Rousseau & Robinson (1994) did not neglect to point out the dynamic created by the uniqueness of individual's beliefs which also impacted expectations, and even deeper the psychological contracts. There appeared to be a scale along which some of the employment obligations could be assessed. The authors discussed how expectations and beliefs could arise from explicit promises such as those relating to their remuneration up to various factors that each party may take for granted such as fairness. They highlighted that the psychological contract is distinct from expectations as it entailed belief in what the employer was obliged to provide, based on perceived promises of mutual exchange.

Freese and Schalk (2008) also introduced the concept of unilateral and bilateral views to psychological contracts. These views were centred around the individual's interaction with the psychological contract. The unilateral view was more based on the individual's view of mutual expectations and obligations in the context of a relationship, whereas the bilateral view was useful in organisational settings and clarifying differences in perspectives between employees and supervisors.

Rousseau (2004) asserted that when employees are confident that their employer will reciprocate their end of the deal, then psychological contracts motivate workers to fulfil commitments. However, she further stated that employers in turn also have their psychological contract with employees based on individual competence, reliability and importance of the employee to the firm's operations. Cullinane and Dundon (2006) noted that overall it appeared that definitions and measurements of psychological contracts vary with some authors emphasizing importance of obligations of one or both parties.

More recently, Winter and Jackson (2006) revisited the concept of perceived organisational support and aligned this to the psychological contract based on the common view that employees would improve on their contribution to the organisation when they perceive that their interests and welfare are also a priority to the organisation. The principle of reciprocity ran high in the understanding of the nature of psychological contracts. It appeared that these scholars emphasise how employers tend to keep employees motivated through long-term promises, and in return motivate the employees and increases their level of engagement.

2.2.2. Types of psychological contracts

Rousseau (1990) explored and wrote about the psychological contractual continuum that employees operate on, and stated that it is characterised by transactional contracts on the one end which are more tangible, linked to a close-ended time frame usually based along economic and extrinsic focus versus relational contracts on the other end of the continuum which tend to be more subjective, open-ended and focused on economic and non-economic, intrinsic, socio-emotional aspects.

Rousseau & McLean Parks (1993) further highlighted how psychological contracts differ on the relational –transactional continuum by describing how transactional obligations tend to be impersonal obligations to do with money, time and specific tasks; whilst relational obligations have more to do with long-term, less-defined obligations that may also include transactional elements in them. Therefore, unique skills and competencies tend to characterise an individual in a transactional contract as opposed to other socio-emotional factors that matter in a relational relationship.

Wocke and Sutherland (2008) also studied balanced psychological contracts and transitional psychological contracts. They distinguished between the two highlighting that balanced psychological contracts are open-ended arrangements with both parties contributing to each other's learning and development, conditioned on economic success of the employer, whilst transitional contracts refer to a mind-set reflecting the consequences of organisational change and transition that is challenging a previously established employment arrangement.

Rousseau (2004) added to this idea by showing that career and expected tenure of stay in the organisation is positively linked to a perceived relational contract with the employer, whereas when the organisation is perceived as a stepping stone (short term) there tends to be a negative relationship with the relational contracts, but rather more positively related to transactional contract with the organisation.

Atkinson (2002) suggested that the relational approach works best for management of careers because it distinguishes itself from the traditional authoritarian approach to being more flexible in relation to allocating resources and identifying career opportunities.

2.2.3. The interaction of the transactional and relational psychological contracts

Maguire (2002) pointed out that the transactional and relational components of the psychological contract interact. Commitment, loyalty and trust are some of the elements that make up the relational aspects from employees as a satisfied response to management. She concluded that this can be influenced by changes in the transactional terms of the contract that may weaken or strengthen the obligations perceived by the employee. She further showed that it is this kind of interactivity between transactional and relational components which has the potential to create problems for organisations in times of change.

2.2.4. The function of the psychological contract

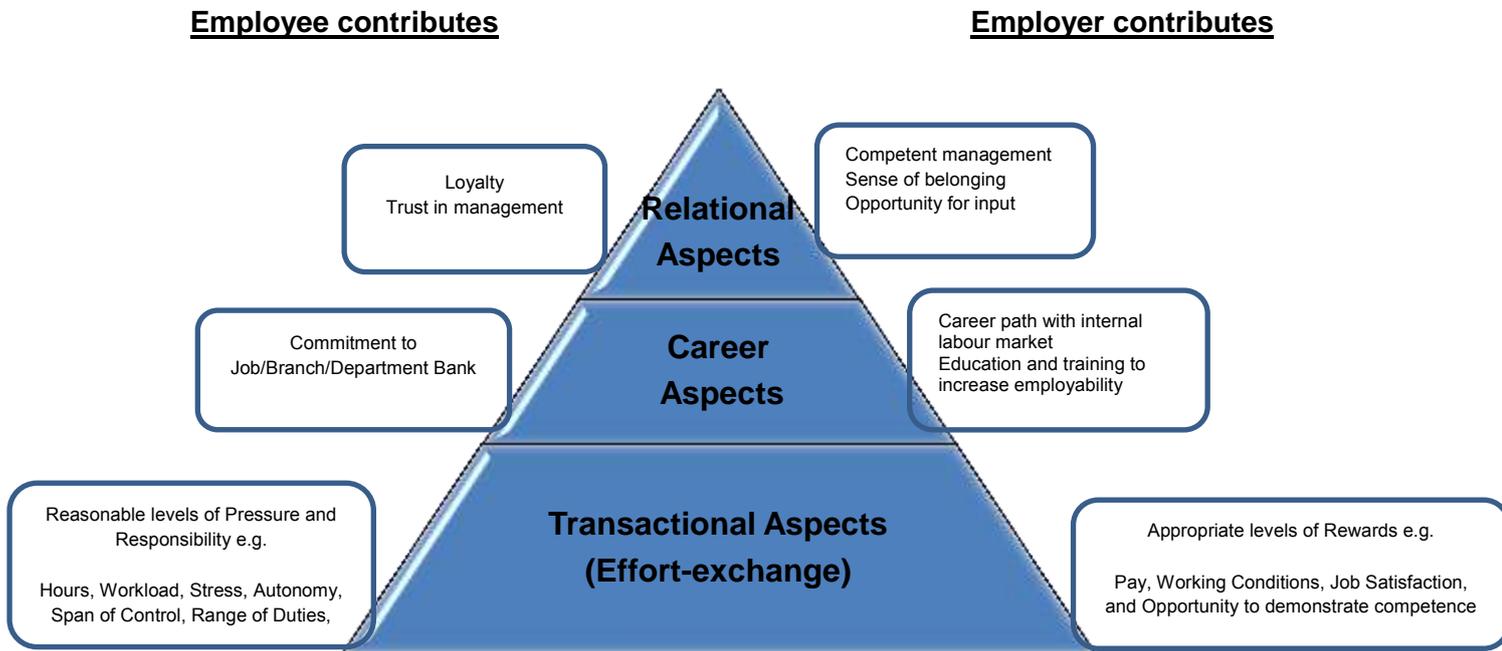
Maguire (2002) warned that good contracts may not always result in superior performance, but that poor contracts tend to contribute to less motivation and low commitment from employees. Maguire also accompanied this idea with stating the reality that for many employees being able to predict rewards contributed to higher levels of motivation and reduction in stress levels.

Schalk and Roe (2007) also clarified in their definition of the psychological contract that it makes actions predictable and helps parties to attain their goals. This includes a dynamic process that impacts the evolution of the employees' motivations, career aspirations and commitment. They further added the need for collective negotiation of contracts to ensure that all parties are pleased.

Violation of a psychological contract therefore weakens the very factors that led to rise of a relationship to begin with. Good faith and trust in relation to fair dealing decline as employers break what employees consider basic rules in their work relationships (Rousseau & Robinson, 1994).

In her model below (figure 2.1.), Maguire (2002) showed the interaction, integration and impact of employee-employer exchanges on career, commitment and trust in management. The model clearly shows the various roles of the employee and employer in relation to the level and type of engagement. At a basic level of effort-exchange there was more transactional and forms the foundation for the employment relationship, whereas the higher levels of the relationship appear to require more choices and more competencies in terms of obligations on both sides of the relationship.

Figure 2.1 : Three-tier model of the Psychological Contract



Source: Maguire (2002)

2.2.5. Different perspectives on psychological contracts

As highlighted above Guest (1998) challenged a lot of the thinking around psychological contracts. Some the concerns he has include the perceptual nature of the psychological contract. It was difficult to link the concept to a particular psychological theory and even to the borrowed legal metaphor of a contract since the views by parties involved are not written and do not lie with any particular party, but depend rather on the interaction of the individual and the organisation and vice versa. Guest also questions whether the existence of multiple agents in the organisation also results in multiple psychological contracts forming between an individual and the various agents and whether it could be summed to an organisational experience.

There are a few authors against the notion of psychological contracts. Wellin (2007) and Cullinane & Dundon (2006) pointed out that many other factors such as divorce and financial need may prompt a different behaviour to that suggested by supports of psychological contracts. Wellin (2007) further criticised psychological contracts for not being explicit, but rather subtly communicated in a random manner. In particular this author highlighted the challenges of poor communication on this by many organisations. This view suggested that the beliefs of an individual may have little or no impact on management expectations or actions.

Cullinane & Dundon (2006) also criticised theories on the psychological contract as broadly serving managers and actually deserting other social factors in the employment relationship. These authors went on to look at changes in the workplace as having changed the traditional understanding of the employment relationship, with the noticeable rise in individualist values among the workforce and the significant growth in informal arrangements. They noted that with more flexibility in working arrangements, there was fragmentation of the traditional employee-manager relationship. They questioned the willingness of managers to engage in relationship building activities with employees in order to create desired psychological contracts. They are concerned with the increased likelihood to break promises and deals in this demanding market environment.

There is also recognition of shifts in psychological contracts over time. Rousseau (1995) explained that the psychological contract tends to be a subjective perception which differs between individuals, suggesting that it is a dynamic perception that changes over time during the relationship between employee and employer.

Atkinson (2002) gave encouragement to employers by suggesting that changes to psychological contracts need not damage the employment relationship, but rather need to be understood and managed more proactively. This involves the ability to renegotiate contracts and minimise possibilities of violating contracts.

However, there was also a view expressed around the scarcity of psychological contract breach in the public sector. Cassar (2000) struggled with the idea that the public service is viewed as a protector of jobs and as such they may not update their HR practices and protect the old promise of job security and advancement. This may also have been true for the South African public service which is generally seen to be behind the private sector in relation to human resource practices, however it is no longer the case with the increased demand for delivery and competition for talent as is evidenced in an example such as the National Treasury which competes for talent with the private sector and has a vested interest in understanding key drivers of employee motivation and retention such as psychological contracts.

2.2.6. Features of Psychological Contracts

Rousseau (2004) highlighted key features that characterise psychological contracts. These include the voluntary nature of the contract which make the contract more binding, the beliefs in relation with the mutual agreement that motivates parties, the incompleteness of the contract which allows for flexibility in terms of adding to or changing the contract, multiple contract makers which include various stakeholders and HR practices in the organisation, and the management of losses when contract fails.

Rousseau (2004) further showed the employer and employee's impact on the psychological contracts, respectively. In terms of the employer, the influence on the psychological contracts extends to socialisation events such as recruitment, onboarding and development initiatives within the organisation. The degree of fulfilment of employees from such interventions will link closely to the types of psychological contracts present. Managers in particular played a significant role in amplifying or downplaying messages sent by the firm's HR practices.

Similarly, Rousseau (2004) discussed the role of the employee. The employees tend to respond to the tone set by managers regarding the nature of their relationship in relation to organisational practices. Employees also shape their own psychological contracts through career goals, their personalities and preferences, as well as other unique specially negotiated contracts such as those that exist for critical skills, as a response to skills gaps in the market.

2.2.7. Knowledge workers and psychological contracts

With career management being recognised as a tool for strategic control and development, it is important that organisations adopt career strategies that meet the needs of all parties, whilst attracting, developing and retaining the right talent for the organisation. Lack of career planning ability by organisation adds a challenge as the psychological contract has evolved. There is a need to organisations to explore alternatives to the traditional role of job security, to avoid and/or manage increased problems in the employment relationship (Atkinson, 2002).

Wocke and Sutherland (2008) advocate that when a psychological contract that is met, the knowledge worker felt an obligation to contribute. Therefore managers hoping to expand extra effort and increase intent to stay amongst critical employees would need to be aware of this lever.

2.2.8. Fulfilment and violation of the psychological contract

When either party to a psychological contract knowingly or unknowingly breaks a promise to the other, there is a violation of the contract. It is important for organisations to understand how their leaders in particular may be violating psychological contracts. A leader is required to manage perceptions on a continuous basis. These perceptions are often formed based on factors in the immediate work environment. Leaders tend to have the ability to influence environment factors, and therefore experiences for employees. Rousseau and Robinson (1994) highlighted the results of psychological contract violation as distrust, dissatisfaction, and possibly the dissolution of the relationship itself. As such leaders needed to be aware.

Wocke and Sutherland (2008) also discuss how various reactions can emerge from the violation of the psychological contract. Some of the reactions include moving from one type of psychological contract to another and in some cases once violated, no contract is left.

Rousseau and Robinson (1994) discuss how failure to honour a contract creates a sense of wrongdoing, deception and betrayal that then has implications for the employment relationship. Rousseau (2004) later discussed the impact of psychological contracts that are not honoured by any of the parties involved and the damaging resulting negativity that tends to occur. The employees' career aspirations also determine their response to any violation in the contract. Rousseau and Robinson (1994) had earlier, expanded on how employees who place greater emphasis on the employment relationship itself will be more negatively influenced by the violation than those who do not.

Individuals with high career ambitions perceived their current employer as an instrumental stepping-stone up the inter-organisational career ladder and are likely to adopt a more transactional employment relationship with their employer since this relationship is not intended to be long term and what is exchanged has more to do with what the employee values as more immediate rewards of the relationship. Rousseau and Robinson, 1994 emphasised how in contrast employees low on career ambitions had a more relational outlook than the careerist individuals who are expected to react to violations differently than those lower on this orientation since they place less value on the relationship itself.

2.2.9. Impact of organisational change on psychological contracts

Maguire (2002) touched on the key phenomenon of organisational change. She highlighted the challenge with the ability of the psychological contract to project predictability into employee's perceptions is that it creates a pull towards past expectation and a resultant resistance to change which impacts upon the ability of the psychological contracts to capture organisational phenomena accurately in times of organisational change. It is not unusual and is often imperative that employees also adjust their expectations from their employer as the organisation changes. They tend to reappraise, re-evaluate and renegotiate both their own and the employer's obligations.

It is important to keep employees engaged whilst going through change in the organisation. Rousseau et al. (1996) highlighted that organisations needed to manage the fine line of keeping their staff whilst going through change. She warned that changes which violate a contract or fail to substitute another effective one in its place will not do.

There is renowned documentation on organisational change and Bennett (2000) is one of the writers who have looked in the impact of organisational change to organisational commitment. Demers et al. (1992) in Bennett (2000) noted that organisations tend to be better at managing the technical and structural aspects of change with little to no regard for supporting the human side that goes with the change. They also sited various techniques for dealing with change that have been discussed over time and highlighted that these tend to recognise and agree that personal trust relationship often need restoration during change periods.

In his research Bennett (2000) showed that change appears to have serious implications for internalised commitment on the part of employees. This is then tied to the argument that change may dissolve such a commitment. He even offered a definition of commitment that takes into account the importance of an individual's identification with and involvement in a particular organisation. In this instance Bennett (2000) emphasised how commitment to the organisation relates positively to satisfaction in the job, whilst it is negatively linked to turnover and intention to leave.

In relation to psychological contracts as highlighted above, Rousseau (1990) highlighted the impact of perceived obligations not being met could lead to emotional reactions and impact on the employment relationship in a negative manner. In her research she spoke to the challenge that the employer and employee relationship involves unresolved issues since obligations being fulfilled differ amongst individuals and employers.

2.2.10. Changing the contract

Rousseau and Robinson (1994) wrote about the evolution of the psychological contract, which is unlike formal employment contracts, in that it is not made once but rather it is revised throughout the employee's tenure in the organisation. They spoke about the length of the relationship and pointed out that there are repeated cycles of contribution and reciprocity that add to the contract. With various events and changes the contract and perceptions of employees change.

Rousseau et al. (1996) further explored the two main ways of changing from one type of psychological contract to another, namely, accommodation and transformational change. Accommodating tends to be more gradual in the introduction of changes, whilst the transformational can be more radical. The stages of transformation require challenging the old contract, preparing for the change whilst generating the new contract and ultimately living the new contract.

Schalk and Roe (2007) emphasised the dynamic nature of psychological contracts. They highlighted that this is inherent in the concept and depending on the circumstances around which they were formed; the contacts can be breached or abandoned.

2.3. Leadership

2.3.1. Introducing and defining leadership

There are many definitions and interpretations of leadership. Although no unanimity exists on a particular definition, there are common schools of thought on the concept of leadership.

Hollander (1978) began with the basic requirements for leadership to exist, he pointed out that leadership is a dynamic phenomenon that involves the leader, followers and the situation. With these elements in mind, Bass (1985) refers to the variety of definitions of leadership that exist and the many variables that these definitions are based on such as behaviour, traits, position, style or process.

The view around behaviour as a key differentiator exists amongst many scholars such as Rowden (2000) who defined leadership as the behaviour that an individual when they coordinate and direct work towards a particular goal. Kotter's (1988) definition is aligned to this view in that he sees a leadership as involving the coordination and motivation of followers towards the attainment of goals that have long term benefits.

Avolio, Weichun, Koh, and Bhatia (2004) highlighted leadership as one of the personal and organisational factors that is considered a key determinant of organisational commitment. The current demands in many organisations, whether in the public or private sectors, call for leaders to drive the direction of their organisations whilst beating challenges of the external and internal environment as highlighted in the previous two chapters. Leaders are therefore important to understand as they hold the keys to processes to make use of their talent and efforts of other group members to be able to reach the group's goals.

This study focused on the concept of Leadership brand as introduced by Ulrich and Smallwood (2007). Leadership is then discussed in the chapter in terms of approaches to leadership, namely transformational and transactional leadership. There was further

exploration of these approaches to understand their characteristics in an effort to also identify them and how they can improve or derail organisations like the National Treasury as it aims to achieve its mandate.

Bass (1985); Avolio, Waldman, and Yammarino (1991) have brought another perspective through the work they have led that defines leadership in terms of styles and has through their description of the transactional, transformational and laissez-faire leadership styles.

These definitions show that various perspectives on leadership exist. The dynamic nature of the concept also became apparent which leads to a necessity to align to a particular approach in order to create meaning of the requested data in the research process.

Whilst many definitions of leadership exist, Burns (1978) identified two leadership styles, transformational and transactional leadership. Lowe, Kroeck & Sivasubramaniam (1996) discussed the origins of the transformational leader as a construct suggested by Burns based on a qualitative analysis of various political leaders. Bass (1985) is also known for his slant towards looking at leadership in terms of approaches. His three prominent leadership approaches are transactional, transformational and laissez-faire leadership.

Avolio et al. (1991) defined transactional leadership as characterised by a telling approach where leaders define goals for subordinates and how goals should be executed, whilst transformational leadership is distinguished more in terms of its holistic focus on organisational factors through inspiration and encouragement of subordinates to own the organisational vision and goals(Bass, 1990). Whereas the transactional leaders makes decisions and specifies requirements for goal attainment, Laissez-faire leadership then differs in that subordinates are left on their own with no specific agreements , no clarity on expectations and with little decisions being taken by the leader. Laissez-faire leaders are seen as passive because of the tendency to take no action at all (Bass, Avolio, Jung, & Berson, 2003).

2.3.2. Distinguishing Leadership from Management

Leadership and Management are concepts that tend to be used interchangeably. Some scholars prefer to distinguish between the two. Kotter (1990) is one such author who distinguishes Leadership behaviours as involving setting direction, coping with change, whilst aligning, motivating and inspiring people. This is in comparison to Management behaviours which he highlights as involved with organising and staffing whilst coping with complexity, planning, budgeting and problem solving. Managers tend to rely on formal authority, whilst leaders have to persuade followers using their ability to articulate a vision and to assisting with ordering of priorities.

Other key differentiators highlighted by Vecchio (1997) include the maintenance of status quo by managers though the use of their formal authority versus leaders who tend to introduce change and motivate for success and implementation of that change. The other differentiator highlighted pertains to the ability of some leaders to be managers, but not necessarily all managers can be leaders.

Management has had a focus on the maintenance of the organisation while, the focus on leadership has been on the creation of an organisation. As such the main responsibilities of a leader are to create a good climate for creating growth and success across the organisation, whilst giving strategic direction. Ulrich and Smallwood (2004) emphasised this together with the consideration that assets like leadership, talent and speed create value for organisations in the respective markets that they compete.

There is agreement and recognition that all managers need to acquire and demonstrate leadership ability to better the interests of the organisation. Abbasi and Hollman (2000) wrote about the need for today's managers to provide strong leadership in an environment where technology is growing at a fast pace, change is constant and uncertainty is never ending. Therefore hiring, training, motivating and retaining the right people with the right skills becomes a combined management and leadership duty.

2.3.3. Leadership Development through acquisition of competencies

Ulrich, Intagliata, and Smallwood (2000) emphasised the criticality of competencies as levers to produce leadership brand because through guiding direction, being measurable, being easy to learn and being able to differentiate the organisation. Their critique of many other competency models was based on their competencies being focused more on behaviour than results; the competencies are too generic; insufficient attention is paid to competency application and competency models are owned by HR more than line managers.

Abbasi and Hollman (2000) warned that the work environment of any organisation is a reflection of the personality and philosophy of its leadership. It then means that the loyalty, performance and satisfaction of employees was influenced directly by the leadership of that organisation.

Ulrich et al. (2000) refer to various research efforts that have been done in attempts to understand leadership attributes required for success. They criticised these and highlighted how leadership continues to be in crisis and they therefore advocate for organisations to rather build leadership brands in order to gain a return on leadership development efforts. They liken leadership to a product. In particular they looked at branding as a distinguishing factor in a market full of similar products. In the same manner they constructed a model for the Leadership Brand that they advocate for amongst organisations that wish to be successful. They define Leadership Brand as a “shared identity among the organisation’s leaders that differentiates what they can do from what their rival’s leaders can do” (Ulrich & Smallwood, 2007, p.2).

2.3.4. Why distinguish Leadership as a Brand

Ulrich et al. (2000) believe that leadership that is branded creates a culture that then infiltrates the organisation and when tightly linked to the organisational goals and strategy, can create desired behaviours and attitudes throughout the organisation. Ulrich and Smallwood (2007) highlighted the consideration that a brand has both core and differential elements that can assist to make the brand last over a longer period of time.

There are five main areas that constitute the practice of leadership branding explored by Ulrich and Smallwood (2007). These include having certain fundamentals in place such as a strategy for the organisation including talent attraction and development, secondly being able to link the abilities of executives to the organisation's desired reputations, thirdly, being able to assess and measure leaders against the set leadership brand, fourth, learning from customers and investors in order to improve service levels, and lastly, being to track the long-term success of the organisation's leadership brand (Ulrich & Smallwood, 2007).

2.3.5. Leadership theories and approaches:

Hay and Hodgkinson (2006) argued that a lot of ambiguity surrounds various attempts by scholars to understand the concept of leadership. They outline four chronological phases in the development of the leadership theories. These are:

- Trait theories which are concerned with the identification of leadership traits;
- Behavioural theories which are concerned with the identification of behavioural styles of leadership;
- Contingency theories which are concerned with a focus on fitting behavioural styles to situational factors; and
- New theories of leadership which focus on the articulation of a vision (p.145).

Mostovicz, Kakabadse, and Kakabadse (2009) expressed the view that all Leadership theories regardless of the point in time have a common framework in terms of how they are constructed. The authors highlight that most theories rest on a model of reviewing the past, the present and future in order to define tasks, philosophies and attributes required for success.

2.3.5.1. Full Range Leadership Approach

Bass and Avolio (1994; 1997) developed the Full Range Leadership (FRL) approach encompassing a range of leader behaviours. The model covers leadership across a range from passive avoidant to transactional, up to transformational as shown in Figure 2.2 below:

Figure 2.2 : The Full Range Leadership Development Theory

Transformational Leadership style	Transactional Leadership style	Laissez-Faire style
Idealised influence (Attributed) Idealised influence (Behaviour) Inspirational motivation Intellectual stimulation	Individual consideration Contingent Reward Management-by-exception (Active)	Management-by-exception (Passive) Laissez-Faire

Source: Bass and Avolio (1994)

This follows Bass' (1985) conceptualisation of seven leadership factors of transformational and transactional leadership, which included charisma, inspirational, intellectual stimulation, individualized consideration, contingent reward, management-by-exception and laissez-faire leadership. However upon testing and with further developments, he noted that charismatic and inspirational leadership were not empirically distinguishable and therefore the model was reduced to six factors. (Avolio, Bass & Jung, 1999, p.444-445). The six factors have operational definitions. These are shown in Figure 2.3 below.

Figure 2.3 : Definitions of transformational and transactional leadership factors

Factor	Operational Definition
1) Charisma/Inspirational	Provides followers with a clear sense of purpose that is energising, is a role model for ethical conduct and builds identification with a leader and his or her articulated vision;
2)Intellectual stimulation:	Gets followers to question the tried and true ways of solving problems, and encourages them to question the methods they use to improve upon them;
3) Individualized Consideration:	Focuses on understanding the needs of each follower and works continuously to get them to develop to their full potential;
4) Contingent Reward:	Clarifies what is expected from followers and what they will receive if they meet expected levels of performance;
5) Active Management-by-Exception :	Focuses on monitoring task execution for any problems that might arise and correcting those problems to maintain current performance levels;
6) Passive-Avoidant-Leadership:	Tends to react only after problems have become serious to take corrective action, and often avoids making any decisions at all.

Components of transformational and transactional leadership have been identified in a variety of ways, including through the use of factor analyses, observations, interviews, descriptions of a follower's ideal leader, and using the Multifactor Leadership Questionnaire. Bass et al. (2003).

2.3.5.1.1. Transformational leadership

Transformational leaders are characterised by their ability to influence their followers to share organisational goals and values, whilst motivating them to be more self-less in attaining organisational goals (Burns, 1978).

Bass and Avolio (1990) stated that pride and respect characterise the relationship between a transformational leader and followers are tend to be characterised by pride and respect. This speaks to the high level of trust and confidence that is then developed in the organisation since employees are encouraged to problem- solve and add value.

Carlson and Perrewe (1995) defined transformational leadership as the process of influencing major changes in the attitudes of employees so that the goals of the organisation and the vision of the leader are internalised. They emphasise that it is in this process that leaders and follower's morality and motivation levels are raised. They go further to list characteristics of transformational leaders, they highlight that transformational leaders have vision, they understand human needs, and they tend to have a strong set of personal core values.

Bass et al. (2003) wrote about the need for adaptive, flexible leadership given the pace of change that currently confronts organisations. They argue that adaptive leaders are best placed to make sense of challenges that confront both leaders and followers, and then provide relevant solutions to the challenges. These leaders tend to allow for creative solutions from followers. They associate this type of leader with Transformational Leadership.

Avolio et al. (2004) suggested that transformational leadership is positively associated with organisational commitment. This is based on the transformational leader's ability to influence their followers' commitment when they promote higher levels of intrinsic value associated with goal accomplishment, emphasizing the linkages between follower effort and goal achievement. This is done through creating a higher level of personal commitment on the part of the leader and followers to a common vision and goals.

Although critics of transformational leadership, often challenge its association with morality and ethical values, writers such as Bass and Steidlmeiser (1999) seeing it as closely linked and argue for their view that transformational leadership must be grounded in moral foundations. In particular they identify four components of what they refer to as authentic transformational leadership. These components are: idealised influence, inspirational motivation, intellectual stimulation and individualised consideration.

Bass (1995) defined the Transformational leaders as those who: (1) motivated followers to do more than you originally expected to do, (2) raised follower's level of awareness about important matters, (3) increased follower's level of needs from need for security or recognition to need for achievement or self-actualization, and/ or (4) led followers to transcend your own self-interests for the good of the team or the organisation.

Impact on Organisational ethics

Carlson and Perrewe (1995) focus on a challenge facing many organisations as the world and organisations evolve, this is the challenge of creating ethical organisations. They see transformational leadership as one that lends itself to the creation of an ethical environment and as having a link to corporate ethics.

Carlson and Perrewe (1995) advocate for elements that create an ethical focus in the organisation to enable an environment where transformational leadership can succeed. The leader's ethical orientation is therefore seen as important in influencing employees to ethical too. This suggests leadership skills that are accompanied by integrity and behaviour that is ethical. For this to be successful, they also recommend that there be support from the highest level in the organisation, including policy support. With these elements in place, they argue that the transformational leadership process will result in institutionalisation of a particular psychological contract, organisational commitment and ethically-oriented culture.

In relation to the psychological contract, they emphasise the need for a match between the individual and the organisation's expectations regarding ethical behaviour in organisations in order to institutionalise ethics and create appropriate behavioural expectations (Carlson & Perrewe, 1995).

2.3.5.1.2. Transactional leadership

In much of the same way that transactional psychological contracts were defined, it appears that transactional leadership is also about the reciprocal nature of the interaction between leader and follower. Van Seters and Fields (1989) explain that leadership tends to come from the interaction between the leader and follower rather than in the people themselves.

Bass (1995) defined transactional leaders as those who (1) recognised what it is that followers wanted to get from your work and tried to see that followers got what they wanted if their performance warranted it, (2) exchange rewards and promises of reward for effort and good performance, and/or (3) were responsive to your immediate self-interests if these could be met by your getting the work done.

This type of leadership style requires more of a supervisory, check and balances type of approach to enable the intervening of leaders where necessary. In this relationship effort and productivity tend to be rewarded. Carlson and Perrewe (1995) define transactional leaders as those that give their followers something they want in return for something the leader want.

2.3.5.1.3. Transformational and Transactional Leadership as Complimentary Constructs

Bass (1985) viewed the transformational and transactional leadership paradigm as being comprised of complimentary rather than polar constructs. He argued that both styles could be used to achieve desired goals. Lowe et al. (1996) argued that the transformational leadership style is complimentary to the transactional style and is likely to be ineffective in the total absence of a transactional relationship between leaders and subordinates.

Bass et al. (2003) argue that the context that leaders and followers interact also determine which leadership approach fits best. Transformational leadership is regarded as more applicable when social values may be needed in times of change or distress, whilst transactional leadership seems to apply when society is in order. Transformational leadership is often expected to enhance performance capacity of followers since it looks at setting higher expectations and creating the necessary willingness to accomplish set goals.

Bass et al. (2003) point out that the various leadership approaches have their place in different work contexts. Transactional leadership appears to be appropriate when building the foundation for relationships between leaders and followers in terms of specifying expectations and clarifying responsibilities. Transformational leadership then tends to then heighten the development of followers, challenging them to think in ways in which they are not accustomed to thinking, inspiring them to accomplish beyond what they felt was possible. Therefore transactional leadership can form a base of leaders that show their reliability in executing against agreed goals. Whilst transformational leaders build on these initial levels of trust and create deeper meaningful identities amongst team members.

2.4 Conclusion

This chapter looked at existing theory in relation to psychological contracts and leadership. As stated in the introduction to the research problem, leadership and psychological contracts have been studied mostly as separate subjects; however the relationship between the two is still not well documented.

The literature answered some of the questions presented in the research problem of this study; particularly those relating to the types of leadership styles inspire confidence and motivation in employees, which in turn create a more relational psychological contract. The literature suggested that the transformational leadership style is one that is motivating and one that inspires long term fulfilling relationships in the workplace, as such it would suggest that a relational psychological contract may be associated with it. The hypotheses to test in relation to this are:

Hypothesis 1:

Employees who perceive a transformational leadership style will have a relational psychological contract

Hypothesis 2:

Employees who perceive a transactional leadership style will have a transactional psychological contract

The literature reviewed supports the view that psychological contracts may change over time and as such it is expected that leadership styles would influence the change in psychological contracts over time. The nature of relational psychological contracts is said to be long-term oriented and as such longer serving employees are likely to show more relational associations. The hypothesis to test in relation to this is:

Hypothesis 3:

Employees with longer tenure in terms service will have a more relational psychological contract than newer employees

Guest's (1998) model introduced the idea of organisational multi-agents that influence the psychological contracts of employees. A gap remains in terms of understanding the impact of these agents, in particular that of leaders in organisations. The literature covered implies that there is a relationship; however it is not sufficient to conclude on whether these constructs impact on each other and how they possibly do this. Therefore, there is a need for this study to get closer to establishing more information in relation to the nature of the relationship between psychological contracts and leadership styles.

The literature above certainly emphasised the dynamic nature of both psychological contracts and leadership, respectively. Schalk and Roe (2007) highlighted that this is inherent in the concept of psychological contracts and depending on the circumstances around which they were formed; the contacts can be breached or abandoned.

The complex nature of leadership also showed in the review with the leadership brand principles and practices coming up as an option to institute the appropriate brand for organisations once existing approaches to leadership are exposed in the study. As Bass (1995) suggested following a pilot study high-level transformational executives could move followers to exceed expectations and increase levels of productivity. It was however pointed out that different leadership approaches could apply to the same environment under different circumstances. Nguni, Slegers, & Denessen (2006) highlighted that there was actually a complimentary side to the relationship of the transformational and transactional leadership. The commonalities are based on the process by which leaders motivate followers or how leaders appeal to the followers to get particular results.

Mostovicz et al. (2009) concluded that the ideal leader does not exist in practice and leadership tends to be about progressive leadership. The intention then is often to keep review approaches and styles to create success and be able to sustain it. An understanding of the influence on the critical psychological contract variable is therefore important as an additional tool in the aim to constantly improve leadership.

The literature in relation to psychological contracts and leadership, respectively, also show links between these variables in relation to key concepts of motivation and commitment. This literature lays a strong foundation for further investigation of how these variables then interact and possibly influence one another. The following chapter sets out the exact research questions and hypothesis to be tested to show whether there is confirmation or rejection of the views formulated here.

3. CHAPTER 3: RESEARCH QUESTIONS AND HYPHOTHESES

The overall goal of the research is to understand the impact of leadership approaches on psychological contracts, and gain a better understanding the nature of the relationship between the two constructs. Once clear about which psychological contracts and leadership styles exist in the organisation, interventions can be developed to enhance the desired styles and behaviour for organisational success.

Saunders and Lewis (2012) define research questions as “key questions that the research process will address. These are often the precursor to research objectives” (p.19).

A hypothesis is “a testable proposition stating that there is a significant difference or relationship between two or more variables” (Saunders & Lewis, 2012, p.25).

The research questions and related hypotheses for this research are as follows:

3.1. Research Question 1:

Do particular leadership styles accompany specific types of psychological contracts?

3.1.1. Hypothesis 1:

Employees who perceive a transformational leadership style will have a relational psychological contract

3.1.2. Hypothesis 2:

Employees who perceive a transactional leadership style will have a transactional psychological contract

3.2. Research Question 2:

Which types of leadership styles inspire confidence and motivation in employees, which in turn create a more relational psychological contract?

This research question will also be addressed through **Hypothesis 1**.

3.3. Research Question 3:

Do employees with longer service with the organisation have a more positive association in terms of psychological contracts?

3.3.1. Hypothesis 3:

Employees with longer tenure in terms service will have a more relational psychological contract than newer employers

4. CHAPTER 4: RESEARCH METHODOLOGY

4.1. Introduction

The previous chapters have shown that the concept of psychological contracts and the transformational and transactional leadership approaches, respectively, have been widely investigated. The literature did reveal, however that little research regarding the relationship of these leadership approaches and the psychological contract of employees. Some researchers have conducted studies that were close to this; however their conceptualisation focused more on understanding these constructs in isolation. There was no specific focus on the relationship and impact that these constructs have on one another.

This chapter presents the methodology used in investigating the research problem. The chapter describes the type and scope of study, the target population, the sampling technique, the method of data collection which includes a discussion on the questionnaire design and data analysis techniques.

The proposed research design includes determining the sample, administering the Multifactor Leadership questionnaire and the Psychological Contract questionnaire in a combined format, to be completed by the staff across management and lower levels. The data will then be captured and inspected using inferential statistics.

4.2. Type of the study

The research design used in the study was quantitative and descriptive in nature. The reviewed literature revealed that much exploratory research had taken place and a strong body of knowledge exists that now formed the foundation for this research. Saunders & Lewis (2012) define descriptive studies as “research designed to produce an accurate representation of persons, events or situations” (Saunders & Lewis, 2012, p.111).

4.3. Scope of the study

Firstly, many factors impact on the psychological contracts of employees, however for the purposes of this study the focus was to focus on the impact of leadership. More specifically, there was a focus on isolating and exploring how transformational and transactional leadership approaches impact on employees' psychological contracts within the National Treasury, South Africa.

Secondly, the study looked at the employees' perspective on the impact of psychological contracts. This means that the employer's perceptions and opinions were not addressed in the study.

Lastly, the study took place in the National Treasury environment and may not show the impact of these variables in other settings.

4.4. Target Population

Saunders & Lewis (2012) define the population as "the complete set of group members. The population need not necessarily be people or employees; it can, for example, be organisations or places" (Saunders & Lewis, 2012, p.132). The target population relevant for this study were National Treasury employees. For the purposes of the study, leadership consists of the executive level managers, which are referred to as chief directors, deputy directors-general, as well as the director-general. This is a population made up of 1150.

4.5. Sampling

Saunders & Lewis (2012) define a sampling frame as the complete list of all members of the total population. You select a sample from this list when using probability sampling. A complete list of the population exists and therefore, probability sampling is relevant. This refers to a variety of sampling techniques for selecting a sample at random from a complete list of the population. Based on the random selection the researcher knows the chance or probability of each member of your population being selected (Saunders & Lewis, 2012). To ensure accuracy and improve on the response rate, all employees were included in the sample.

4.6. Unit of Analysis

For the purposes of this study, the unit of analysis was the whole organisation. All employees within the National Treasury were targeted. In particular the study aims to look at their perceptions of the type of leadership that exists in the organisation and also look at their attitude in relation to obligations to the organisation and thereby gain knowledge on the type of psychological contracts that exist amongst them.

4.7. Method of Data Collection

A research survey method to gather primary data will be used. Questionnaire surveys are the most commonly used method to examine the psychological contract (Conway & Briner, 2005). Questionnaires are a good method for collecting data about the same things from a large number of respondents (Saunders & Lewis, 2012).

The study utilised an internet survey method to collect the data. This data collection method relies on participants having access to computers with internet. For the purposes of this study, it was confirmed that all National Treasury employees have access to computers and the internet. Saunders & Lewis (2012) discuss the ethical issues that come up when data is collected using the internet. They highlighted the main ethical consideration likely being around the issue of consent. In the case of this study, the matter of consent was addressed upfront before participants complete the survey.

Survey Monkey was used as an internet platform to collect data. This platform came with a number of functionalities that reduce the complexity of the data collection process. Some advantages include: survey questions were designed online, there was ease in crating subheadings and the questionnaire could be distributed via email using a link to the survey website.

A pre-test was done for a week, followed by a period of three weeks that allowed for the respondents to complete the questionnaire with a reminder email sent four times before the closing date to ensure high levels of participation.

4.8. Questionnaire Design

The questionnaire was developed specifically to answer the research hypotheses as highlighted in chapter 3 of this report. To eliminate structural and other problems, a pre-test of the questionnaire was conducted with lower level staff at the National Treasury. Based on the feedback there was no need to adjust any questions. There were varying reports on the length of the survey; however this was not changed to ensure that all key dimensions were tested appropriately.

The development of the questionnaire was mainly informed by the work research in the literature review. This influenced the questions developed for the study and ensured relevance. Appendix 1 shows how each of the constructs were adapted in order to develop the questionnaire that links to the problem identified.

There are three parts to the questionnaire, as per appendix 2. The first part represents general demographic details to enable categorisation and analysis of results across gender, race, job level, work experience and age. The psychological contracts questionnaire forms the second section of the assessment. This is based on an adaption of Rousseau's Psychological Contracts Index. The leadership styles that exist in the organisation will be measured through a Multifactor Leadership Questionnaire that forms the third part of the proposed survey.

4.8.1. Measuring instruments

4.8.1.1. Psychological Contracts

Appendix 1 provides more detail with regards to the make-up of the constructs tested. The Psychological Contracts questionnaire is adapted from the work of renowned psychological contracts theorist Rousseau, the Psychological Contract Scale (2000) with some adaption using the Psychological Contract Scale developed by Millward and Hopkins (1998) to ensure that all aspects were covered.

Rousseau's (2000) Psychological Contract Index distinguishes associated attitudes for the various psychological contracts, they are as follows:

Relational

- 1) Stability: Employee is obligated to remain with the firm and to do what is required to keep job. Employer has committed to offering stable wages and long-term employment.
- 2) Loyalty: Employee obligated to support the firm, manifest loyalty and commitment to the organization's needs and interests. Be a good organizational citizen. Employer has committed to supporting the well-being and interests of employees and their families.

Transactional

- 1) Narrow—Employee is obligated to perform only a fixed or limited set of duties, to do only what he or she is paid to do. Employer has committed to offer the worker only limited involvement in the organization, little or no training or other employee development.
- 2) Short-term—Employee has no obligations to remain with the firm; committed to work only for a limited time. Employer offers employment for only a specific or limited time, is not obligated to future commitments.

4.8.1.2. Transformational and Transactional Leadership

The Multifactor Leadership Questionnaire (MLQ) was formulated from the Full Range Leadership Development Theory, which was selected as most suitable theoretical construct of leadership for this study. Avolio and Bass (1997) are the main thinkers behind the MLQ. Many versions of the MLQ have been developed and tested since 1985 leading up to the most recent version of Form 5X which was used in this study.

The MLQ has become a common tool for measuring transformational and transactional leadership. It is made up of a number of statements about the leadership style of the managers being tested. The questionnaire used in this study contains 45 statements that classify, and then measure the key aspects of leadership behaviours. Each of the statements corresponds to one of the nine components of transformational, transactional or laissez-faire leadership factors.

The MLQ comprises a 5 point Likert scale and the respondents were requested to respond by indicating any of the following in relation to the statements and the frequency of observing certain behaviours in their managers: “Not at all”, “Once in a while”, “Sometimes”, “Fairly often”, and “Frequently if not always”.

4.9. Data Analysis

Data was cleaned, stored and analysed using STATA 11 S/E software. All tests were done at a 95% significance level. Indices were created for RPC, TPC, TAL and TL using Principle Component Analysis. This method combined responses for each type of Contract and created indices of responses that were ‘strongly disagree’, ‘disagree’, ‘not sure’, ‘agree’ and ‘strongly agree’ for psychological contracts and ‘not at all’, ‘once in a while’, ‘sometimes’, ‘fairly often’ and ‘frequently, if not always’ for leadership styles.

4.9.1. Frequency Distributions:

The analysis began with producing frequency distributions in order to describe the biographical, psychological and leadership characteristics of the respondents. These are displayed in the form of graphs and tables.

4.9.2. Cross Tabulations:

To identify if each biographical characteristic is independently associated with each outcome variable, cross-tabulations displaying percentages and using chi-square likelihood is displayed. The significance of the relationship between variables is shown below.

4.9.3. Ordered Logistic Regression:

Ordered Logistic Regression (OLR), a statistical technique that can sometimes be used with an ordered dependent variable such as from low to high or agree to disagree. In this study models were built to test the odds of psychological and leadership responses by all biographical information. Odds Ratios were defined and measured. If an Odds Ratio is the value of 1, then there are even odds of association. If the Odds Ratio is greater than ($>$) 1 then the odds of association are more likely and if the Odds Ratio is less than ($<$) 1 then there is less likelihood of an association being present. Lastly, Reference Categories (RC) where the odds are even or a value of 1 was based on individual biographical elements.

4.10. Limitations of the Study

The research is limited to the National Treasury and the research process depends highly on participation of the target group. A possible limitation may be fears related to confidentiality, particularly given that the author is a senior HR manager. This will need to be managed carefully to avoid controllable response and non-response biases. This research is based on the National Treasury and may therefore be difficult to generalise to all organisations.

5. CHAPTER 5: RESULTS

5.1. Introduction

In this chapter the response rates, demographic information and the results on hypotheses tested will be presented.

5.2. Response Rate

Employees of the National Treasury were requested to participate in the survey following the determination of the sampling frame and choosing a sample. There were emails sent separately to employees in the National Treasury to give them an opportunity to participate. Of the 250 targeted employees 212 responded, therefore the response rate was 85%. It should however be noted that of the 85% response rate, some respondents had to be rejected as unsuitable because they did not complete enough of the questionnaire for their responses to be used in the survey. Ultimately, 151 (60%) completed the questionnaire sufficiently enough to be considered complete, this was considered enough to make conclusions about the population. Thus, the study achieved a final overall response rate of 60%.

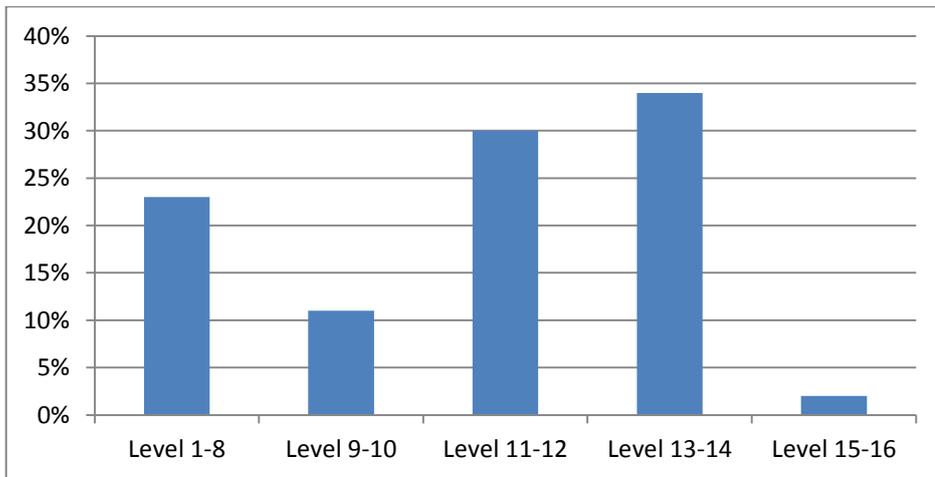
5.3. Demographic information

To determine the demographic profile of employees who participated in the study, there were four questions asked. The questions were on occupational level, gender, race and years of service with the National Treasury.

5.3.1. Frequency distributions

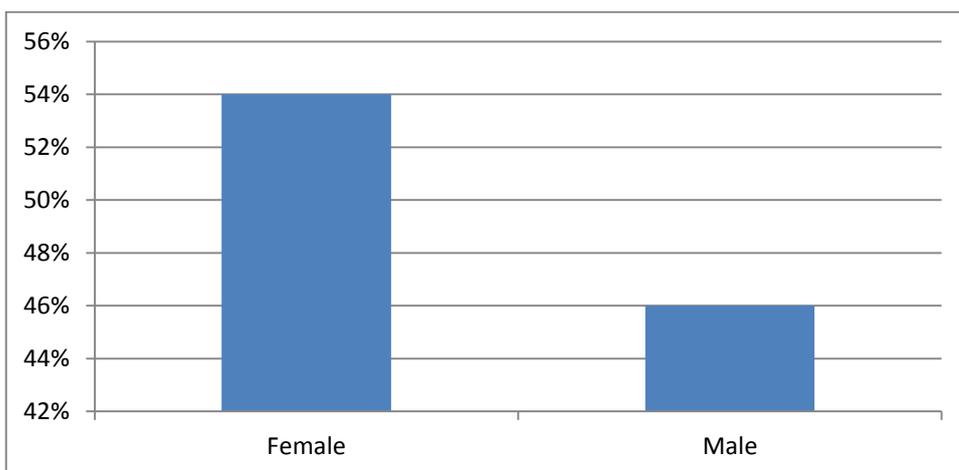
The distribution of the sample for each of the demographic variables is graphically presented below as figure 5.1. through to figure 5.4.:

Figure 5.1. Representation by Occupational Level



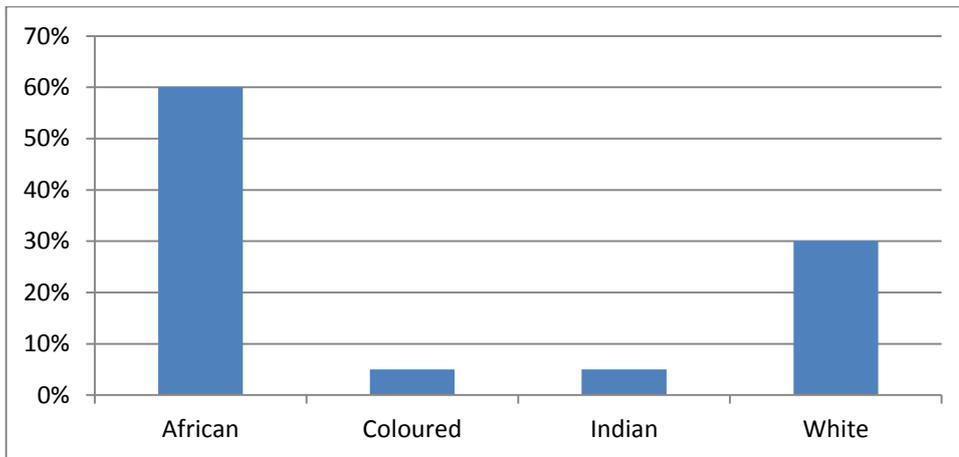
In terms of representation by occupational level the highest number of employees to participate were senior management staff Level 13-14 category (34%, 51 respondents). Junior supervisory staff classified as Level 11-12 were the second highest category (30%, 46 respondents). The categories with the lowest participation were Level 1-8 (23%, 35 respondents), followed by Level 9-10 (11%, 16 respondents) and Level 15-16 (2%, 3 respondents). The representation across different levels is important to ensure lack of biasness in the responses in favour of one particular level.

Figure 5.2. Representation by Gender



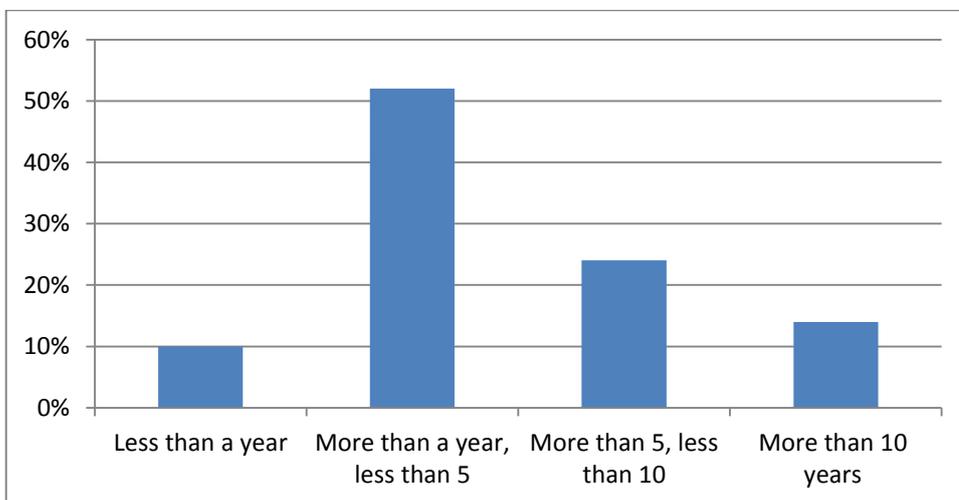
The participation by gender in the study showed a split of 46% males and 54% females. That means 70 males and 81 females that participated in the study respectively.

Figure 5.3. Representation by Race



Africans represented the majority of participants in terms of race with 60% (90 respondents), this is compared to Whites with 30% (45 respondents). The Indians and Coloureds had 5% (8 respondents), respectively.

Figure 5.4. Representation by Years of Service (tenure)



Employees with the highest representation in terms of tenure were those with 1 to 5 years of service at 52% (79 respondents), this was followed by employees with 6 to 9 years of service at 24% (36 respondents). Employees with more than 10 years of service occupied third place with a representation rate of 14% (21 respondents), followed lastly by employees with less than a year in the organisation at 10% (15 respondents).

5.4. Consistency and Reliability of the Scales used in the study

A number of constructs were measured by the questionnaire in an attempt to investigate the research problem. The concept of psychological contract consisted of two constructs, namely the relational and the transactional dimensions. In addition to these, there were two additional constructs to measure the concept of leadership; these were transformational leadership and transactional leadership.

The measurements for these constructs were mainly derived from the literature, and there was an indication by scholars who used them before that they were reliable.

5.5. Responses per construct

Key:

Relational A / RPC:	Relational Psychological Contracts
Transactional A / TPC:	Transactional Psychological Contracts
Transformational A / TL:	Transformational Leadership Style
Transactional B / TAL:	Transactional Leadership Style

5.5.1. Relational Psychological Contracts

5.5.1.1. Percentage distribution of the Index of Relational Psychological Contracts

Table 5.1. Overall response to Relational Psychological Contract Statements

Index of Relational	Freq.	Percentage
Strongly Disagree	12	8%
Disagree	30	20%
Not sure	26	17%
Agree	51	34%
Strongly Agree	32	21%
Total	151	100%

55% of participants appear to have a relational psychological contract. This is based on a combination of 34% who agree and 21% who strongly agree. This is compared to 20% who disagree and 8% who strongly disagree.

5.5.1.2. Cross-tabs of Relational Psychological Contracts and Biographical Information

Table 5.2. Responses by Occupational Level: RPC

Relational (A) Row Labels	Level 13 – 14	Level 11 – 12	Level 1 - 8	Level 15 - 16	Level 9 – 10	Grand Total
Agree	72	27	54	0	27	180
Disagree	81	171	198	18	27	495
Not sure	90	81	81	9	27	288
Strongly Agree	9	9	18	0	9	45
Strongly Disagree	63	126	108	0	54	351
Grand Total	315	414	459	27	144	1359

This table shows the frequency distribution of RPC responses by level of occupation. Most lower level employees ‘strongly disagree’ with RPC compared to higher level employees. These lower level employees (Level 1-8 and Level 9-10) represent non-management staff. More senior members of staff perceive the existence of relational psychological contracts.

Table 5.3. Responses by Gender: RPC

Relational (A) Row Labels	Male	Female	Grand Total
Agree	117	63	180
Disagree	261	234	495
Not sure	135	153	288
Strongly Agree	36	9	45
Strongly Disagree	180	171	351
Grand Total	729	630	1359

The table shows distribution of RPC answers by sex of the respondents. There are no significant differences relating to gender. More males than females disagreed, whilst 14% of males and females respectively strongly agreed with the RPC statements.

Table 5.4. Responses by Race: RPC

Relational (A) Row Labels	African	Coloured	Indian	White	Grand Total
Agree	100	20	20	40	180
Disagree	216	36	27	207	495
Not sure	153	18	36	81	288
Strongly Agree	36	0	0	9	45
Strongly Disagree	225	18	9	99	351
Grand Total	560	92	92	396	1359

It appears that all race groups have the highest number of participants disagreeing with the statements in relation to RPC. Africans appear to have the highest percentage that disagree with these statements followed by Coloureds and Indians (27%, respectively) with Whites at 24%.

Table 5.5. Responses by tenure: RPC

Relational (A) Row Labels	Less than one year	More than 10 years	More than 1 year, but less than 5 years	More than 5 year, but less than 10 years	Grand Total
Agree	36	108	9	27	180
Disagree	36	270	63	126	495
Not sure	45	126	45	72	288
Strongly Agree	0	27	0	18	45
Strongly Disagree	18	180	72	81	351
Grand Total	135	711	189	324	1359

The distribution of results by tenure reveals that the employees with the highest tenure disagree the most with the RPC statements. At 60% disagreement (40% 'strongly disagree' and 20% 'disagree'), the employees with more than 10 years of service with National Treasury. This is followed by employees with 5-10 years tenure at 42% whilst the opposite appears to be true for employees with less tenure. There is 39% agreement for employees with less than 1 year and 42% for employees with 1-5 years of tenure.

5.5.1.3. Logistic Regression of Relational Psychological Contract and Biographical information

Table 5.6. Logistic Regression: RPC and Biographical information

Ordered logistic regression		Number of obs =			207		
		LR chi2(11) =			9.14		
		Prob > chi2 =			0.6089		
Log likelihood =	-316.53061	Pseudo R2 =			0.0142		
RPC2	Odds Ratio	Std. Err.	z	P>z	[95% Conf. Interval]		
Occupational							
Level 1-8	RC						
Level 9-10	0.4873284	0.2262038	-1.55	0.121	0.1962089	1.210389	
Level 11-12	0.9343458	0.333647	-0.19	0.849	0.464035	1.881328	
Level 13-14	0.6742135	0.2433803	-1.09	0.275	0.3322976	1.367942	
Level 15-16	1.482968	1.479307	0.4	0.693	0.2099091	10.47688	
Sex							
Male	RC						
Female	1.124884	0.2939034	0.45	0.652	0.674079	1.877176	
Race/ Population Group							
African	RC						
Coloured	0.8378286	0.4717662	-0.31	0.753	0.2778811	2.526105	
Indian	1.079529	0.6181115	0.13	0.894	0.351445	3.315975	
White	0.8931187	0.2649924	-0.38	0.703	0.499291	1.597587	
Years of Service							
<1 year	RC						
>1 year, <5 years	1.142638	0.5316353	0.29	0.774	0.4590606	2.844116	
>5 years, <10 years	0.9698572	0.4928231	-0.06	0.952	0.3582435	2.625653	
>10 years	0.5331438	0.2817876	-1.19	0.234	0.1892128	1.502236	
/cut1	-1.097849	0.5461625			-2.168308	-0.0273899	
/cut2	-0.5567593	0.5448294			-1.624605	0.5110867	
/cut3	0.235188	0.5431902			-0.8294453	1.299821	
/cut4	1.599707	0.5532876			0.5152834	2.684131	

The model has a p value (Prob>chi2) > 0.05, therefore the model is insignificant compared to the null model which has no predictors.

None of the biographical characteristics are significant since they are all above 0.05

In terms of Odd Ratios, it appears that employees at Levels 15-16 are 1.48 times more likely to be associated with RPC than employees at Level 1-8.

In terms of tenure it appears that employees with more than 10years in the organisation are less likely to be associated with RPC compared to employees with less tenure, particularly with less than a year in the organisation.

5.5.2. Transactional Psychological Contracts

5.5.2.1. Percentage distribution of the Index of Transactional Psychological Contracts

Table 5.7. Overall response to Transactional Psychological Contract Statements

Index of Transactional A	Freq.	Percentage
Strongly Disagree	36	24%
Disagree	42	28%
Not sure	5	3%
Agree	50	33%
Strongly Agree	18	12%
Total	151	100%

52% of participants do not agree with transactional psychological contract statements. This is derived from a combination of 24% strongly disagree and 28% disagree. 45% recognise elements of transactional psychological contracts.

5.5.2.2. Cross-tabs of Transactional Psychological Contracts and Biographical Information

Table 5.8. Responses by Occupational Level: TPC

Transactional (A) Row Labels	Level 1 - 8	Level 11 – 12	Level 9 – 10	Level 15 - 16	Level 13 – 14	Grand Total
Agree	48	18	36	0	18	120
Disagree	54	114	132	12	18	330
Not sure	60	54	54	6	18	192
Strongly Agree	6	6	12	0	6	30
Strongly Disagree	42	84	72	0	36	234
Grand Total	210	276	306	18	96	906

This table shows the percentage distribution of TPC responses by level of occupation. Most lower level employees 'strongly disagree' with TPC compared to higher level employees. With more uncertainty at senior management level.

Table 5.9. Responses by Gender: TPC

Transactional (A) Row Labels	Female	Male	Grand Total
Agree	78	42	120
Disagree	174	156	330
Not sure	90	102	192
Strongly Agree	24	6	30
Strongly Disagree	120	114	234
Grand Total	486	420	906

The table shows distribution of RPC answers by sex of the respondents. There are no significant differences relating to gender. More males than females disagreed, whilst 12% of males and females respectively strongly agreed with the TPC statements.

Table 5.10. Responses by Race: TPC

Transactional (A) Row Labels	African	Coloured	Indian	White	Grand Total
Agree	90	6	7	20	120
Disagree	144	24	18	138	330
Not sure	102	12	24	54	192
Strongly Agree	24	0	0	6	30
Strongly Disagree	150	12	6	66	234
Grand Total	540	48	48	264	906

It appears that all race groups have the highest number of participants disagreeing with the statements in relation to TPC. Africans appear to have the highest percentage that disagree with these statements (34%) followed by Coloureds and Indians (27%, respectively) with Whites at 24%.

Table 5.11. Responses by tenure: TPC

Transactional (A)					
Row Labels	Less than one year	More than 1 year, but less than 5 years	More than 10 years	More than 5 year, but less than 10 years	Grand Total
Agree	24	72	6	18	120
Disagree	24	180	42	84	330
Not sure	30	84	30	48	192
Strongly Agree	0	18	0	12	30
Strongly Disagree	12	120	48	54	234
Grand Total	90	474	126	216	906

The distribution of results by tenure reveals that the employees with the highest tenure disagree the most with the TPC statements. At 57% disagreement (40% 'strongly disagree' and 17% 'disagree'), the employees with 5-10 years of service with National Treasury. This is followed by employees with less than 1 year in the organisation (43%), whilst employees with 1-5 years and less than a year have disagreements representation at 39%, respectively. There appears to be consistency in these results, although there is strong representation of agreement at 34% for employees with less than 1 year and employees with more than 10 years of tenure, respectively.

5.5.2.3. Logistic Regression of Transactional Psychological Contract and Biographical information

Table 5.12. Logistic Regression: TPC and Biographical information

Ordered logistic regression		Number of obs =					
		LR chi2(11) =				207	
		Prob > chi2 =				8.83	
Log likelihood =	-314.06265	Pseudo R2 =				0.6378	
						0.0139	
TPC	Odds Ratio	Std. Err.	z	P>z	[95% Conf.	Interval]	
Occupational Level							
Level 1-8	RC						
Level 9-10	0.5534195	0.2484517	-1.32	0.188	0.2295708	1.334112	
Level 11-12	1.112888	0.3940811	0.3	0.763	0.5559493	2.227756	
Level 13-14	1.002878	0.3611679	0.01	0.994	0.495112	2.031386	
Level 15-16	4.078748	4.441595	1.29	0.197	0.4826166	34.47082	
Sex							
Male	RC						
Female	1.280069	0.3398322	0.93	0.352	0.7607758	2.153823	
Race/ Population Group							
African	RC						
Coloured	0.9634043	0.5617365	-0.06	0.949	0.3072519	3.020804	
Indian	1.422311	0.8187763	0.61	0.541	0.4602425	4.395441	
White	1.193563	0.3624046	0.58	0.56	0.6582533	2.164202	
Years of Service							
<1 year	RC						
>1 year, <5 years	1.193703	0.5431013	0.39	0.697	0.4893541	2.911851	
>5 years, <10 years	1.010456	0.5067963	0.02	0.983	0.3780905	2.70047	
>10 years	0.6013889	0.3157931	-0.97	0.333	0.2148742	1.683165	
/cut1	-0.6526724	0.5331969			-1.697719	0.3923743	
/cut2	-0.1054483	0.5334497			-1.15099	0.9400939	
/cut3	1.020281	0.5350428			-0.0283839	2.068945	
/cut4	2.210424	0.5526369			1.127275	3.293572	

The model has a p value (Prob>chi2) > 0.05, therefore the model is insignificant compared to the null model which has no predictors.

None of the biographical characteristics are significant since they are all above 0.05

In terms of Odd Ratios, it appears that employees at Levels 15-16 are 4.08 times more likely to be associated with TPC than employees at Level 1-8.

In terms of race Indian employees are 1.42 times more likely to be associated with TPC than African employees. The other race groups appear have more even odds.

In terms of tenure it appears that employees with more than 10years in the organisation are less likely to be associated with RPC compared to employees with less tenure, particularly with less than a year in the organisation.

5.5.3. Transformational Leadership

5.5.3.1. Percentage distribution of the Index of Transformational Leadership

Table 5.13. Overall response to Transformational Leadership Statements

Index of Transformational	Freq.	Percentage
Not at all	22	14%
Once in a while	18	12%
Sometimes	33	22%
Fairly often	48	32%
Frequently, if not always	30	20%
Total	151	100%

Most participants perceived their managers as transformational leaders. This is evidenced by 74% who recognise the existence of transformation traits across varying levels (22% ‘sometimes’, 32% ‘fairly often’ and 20% ‘frequently if not always’). Compared to 14% indicating “Not at all” as a response to experiencing a transformational leadership approach.

5.5.3.2. Cross-tabs of Transformational Leadership and Biographical Information

Table 5.14. Responses by Occupational Level: TL

Transformational (B)						
Row Labels	Level 1 - 8	Level 11 - 12	Level 9 - 10	Level 15 - 16	Level 13 - 14	Grand Total
Agree	160	60	120	0	60	400
Disagree	180	380	440	40	60	1100
Not sure	200	180	180	20	60	640
Strongly Agree	20	20	40	0	20	100
Strongly Disagree	140	280	240	0	120	780
Grand Total	700	920	1020	60	320	3020

This table shows the percentage distribution of TL responses by level of occupation. Most lower level employees do not perceive the existence of ‘transformational leadership at play. Compared to senior management who seem to represent the majority of those who experience transformational leadership. .

Key to note: Since the Pr is <0.05 , it is statically significant.

Table 5.15. Responses by Gender: TL

Transformational (B)			
Row Labels	Female	Male	Grand Total
Agree	260	140	400
Disagree	580	520	1100
Not sure	300	340	640
Strongly Agree	80	20	100
Strongly Disagree	400	380	780
Grand Total	1620	1400	3020

The table shows distribution of TLC answers by sex of the respondents. There are no major gender differences in the results.

Table 5.16. Responses by Race: TL

Transformational (B)						
Row Labels	African	Coloured	Indian	White	(blank)	Grand Total
Agree	240	40	50	80	0	400
Disagree	480	80	60	460	20	1100
Not sure	340	40	80	180	0	640
Strongly Agree	80	0	0	20	0	100
Strongly Disagree	500	40	20	220	0	780
Grand Total	1800	160	160	880	20	3020

It appears that all race groups have the highest number of participants disagreeing with the statements in relation to RPC. Africans appear to have the highest percentage that disagree with these statements (34%) followed by Coloureds and Indians (27%, respectively) with Whites at 24%.

Table 5.17. Responses by tenure: TL

Transformational (B)					
Row Labels	Less than one year	More than 10 years	More than 1 year, but less than 5 years	More than 5 year, but less than 10 years	Grand Total
Agree	80	240	20	60	400
Disagree	80	600	140	280	1100
Not sure	100	280	100	160	640
Strongly Agree	0	60	0	40	100
Strongly Disagree	40	400	160	180	780
Grand Total	300	1580	420	720	3020

The distribution of results by tenure reveals that the employees with the highest tenure disagree the most with the TLC statements. At 40% disagreement ('Not at all'), the employees with more than 10 years of service with National Treasury. This is followed by employees with less than 1 year in the organisation (35%), whilst employees with 5-10 years and 1-5 years have disagreements representation at 28%, respectively. In terms of agreement or acknowledgement of TLC, the employees with lower tenure appear to agree to some existence of this leadership style. This is evidenced by 39% for employees less than a year and those with 1-5 years tenure respectively. Whilst employees with 5-10 years of tenure also display agreement at 34% representation. Note that agreement is based on the combined representation of 'fairly often' and 'frequently if not always'.

5.5.3.3. Logistic Regression of Transformational Leadership and Biographical information

Table 5.18. Logistic Regression: TL and Biographical information

Ordered logistic regression		Number of obs	=	207		
		LR chi2(11)	=	21.74		
		Prob > chi2	=	0.0264		
Log likelihood =	-307.01095	Pseudo R2	=	0.0342		
TALC	Odds Ratio	Std. Err.	z	P>z	[95% Conf.	Interval]
Occupational Level						
Level 1-8	RC					
Level 9-10	0.8918055	0.399351	-0.26	0.798	0.3707675	2.145056
Level 11-12	1.686304	0.5804753	1.52	0.129	0.85887	3.310887
Level 13-14	2.389869	0.8562437	2.43	0.015	1.184146	4.823287
Level 15-16	14.73862	15.7063	2.52	0.012	1.825445	118.9995
Sex						
Male	RC					
Female	1.74693	0.4619012	2.11	0.035	1.040427	2.933185
Race/ Population Group						
African	RC					
Coloured	1.403701	0.8460904	0.56	0.574	0.430732	4.574484
Indian	1.366569	0.8119425	0.53	0.599	0.4264742	4.378952
White	1.694181	0.5230352	1.71	0.088	0.925067	3.102749
Years of Service						
<1 year	RC					
>1 year, <5 years	1.353872	0.6171015	0.66	0.506	0.5541097	3.307954
>5 years, <10 years	1.057499	0.52985	0.11	0.911	0.3960899	2.823362
>10 years	0.6324352	0.3328683	-0.87	0.384	0.2254264	1.774301
/cut1	0.1150646	0.5258324			-0.9155479	1.145677
/cut2	0.5710392	0.5265663			-0.4610118	1.60309
/cut3	1.505014	0.5359261			0.4546181	2.55541
/cut4	2.955898	0.566601			1.84538	4.066415

The model has a p value (Prob>chi2) < 0.05, therefore the model is significant compared to the null model which has no predictors.

In terms of significance, the occupational level differences in perceptions between lower level employees and senior managers are most noticeable. Just as tenure seems to play a significant role in perceptions of the existence of a leadership style.

5.5.4. Transactional Leadership

5.5.4.1. Percentage distribution of the Index of Transactional Leadership

Table 5.19. Overall response to Transactional Leadership Statements

Index of Transactional B	Freq.	Percentage
Not at all	47	31%
Once in a while	26	17%
Sometimes	34	23%
Fairly often	27	18%
Frequently, if not always	17	11%
Total	151	100%

Most participants perceived their managers as transactional leaders. This is evidenced by 52% who recognise the existence of transformation traits across varying levels (23% ‘sometimes’, 18% ‘fairly often’ and 11% ‘frequently if not always’). Compared to 31% indicating “Not at all” as a response to experiencing a transactional leadership approach.

5.5.4.2. Cross-tabs of Transactional Leadership and Biographical Information

Table 5.20. Responses by Occupational Level: TAL

Transactional (B) Row Labels	Occupational Level						Grand Total
	Level 1 - 8	Level 11 - 12	Level 13 - 14	Level 15 - 16	Level 9 - 10		
Agree	128	48	96	0	48	320	
Disagree	144	304	352	32	48	880	
Not sure	160	144	144	16	48	512	
Strongly Agree	16	16	32	0	16	80	
Strongly Disagree	112	224	192	0	96	624	
Grand Total	560	736	816	48	256	2416	

This table shows the percentage distribution of TAL responses by level of occupation. Most lower level employees do not perceive the existence of ‘transactional leadership at play. Compared to senior management who seem to represent the majority of those who experience transformational leadership. .

Key to note: Since the Pr is <0.05, it is statically significant.

Table 5.21. Responses by Gender: TAL

Transactional (B)			
Row Labels	Female	Male	Grand Total
Agree	208	112	320
Disagree	464	416	880
Not sure	240	272	512
Strongly Agree	64	16	80
Strongly Disagree	320	304	624
Grand Total	1296	1120	2416

The table shows distribution of TALC answers by sex of the respondents. No major gender matters.

Table 5.22. Responses by Race: TAL

Transactional (B)						
Row Labels	African	Coloured	Indian	White	(blank)	Grand Total
Agree	320	0	0	0	0	320
Disagree	384	64	48	368	16	880
Not sure	272	32	64	144	0	512
Strongly Agree	64	0	0	16	0	80
Strongly Disagree	400	32	16	176	0	624
Grand Total	1440	128	128	704	16	2416

It appears that all race groups have the highest number of participants disagreeing with the statements in relation to RPC. Africans appear to have the highest percentage that disagree with these statements (34%) followed by Coloureds and Indians (27%, respectively) with Whites at 24%.

Table 5.23. Responses by tenure: TAL

Transactional (B)					
Row Labels	Less than one year	More than 1 year, but less than 5 years	More than 10 years	More than 5 year, but less than 10 years	Grand Total
Agree	64	192	16	48	320
Disagree	64	480	112	224	880
Not sure	80	224	80	128	512
Strongly Agree	0	48	0	32	80
Strongly Disagree	32	320	128	144	624
Grand Total	240	1264	336	576	2416

The distribution of results by tenure reveals that the employees with the highest tenure disagree the most with the TALC statements. At 40% disagreement ('Not at all'), the employees with more than 10 years of service with National Treasury. This is followed by employees with less than 1 year in the organisation (35%), whilst employees with 5-10 years and 1-5 years have disagreements representation at 28%, respectively. In terms of agreement or acknowledgement of TALC, the employees with higher tenure appear to agree to some existence of this leadership style. This is evidenced by 42% for employees with 5-10 years of tenure, followed by 40% for employees with 1-5 years in the organisation, whilst employees with more than 10 years represent 34% in terms of agreement. Note that agreement is based on the combined representation of 'fairly often' and 'frequently if not always'.

5.5.4.3. Logistic Regression of Transactional Leadership and Biographical information

Table 5.24. Logistic Regression: TAL and Biographical information

Ordered logistic regression		Number of obs	=	207		
		LR chi2(11)	=	21.51		
		Prob > chi2	=	0.0285		
Log likelihood =	-311.37848	Pseudo R2	=	0.0334		
TALC	Odds Ratio	Std. Err.	z	P>z	[95% Conf.	Interval]
Occupational Level						
Level 1-8	RC					
Level 9-10	0.7139884	0.3171975	-0.76	0.448	0.2989064	1.705482
Level 11-12	1.330336	0.4625497	0.82	0.412	0.6729824	2.629777
Level 13-14	1.690075	0.6038078	1.47	0.142	0.8390731	3.404177
Level 15-16	26.84672	33.98886	2.6	0.009	2.245129	321.0268
Sex						
Male	RC					
Female	1.613746	0.4267715	1.81	0.07	0.9610067	2.709843
Race/ Population Group						
African	RC					
Coloured	1.921888	1.231749	1.02	0.308	0.5472527	6.749446
Indian	1.564555	0.9275503	0.75	0.45	0.4895014	5.000665
White	1.779384	0.5579297	1.84	0.066	0.9624394	3.289772
Years of Service						
<1 year	RC					
>1 year, <5 years	1.762564	0.7840459	1.27	0.203	0.7370596	4.214898
>5 years, <10 years	1.452147	0.7105459	0.76	0.446	0.5565591	3.788869
>10 years	0.7367581	0.3827225	-0.59	0.556	0.2661661	2.039375
/cut1	0.1538614	0.5181847			-0.861762	1.169485
/cut2	0.6459204	0.5171422			-0.3676597	1.659501
/cut3	1.525461	0.5232018			0.500004	2.550917
/cut4	2.644788	0.5477991			1.571121	3.718454

The model has a p value (Prob>chi2) < 0.05, therefore the model is significant compared to the null model which has no predictors.

In terms of significance, the occupational level differences in perceptions between lower level employees and senior managers are most noticeable. Just as tenure seems to play a significant role in perceptions of the existence of a leadership style.

5.6. Conclusion

All the hypotheses were statistically tested to arrive at the findings of the study. The statistical techniques used have been explained in Chapter 4, which outlines the research methodology that was used. The findings with respect to each hypothesis are summarised below in Table 5.25. These findings will be discussed in more detail in the next chapter.

Table 5.25 Summary of the Findings of the Study			
Hypothesis No	Hypothesis	Finding	Rejection or Non-rejection
1	Employees who perceive a transformational leadership style will have a relational psychological contract	The findings did show an alignment the perception of transformational leadership and the presence of a relational psychological contract.	Not rejected
2	Employees who perceive a transactional leadership style will have a transactional psychological contract	This is despite the margin of difference being low. It was clear that there was a positive association between transformational leadership and relational psychological contracts. Similarly, there was a positive association between transactional leadership and transactional psychological contracts.	Not rejected
3	Employees with longer tenure in terms service will have a more relational psychological contract than newer employees.	Findings confirm that newer employees have a more relational psychological contract compared to longer serving employees who show more of a transactional psychological contract.	Rejected

6. CHAPTER 6: DISCUSSION OF RESULTS

6.1. Introduction

The findings presented in chapter five with regard to each construct are discussed in detail in this section. They are placed within a theoretical framework that is presented in chapter two of this research paper.

The key constructs that were explored in the theory (presented in Chapter 2) and in the research itself are Psychological Contracts and Leadership styles. Psychological contracts deal with expectations in the employment relationship, and a critical part of this study is to look at how these are influenced, met and even violated by leaders.

Rousseau and Robinson (1994) made a case for the importance of expectations in the employment relationship stressing that in the absence of future exchange, neither party has incentive to contribute anything to the other and the relationship may not endure. They place a lot of importance on the areas of exchange that may be impacted from an employee's perspective; these include productivity levels, rewards, recognition and acceptance of developmental opportunities.

This research was designed to investigate the relationship between psychological contracts and leadership styles, particularly how these impacts on one another. The findings with regard to each hypothesis will now be discussed.

6.2. Hypothesis 1

H1: Employees who perceive a transformational leadership style will have a relational psychological contract.

Bass and Avolio's (1990) theory of leadership was selected due to its ability to look at the construct in a holistic way and due to the dedication of these authors to continually update it to be relevant and testable over time. In their explorations about transformational leaders they concluded that relationships of employees with transformational leaders tend to be marked by pride and respect which then speaks to the high level of trust and confidence that is then developed in the organisation since employees are encouraged to problem- solve and add value.

This type of leadership style appears to be in line with relational psychological contracts which Atkinson (2002) suggests works best for management of careers because it distinguishes itself from the traditional authoritarian approach to being more flexible in relation to allocating resources and identifying career opportunities. Employees with a relational psychological contract tend to have more positive associations with the employment experience and build longer-term goals.

There appears to be more employees who possess the Relational Psychological Contract than the Transactional Psychological Contract (55% vs. 52%). The overall difference in the presence of these contracts is small however it still confirms a higher level of relational contract. In terms of the leadership styles, there was a more clear difference with 74% of participants recognising a Transformational Leadership approach versus 52% recognising a Transactional Leadership approach in their environment. This confirms the first hypothesis which aligns transformational leadership with relational psychological contracts.

However the close nature of the responses in relation to the psychological contracts seems to support the view raised by Maguire (2002) that both contracts do interact and that relational components of a contract tend to also rely on the transactional aspects. Maguire advocates for certain transactional aspects to be fulfilled prior to fulfilment of the relational contract. She therefore concludes that changes in the transactional terms of the contract can influence the kinds of relational rewards expected or obligations perceived by the employee. She further points out that it is this kind of interactivity between transactional and relational components which has the potential to create problems for organisations in times of organisational change because when the basics (transactional) are shifted, the additional benefits (relational) become less important.

The ultimate goal is to build strong relational psychological contracts based on the benefit available to all parties. Guest (1998) used his model to show that there are strong causal elements in the development of a strong relational psychological contract that should not be ignored. His model emphasises the need to understand the environment and context under which the contracts are nurtured. Rather than just pure violation of expectations that may never have been articulated, there is an avenue to consider more tangible processes and practices that create the employment experience and relationship.

In testing his model Guest (1998) has shown that a positive relational psychological contract was strongly associated with the use of progressive human resources management practices and the presence of an organisational culture that was characterised as one of high involvement and partnership. This in turn had positive consequences including higher motivation, job satisfaction and lowered intention to quit. This requires active involvement of leaders to come to life.

The results of this study suggest that the leadership of the organisation used in the study need to possibly review their role in influencing and managing these elements. Using Guest's model there is a further suggestion that there may be perceived lack of fairness and poor delivery on the deal which is accompanied by lowered levels of trust particularly amongst longer serving employees and lower level staff. The consequences are then possible lack of job satisfaction, lowered commitment levels and poor motivation and sense of organisational citizenship.

6.3. Hypothesis 2

H1: Employees who perceive a transactional leadership style will have a transactional psychological contract.

Bass (1995) defines transactional leaders as those who focus more on exchanging rewards for the effort and good performance of employees. These leaders tend to focus more on the immediate task at hand and provide more short-term recognition. .

As highlighted above the transactional psychological contract exists in the National Treasury environment and although it was at a lower level than the relational contract, it still represents more than 50% of the population. There is a suggestion that some employees have both relational and transactional psychological contracts. These results brought great insight into the ability of employees to have both views of their contract with their employer.

Rousseau & McLean Parks (1993) have shown how psychological contracts differ on the relational –transactional continuum by describing how transactional obligations tend to be impersonal obligations to do with money, time and specific tasks; whilst relational obligations have more to do with long-term, less-defined obligations that may also include transactional elements in them.

Maguire (2002), as highlighted above sees the possibility for individuals to move across different contracts based on the context of their interactions. This brings a question of whether transactional and relational have to be exclusive, perhaps there is room to explore a combined approach, but this requires exploration into how much of each set is a healthy combination for sustained productive relationships.

There was an equal amount of participants (52%) who perceived a transactional leadership style in the organisation. Once again this was more than 50% and as such it appears that both sets of leadership styles exist in the environment although the overall dominating style is transformational. Bass (1985) supports this possibility through his work which highlights that the transformational-transactional leadership paradigm is made up of complimentary rather than polar constructs. The key is to recognise that both styles may be linked to the achievement of desired goals and objectives. It may be that leaders choose which is the most appropriate style for the tasks at hand. Rather than choosing an overall fixed style to maintain.

Bass et al. (2003) argue that the context that leaders and followers interact in also determine which leadership approach fits best. Transformational leadership is regarded as more applicable when social values may be needed in times of change or distress, whilst transactional leadership seems to apply when society is in order. Transformational leadership is often expected to enhance performance capacity of followers since it looks at setting higher expectations and creating the necessary willingness to accomplish set goals.

6.4. Hypothesis 3

H1: Employees with longer tenure in terms service will have a more transactional psychological contract than newer employees.

Rousseau and Robinson (1994) speak about the evolution of the psychological contract, which is unlike formal employment contracts, in that it is not made once but rather it is revised throughout the employee's tenure in the organisation. They highlight that the longer the relationship endures, the more the two parties interact, with repeated cycles of contribution and reciprocity, the broader the array of contributions and inducements that might be included in the contract.

Rousseau (2004), as discussed in the literature, showed that career and expected tenure of stay in the organisation is positively linked to a perceived relational contract with the employer, whereas when the organisation is perceived as a stepping stone (short term) there tends to be a negative relationship with the relational contracts, but rather more positively related to transactional contract with the organisation.

Interestingly there are also findings that reveal the impact of tenure on perceptions of Leadership styles and experiences in terms of psychological contracts. It appears that employees with lower tenure have more of a Relational Psychological Contract than employees that have been in the organisation for long. This may imply that longer serving employees may have shifted from one type of Contract to another over time, specifically, they are more Transactional. Similarly, employees with low tenure perceive more of Transformational Leadership style than longer serving employees.

In line with Maguire's (2002) discussion on Guest's (1998) model above, Rousseau and Robinson (1994) looked at key factors that impact job satisfaction and quickly found that what the employer promised but failed to provide may often be those aspects of one's work which are important sources for work satisfaction. It may become very difficult for an employee to be motivated to perform, and obtain satisfaction from, doing the job when the employee can no longer rely on the promised incentives.

Rousseau and Robinson (1994) discuss how failure to honour a contract creates a sense of wrongdoing, deception and betrayal that then has implications for the employment relationship. In this case it may be that overtime employees have had their expectations violated and therefore they leaned to more short-term transactional exchanges. Broken promises may have eroded a relational relationship.

6.5. Conclusion

The findings of this study showed that leadership styles do impact the type of psychological contracts that form within an organisation. They showed an alignment the perception of transformational leadership and the presence of a relational psychological contract. This is despite the margin of difference being low. It was clear that there was a positive association between transformational leadership and relational psychological contracts. Similarly, there was a positive association between transactional leadership and transactional psychological contracts.

There is a suggestion of possible violation of contracts which may explain the change in type of psychological contracts over time (tenure in organisation) and across levels of seniority in the organisation. The findings confirm that newer employees have a more relational psychological contract compared to longer serving employees who show more of a transactional psychological contract. Further to this, the findings show that it is in fact the senior managers in the organisation (from levels 13-16) who believe they have transformational leaders, whilst the staff below them experiences them to be transactional leaders.

The findings of the study have been analysed in the context of the literature presented in this research report. The research objectives as defined through the three hypotheses laid out in chapter 3 have been met and have contributed to literature on leadership and psychological contracts.

The research set out to answer a few questions in relation to the dynamic constructs of leadership and psychological contracts. It seems that there are particular leadership styles that lend themselves the certain psychological contracts and there are leadership styles inspire confidence and motivation in employees, which in turn create a more relational psychological contract. This is the case with relational psychological contracts being inspired more by transformational leadership.

What became apparent though is that both leadership styles and psychological contracts may vary as conditions in the work environment change. This does not only refer to major organisational changes, but rather also refers to relevance in terms of situations confronting parties.

Guest's model challenges that from the outset it may be more the content of the psychological contracts rather than any violation of promises made that is the main source of unhappiness/dissatisfaction with the contract process. The organisational culture is defined and managed by leaders, as are policies and experiences such as implementation of development and retention techniques therefore it is imperative that their influence is monitored and altered where necessary in order to facilitate healthy working relations

In relation to the question of the impact of service in an organisation and seniority it was clear that different sets of employees had different experiences. There seemed to be a negative a growth in transactional psychological contracts as employees stayed longer in the organisation. The correct interpretation of this situation requires a better understanding of the context within which the employees operate. Guest's (1998) model refers to HR policies and practices that may impact an employee's experiences of their workplace. There is also no certainty that the presence of the transactional psychological contracts is harmful to the organisation given the employee engagement results presented in chapter 1 which suggest a good association with the organisation and the job that employees do versus with their managers. Guest's model may actually shed light in terms of clarifying that there are multi-agents that make up the organisation. More research may be required to understand which agents comprise the organisation and whether they can fill gaps in terms of satisfaction of employees which may then substitute the manager's role in relation to commitment to an organisation.

An analysis by occupational level suggests that the senior managers represent the population group that has a Relational Psychological Contract. The same senior managers appear to perceive the presence of a Transformational Leadership style whilst lower level employees strongly disagree with this as evidenced in chapter 5. It may be that these senior managers experience this type of leadership from their direct managers; however they do not display the same to their staff. This may require leadership development initiatives in order for them to share their experience of being by led by transformational leaders.

Overall the results have confirmed some views held in existing literature such as the association of transformational leadership and relational psychological contracts. However there were new findings that require more investigation, particularly around switching between leadership styles and psychological contracts to suit the context. Guest's (1998) model also requires further testing in relation to understanding the causes and context for development of psychological contracts. This understanding will definitely lead to better adjustments to have desired success within organisations.

7. CHAPTER 7: CONCLUSION

7.1. Introduction

Employees are the key asset and differentiator for many organisations. It is always in the best interests of any organisation to understand their employees and factors that impact their productivity and likelihood to stay employed in the organisation. This research report acknowledged the importance of formal employment contracts, whilst highlighting a key layer of obligations that exist between employees and their employers. This paper gave thorough background and understanding into the construct of psychological contracts, their impact on organisational dynamics and how these have evolved over time. This study went further to acknowledge the key role that managers play directing the energy, motivation and careers of talented employees in their organisation. This study was therefore important as it explored this relationship between leadership and psychological contracts.

Maguire (2002) articulates well how psychological contracts underpin the work relationship and provide a basis for capturing complex organisational phenomena, particularly as they relate to superior performance and commitment. Guest (1998) also agreed that with the decline in collective arrangements at work, more individualised employment relationships have grown and as such the psychological contract helps with providing a useful framework to organise thinking and research.

7.2. Executive summary of findings

The psychological contract is also challenged a lot as a concept; however as shown in this study it is still useful and gives meaningful focus on organisational behaviour matters that impact the work situation on a regular basis. The predictability factor is still one of the key characteristics of psychological contracts and appears to matter to many employees. Schalk and Roe (2007) also clarified in their definition of the psychological contract that it makes actions predictable and helps parties to attain their goals. This includes a dynamic process that impacts the evolution of the employees' motivations, career aspirations and commitment.

The findings from this study suggest that although the relationship between relational psychological contracts and transformational leadership exists is not very strong, there is a positive association. It appears that transactional and transformational leadership do play a role in the kind of commitment employees make with the organisation. Another interesting outcome was the impact of tenure within an organisation and how employees' contracts could possibly change over time.

With career management being recognised as a tool for strategic control and development, it is important that organisations adopt career strategies that meet the needs of all parties, whilst attracting, developing and retaining the right talent for the organisation. Lack of career planning ability by organisation adds a challenge as the psychological contract has evolved. There is a need to organisations to explore alternatives to the traditional role of job security, to avoid and/or manage increased problems in the employment relationship (Atkinson, 2002).

7.3. Recommendations for Management

A key recommendation is for the organisation to better clarify the employee value proposition so that employees are clearer, upfront, on the kind of experience they can have within the organisation. It is also important that the management team review their commitment to their leadership development programme. In particular, the basis of the leadership programme is the recognition of the need to move the organisation from being pure technocrats (transactional) to being more holistic, motivating and adaptive leadership (transformational). This will require a conscious effort to have the impact spread evenly across the entire organisation.

Ulrich et al. (2000) emphasise the critically of competencies in order to produce leaders that can guide and measure what they learn in order to distinguish and differentiate the organisation and can help to integrate management practices. Their critique of many other competency models is that their competencies are focused more on behaviour than results; the competencies are too generic; insufficient attention is paid to competency application and competency models are owned by HR more than line managers.

It may be useful for the organisation to duplicate Guest's (1998) study to better understand the context within which psychological contracts develop and gain insight into making them more explicit. Abbasi and Hollman (2000) warn that the personality and philosophy of an organisation's leadership impacts the work environment and factors such as job satisfaction and performance.

7.4. Limitations of the Study

This study only captured a moment in time and was not able to show development and changes in contracts over time. Perhaps, a longitudinal study may be the best to monitor changes in the employer-employee relationship over time and the resulting psychological contract and perceptions of leadership styles.

The limited focus on the National Treasury alone makes it difficult to generalise the findings and by looking strictly at the impact of leadership on psychological contracts, this study then excludes the focus on other factors that may impact employees' psychological contracts.

This study focuses on the employee's perspective only. It may be useful to look at the study against a set aspiration by the leadership of the organisation in order to compare the ideal situation to their reality. It would also be useful to have a separate questionnaire for leaders to rate themselves against ratings from their subordinates. These kinds of assessments would allow for direct intervention and clarification where necessary.

Lastly, this study assumes that leadership is the key variable that impacts on the kind of commitment employees show to the organisation. Although the aim is to focus on leadership, the study should find ways to isolate other contributors that may lead to negative or positive associations with a particular type of psychological contract.

7.5. Recommendations for Future Research

There are several areas that need to be addressed in future research. These include firstly, more robust analysis across bigger samples of various professional groups in the organisation in order to better understand how psychological contracts are formed and a longitudinal study to assess change over time. Secondly, the relationship between all engagement factors need to be investigated, these include trust, commitment and motivation. Thirdly, research to explore the national Treasury's employee value proposition would assist in aligning expectations more holistically across employees and the employer. Lastly, the employer's perspective could also be explored using a model such as Guest's (1998) whose perspective allows for content and causes to be explored in order to have a framework that makes the contracts more explicit.

7.6. Conclusion

This study made a contribution to research in the field of Leadership and Organisational Behaviour. The relationship between Leadership and Psychological Contracts was investigated. The concept of leadership was explored and looked at in relation to the evolving concept of psychological contracts, which are clearly dynamic particularly as knowledge workers have evolved in their career outlook. Overall the findings of this research suggest that transformational and transactional leadership styles do impact the type of commitment and psychological contract that employees develop.

The research also opened up interest in better understanding the various components of an organisation that impact psychological contracts. It is clear however that regardless of which components exist in the organisation the leaders tend to have a larger share of being able to tap into these leaders and affect employees therefore their influence remain key as organisations grow and succeed.

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APPENDICES

Appendix 1: Constructs used for Questionnaire Development

1.1. Psychological Contract Scale (Millward and Hopkins, 1998)

Transactional items: Q2, Q4, Q8, Q9, Q14, Q15

Relational items: Q1, Q3, Q5, Q6, Q7, Q10, Q11, Q12, Q13

15 questions rated on a Five Point Scale that ranges from “strongly disagree” to “strongly agree” (1-5)

Transaction Psychological Contract Statements in Questionnaire (No.)
<ul style="list-style-type: none"> • I prefer to work a strictly defined set of working hours (2) • As long as I reach the targets specific in my job, I am satisfied (4) • I only do what is necessary to get the job done (8) • I do my job just for the money (9) • I expect to be paid for any over time I do (14) • My loyalty to the organisation is defined by the terms of my contract (15)
Relational Psychological Contract Statements in Questionnaire (No.)
<ul style="list-style-type: none"> • My job means more to me than just a means of paying my bills (1) • I expect to gain promotion in this company with the length of service and effort to achieve goals (3) • I am motivated to contribute 100% to this company in return for future employment benefits (6) • I feel this company reciprocates the effort put in by its employees (7) • I expect to develop my skills for growth in this company (10) • The organisation develops/rewards employees who work hard and exert themselves (11) • My career path in the organisation is mapped out (13)

1.2. Psychological Contract Scale (Rousseau, 2000)

Relational items: Q5, Q12

Relational Psychological Contract Statements in Questionnaire (No.)	
•	The organisation provides employees with an opportunity to participate in decision making (5)
•	The organisation shows concerns for my long term wellbeing (12)

1.3. Multifactor Leadership Questionnaire Scale (Bass and Avolio, 1995)

Answered on a Five Point Scale that ranges from “Not at all” to “Frequently, if not always” (1-5), participants describe how they perceive their managers.

Leadership Styles and Outcomes		Statement in Questionnaire (No.)
Transactional leadership	Contingent Reward	Provides me with assistance in exchange for my efforts (1)
		Discusses in specific terms who is responsible for achieving performance targets (11)
		Makes clear what one can expect to receive when performance goals are achieved (16)
		Expresses satisfaction when I meet expectations (34)
	Management by Exception Active	Focuses attention on irregularities, mistakes, exceptions, and deviations from standards (4)
		Concentrates his full attention on dealing with mistakes, complaints and failures (22)
		Keeps track of all mistakes (24)
		Directs my attention towards failures to meet standards (27)
	Management by Exception Passive	Fails to interfere until problems become serious (3)
		Waits for things to go wrong before taking action (12)
		Shows that he/she is a firm believer in “ if it ain’t broke, don’t fix it” (17)
	Laissez-Faire	Demonstrates that problems must become chronic before taking action (20)
		Avoids getting involved when important issues arise (5)
		Is absent when needed (7)

		Avoids making decisions (28)
		Delays responding to important questions (36)
Transformational Leadership	Idealised Attributes	Instils pride in me for being associated with him or her (10)
		Goes beyond self-interest for the good of the group (18)
		Acts in a way that builds my respect (21)
		Displays a sense of power and confidence (25)
	Idealised Behaviours	Talks about their most important values and beliefs (6)
		Specifies the importance of having a strong purpose (14)
		Considers the moral and ethical consequences of decisions (23)
		Emphasises the importance of having a collective sense of mission (33)
	Inspirational Motivation	Talks optimistically about the future (9)
		Talks enthusiastically about what needs to be accomplished (13)
		Articulates a compelling vision of the future (26)
		Expresses confidence that goals will be achieved (35)
	Intellectual Stimulation	Re-examines critical assumptions to question whether they are appropriate (2)
		Seeks differing perspectives when solving problems (8)
		Gets me to look at a problem from different angles (29)
		Suggests new ways of looking at how to complete assignments (32)
	Individualised Consideration	Spends time teaching and coaching (15)
		Treats me as an individual rather than just as a member of a group (19)
		Helps me to develop my strengths (30)
		Considers me as having different needs, abilities and aspirations from others (31)

Appendix 2: Questionnaire

Dear Participant

I am conducting a research project as part of my MBA studies with GIBS and I would like to request your assistance in completing the questionnaire. The study investigates the impact of leadership on employee's psychological contracts within the National Treasury. The concept of the psychological contract measures two important factors, namely

- Employees' expectations in their relationship with their employer, and
- Employees' obligations towards their employer in the relationship

The expectations and obligations gathered will be correlated against other variables in the study to determine the dynamics of the psychological contract for different categories of employees in the organisation. The outcome of the study will play an important role in providing an input towards the effective management of talent, including how to engage and retain talent within the National Treasury.

The questionnaire is designed to be simple so as to save you time. Except for the biographical questions, all questions are evaluated on a five point scale. You are assured of confidentiality and anonymity in the way your responses will be handled. It is expected that it will take between 10 and 15 minutes to complete the questionnaire. Please click on the link below to open and complete the questionnaire. If the link does not work, please copy and paste it into your browser to open it.

<http://www.surveymonkey.com/s/7W9CK3L>

For any enquiry, please feel free to contact me on the contact details below. I will appreciate your feedback, by the 24th August 2012. Although participation is voluntary, your understanding and cooperation will be highly appreciated.

Yours Faithfully

Njabulo Mashigo

Chief Director: Talent Management

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Section A: Biographical Data					
Occupational level					
Level 1 - 8 (Operational Staff)					
Level 9 – 10 (Assistant Director)					
Level 11 – 12 (Middle Management Staff – MMS/ Deputy-Director)					
Level 13 – 14 (Senior Management Staff - SMS)					
Level 15 -16 (EXCO)					
Gender					
Male					
Female					
Race					
African					
Coloured					
Indian					
White					
Years of Service with National Treasury					
Less than one year					
More than 1 year, but less than 5 years					
More than 5 year, but less than 10 years					
More than 10 years					
Section B: Psychological Contracts questionnaire					
Using a five point scale, please indicate the extent to which you agree or disagree with each of the statements below:					
1. Strongly disagree, 2. Disagree, 3. Not sure, 4. Agree, 5. Strongly Agree					
Statement	1	2	3	4	5
1. My job means more to me than just a means of paying my bills					
2. I prefer to work a strictly defined set of working hours					
3. I expect to gain promotion in this company with the length of service and effort to achieve goals					
4. As long as I reach the targets specific in my job, I am satisfied					
5. The organisation provides					

employees with an opportunity to participate in decision making					
6. I am motivated to contribute 100% to this company in return for future employment benefits					
7. I feel this company reciprocates the effort put in by its employees					
8. I only do what is necessary to get the job done					
9. I do my job just for the money					
10. I expect to develop my skills for growth in this company					
11. The organisation develops/rewards employees who work hard and exert themselves					
12. The organisation shows concerns for my long term wellbeing					
13. My career path in the organisation is mapped out					
14. I expect to be paid for any over time I do					
15. My loyalty to the organisation is defined by the terms of my contract					

Section C: Multifactor Leadership Questionnaire

Describe how your manager is, as you perceive it. Judge how frequently each statement fits your supervisor. For each question please mark the appropriate response to the right of the statement using the five point scale ranging from : 1. Not at all, 2. Once in a while, 3. Sometimes, 4. Fairly Often, 5. Frequently if not always

My manager...	1	2	3	4	5
1. Provides me with assistance in exchange for my efforts					
2. Re-examines critical assumptions to question whether they are appropriate					
3. Fails to interfere until problems become serious					

4. Focuses attention on irregularities, mistakes, exceptions, and deviations from standards					
5. Avoids getting involved when important issues arise					
6. Talks about their most important values and beliefs					
7. Is absent when needed					
8. Seeks differing perspectives when solving problems					
9. Talks optimistically about the future					
10. Instils pride in me for being associated with him or her					
11. Discusses in specific terms who is responsible for achieving performance targets					
12. Waits for things to go wrong before taking action					
13. Talks enthusiastically about what needs to be accomplished					
14. Specifies the importance of having a strong purpose					
15. Spends time teaching and coaching					
16. Makes clear what one can expect to receive when performance goals are achieved					
17. Shows that he/she is a firm believer in “ if it ain’t broke, don’t fix it”					
18. Goes beyond self-interest for the good of the group					
19. Treats me as an individual rather than just as a member of a group					
20. Demonstrates that problems must become chronic before taking action					
21. Acts in a way that builds my respect					

22. Concentrates his full attention on dealing with mistakes, complaints and failures					
23. Considers the moral and ethical consequences of decisions					
24. Keeps track of all mistakes					
25. Displays a sense of power and confidence					
26. Articulates a compelling vision of the future					
27. Directs my attention towards failures to meet standards					
28. Avoids making decisions					
29. Gets me to look at a problem from different angles					
30. Helps me to develop my strengths					
31. Considers me as having different needs, abilities and aspirations from others					
32. Suggests new ways of looking at how to complete assignments					
33. Emphasises the importance of having a collective sense of mission					
34. Expresses satisfaction when I meet expectations					
35. Expresses confidence that goals will be achieved					
36. Delays responding to important questions					