

## The Influences of Leadership Style and School Climate to Faculty Psychological Contracts: A Case of S University in Taiwan

Hui-Chin Chu  
Shu-Te University

Chi-Jung Fu  
Kai-Nan University

*This study was to investigate the impacts of leadership style and school climate on faculty psychological contracts. Demographic variables were also tested. The findings indicated that overall perceptions of the faculties toward leadership style, school climate, and psychological contract were favorable. Moreover, leadership style and school climate did affect faculty PCs. Age is also a factor differentiating faculty PCs.*

Keywords: Leadership Style, School Climate, Psychological Contract (PC)

Higher educational institutes in Taiwan today are facing the most competitive challenge due to the educational reforms recent years. One of the most sweeping changes in educational reform took place in Taiwan when the government issued the "Twelve Education Reform Mandates" in 1998. This change brought about greater access to education at all levels (BICER, 1998). Accompanied with this Act, there has been an increase of colleges and universities in four-year level. According to Ministry of Education (2005), there were only 51 four-year colleges and universities in 1992 compared to currently 159 to date, the increase rate in 13 years is astonishing. The situation inevitably increases the competitions among colleges and universities, particularly on recruiting and retaining qualified faculties.

The change of demographic structure of the country also contributed to the situation. According to Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R. O. C. (2005), the birthrate dropped from 15.07% (326,002) in 1997 to 13.76% (305,312) in 2000 and 9.5% (216,419) in 2004, and it is projected to drop continuously for the years to come. This implies that the competition among colleges and universities on recruiting students is even more drastically than it was in the past, and it will only be more challenging in the future. It is known that some universities and colleges have been forced to close down ineffective departments or the subjects that are obsolete, resulted from the severe competition and not having enough students (Ministry of Education, 2005).

All the situations mentioned above added more pressures on college leaders to maintain school effectiveness and competitiveness. A major component of an effective school is to have faculties who are committed to the school and are striving for providing the best educational services to the students. Therefore, how to maintain a good faculty team is an important task for the school leaders.

It is believed that one of the crucial leadership challenges in any organizations today is to create and maintain a more viable relationship between employer and employees. A major element of this relationship is employee psychological contract (PC) (Schein, 1980; Schermerhorn, Hunt, & Osborn, 1985; Tornow, 1988). The psychological contract includes the stated and implied sets of expectations and obligations operating between employees and their employers. It represents the employee and employer's beliefs and perceptions about what they owe to each other, and is significantly related to their behaviors. It is not a legal document. Yet, it is quite real in the minds of employees and employers as the violation or fulfillment of those beliefs will significantly affect their employment relationship (Robinson & Rousseau, 1994).

According to Campisano (1992), the leadership behaviors of the principal can be a major influence on the level of teacher commitment to a school. In addition, according to Schneider et al. (2000), organizational climate is highly related to employee attitudes and behaviors. Moreover, one of the factors assumed to significantly influence teacher commitment level is the quality of the school climate (Davis, 1997; McDaniel, 1992; Pacifico, 1994). Faculties' perception toward school climate is also one form of work-related attitudes that influences faculties' willingness of contribution, degree of involvement, work behaviors, and job satisfaction. Therefore, for gaining more viable knowledge of how the president's leadership style and school climate affecting faculty's psychological contracts, the present study is needed. The study was guided by the following research questions: What is the leadership style the President of S University demonstrated, and what impacts it would be on faculty PCs? Does school climate also has

impact on faculty PCs? Do demographic variables also play significant roles contributing to the different faculty PCs? This study is very significant through which the status of faculty psychological contract is to be upheld as higher education is becoming increasingly competitive.

## Hypothesis

In order to answer the research questions, the following hypotheses were proposed:

Hypothesis I: The leadership style of the president does not make any difference on faculty PCs.

Hypothesis II: The school climate does not make any difference on faculty PCs.

Hypothesis III: The demographic variables make no difference on faculty PCs.

## Theoretical Framework

### *Leadership Styles*

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

House (1971) suggested that initiating structure leadership styles are most valuable when tasks that are stressful or dissatisfying, while the consideration styles are most appropriate for tasks that are clear and routine in nature. The styles high in initiating structure are also related to higher productivity, but tend to generate higher employee grievance rates and turnover. The consideration styles, by contrast, have been associated with satisfied subordinates and fewer absences (Immegart, 1988). However, Lunenberg and Ornstein (1991) point out principal leadership behaviors that are high both in consideration and initiating structure also result in high satisfaction and performance among school teachers. Evidence also found by Chu and Fu's (2004) that leadership styles are highly associated with employee PCs. That is, when leaders demonstrated quadrant II behaviors, the employees had better PC satisfaction.

### *Organizational / School Climate*

At the broadest level, organizational climate describes how organizational members experience organizations and attach shared meanings to their perceptions of this environment (Schneider, Smith & Goldstein, 2000). Most also agree that individuals interpret these aspects of the organizational environment in relation to their own sense of wellbeing. School climate has been defined as the "feel" of a school (Halpin & Croft, 1963), as its "collective personality" (Norton, 1984). Climate is the human environment within which the teachers of a school do their work. Like the air in a room, climate surrounds and affects everything that happens in an organization (Freiberg, 1983). As one moves from school to school, it is possible to note that one school feels different from another. This is primarily the result of school climate.

Organizational climate is highly related to employee attitudes and behaviors (Schneider et al., 2000). Research suggests that climate perceptions are associated with a variety of important outcomes at the individual, group, and organizational levels. These include leader behavior (Rousseau, 1989; Rentsch, 1990), turnover intentions, job satisfaction, individual job performance (Pritchard & Karasick, 1973), and organizational performance (Lawler, Hall, & Oldham, 1974; Patterson, West, & Lawthom, 1977). Other indicators of a healthy and favorable school climate were identified in a study by Howard, Howell, and Brainard (1987). These indicators were the degree of respect, trust, opportunity for input, cohesiveness, caring, high morale, and school renewal.

An effective school leader creates a school climate that is harmonious, industrious, effective, and efficient, which leads to a team of highly committed faculties as a whole. Conversely, if the school climate is unfavorable perceived by the faculty members, the leader is considered to be failed (Tzoa, 2004). When leaders acknowledge including employees as collaborators rather than purely functioning employees, the psychological contract is a

powerful determining factor of organizational success (Davis, 2003). Therefore, one of the important tasks for a leader is to create a better organizational climate for motivating employees and promoting their willingness to work hard, and to promote employee psychological contracts.

#### *Psychological Contract*

According to Rousseau (1989, p. 123), employee PC is defined as “individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party”. In another words, psychological contract is a person’s set of expectations regarding what he or she will contribute to the organization and what the organization will provide to the individual in return. As an active participant and member (faculty) of an organization (school), a faculty member often expects, seeks out, and creates a psychological contract as a means for understanding and representing the employment relationship with his or her school (Shore & Tetrick, 1994). The faculty’s belief is based on the perception that a school promise has been made (e.g. fair and competitive wages, challenging and meaningful work, growth opportunities, and job training) in exchange for a faculty obligation (e.g., giving the school and students his or her time, energy, knowledge and technical skills) (Rousseau & Tijorwala, 1998; Roehling, 1996).

The fundamental components of PCs “transactional-PC” and “relational-PC” categorized by MacNeil (1985) were adopted to determine teacher perceptions of PCs in this present study. The two dimensions are time frame and performance requirements. Time frame refers to the length of the employment relationship while performance requirements are the prerequisites of performance as a condition of employment. Transactional-PC is related to interest exchanges with a shorter timeframe (McDonald & Makin 2000). Relational-PC is concerning a longer relationship and a greater involvement between employees and the employer, and it fosters trust, loyalty and mutual support (Rousseau 1990). Relational-PC is frequently treated as an indicator of a long-term employment relationship (Rousseau & McLean, 1993).

### **Methodology**

Quantitative research was adopted in this present study. Validated instrumentation was used to measure respondents’ perceptions of the three major constructs in this study. The questionnaire titled “*Faculty Perceptions toward Leadership Style of the President, School Climate, and Psychological Contract*” was used as a sole method of data collection derived from three different tested questionnaires. Ohio State University’s “*Leadership Behavior Description Questionnaire (LBDQ)*” developed by Stogdill (1974) was adopted and translated into Chinese Mandarin to measure faculty perceptions of the dominant leadership style of the president of S University. The *Organizational Climate Descriptive Questionnaire*, adapted from Halpin & Croft (1963) and the Litwin and Stringer (1968) were revised to measure faculty perceptions of the climate in their school. Six demographic variables were also collected. These were age, gender, marital status, professorship rank, administrative position, and the length of teaching in the present school. Reliability test was employed with Cronbach’s alpha .96.

### **Findings of the Study**

#### *Descriptive Analysis*

The population of this study consisted of faculties during the 2004-2005 school year. Two hundred questionnaires were distributed to all the full-time faculty members with a valid return rate of 47.5% (95 faculty members). Among them, male faculties still a dominated group with 74 (77.8%) respondents. Most of the respondents fall in the ages between 31 to 50 years old (85.2%) with a largest age group between 31-40 years old (58.9%). Sixty-six percent of the respondents were married. The largest group of the professor rankings was lecturers (48.4%); the second largest group was assistant professors (33.7%). There were more than one third of the respondents worked as a full-time faculty and administrator.

Eighty-one respondents (85.2%) believed that the president demonstrated high consideration and high initiating structure leadership behaviors. Seventy-five respondents perceived that the school climate was favorable while twenty of them believed that the school climate was unfavorable. According to the test results, eighty-three respondents tended to have relational PCs while only twelve of them tended to have transactional PCs.

#### *Inferential Analysis*

*Hypothesis I: The leadership style of the president does not make any difference on faculty PCs.* The results indicated that the F value was 7.52 with a p-value of .05, therefore, the hypothesis I is rejected. Scheffe Post hoc was utilized afterward. It is found that when the leader demonstrates high consideration/high initiating structure behaviors, the faculty PCs tended towards most relational. When the leader demonstrates low consideration/low initiating structure and low consideration/high initiating structure behaviors, faculty PCs tended toward

transactional.

Table 1: ANOVA Test Results of Leadership Style on PCs

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

\*\* : p<.01

Table 2: Scheffe Post hoc Afterward on Leadership and PCs

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

\*\* : p<.01

*Hypothesis II: The school climate does not make any difference on faculty PCs.* According to t-test, the results indicated that the t value was 4.86 with a p-value of .00; therefore, the hypothesis II is rejected. The finding indicated that the perceived school climate did affect faculty PCs.

Table 3: t- test on School Climate and PCs

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

\*\* p<.01

*Hypothesis III: The demographic variables make no difference on faculty PCs.* Demographic variables (sex, age, marital status, rank, and position) were tested. The results showed that all the variables were not affecting faculty PCs with only one exception: the age of the respondents. It is found that age made a difference on faculty PCs. Therefore, the hypothesis III is partially rejected.

Table 4: ANOVA test on Demographic Variables and PCs

Age	mean	S.D.	df	F	p
21-30yrs old	4.76	.92	4	2.57*	.04
31-40 yrs old	4.52	.74			
41-50 yrs old	4.55	.88			
51-60 yrs old	5.30	.61			
61 and above	5.67	.47			

\*: p<.05

## Discussions and Conclusions

Overall the faculties of S University asserted that the leadership behaviors of the President tended toward high consideration and high initiating structure, the school climate was favorable, and their PCs tended toward relational. It is found that the leadership behaviors had great impacts on faculty PCs. Within four quadrants, quadrant II (high consideration and high initiating structure) was the best leadership approach for creating relational faculty PCs, which supports Chu and Fu's (2004) research study about employee PCs in manufacturing companies that when leaders demonstrated quadrant II behaviors, the employees had better PC satisfaction (relational). That is, when the school leader emphasizes both achieving organizational goals and considering faculties' needs, the faculty PCs are toward more relational.

The findings of the study indicated that school climate affected faculties' PC perceptions. According to Schneider et al. (2000), organizational climate is highly related to employee attitudes and behaviors. Research suggests that climate perceptions are associated with a variety of important outcomes at the individual, group, and organizational levels. The findings of this study suggest that if the right climate conditions can be created in S University, teachers will enjoy their work and have a better PC perception.

According to Stogdill (1962), the quadrant IV (low consideration/low initiating structure) leadership behaviors not only lowered down employees' productivity but also created dissatisfied employees. However, it is interesting to note that Quadrant IV was the second best for creating relational faculty PCs, according to the post hoc test results. Further studies might be worthy of finding out the causes to the difference. Moreover, it is found that there was a significant difference among age groups on the faculties' PC perception.

### Contributions to HRD

The most important contribution of this study is that the test results added more valid information to the lack of existing literature on the relationships among leadership styles, school climate and psychological contract. This present study provides evidence that leadership styles and school climate do affect faculty PCs. For newer universities and colleges with less accumulated successful stories and established reputations to be able to compete with their counterparts in such highly competitive post-secondary educational environment in Taiwan, the leadership styles of a president and school climate that creates relational faculty PCs are crucial for maintaining a quality faculty group. Moreover, according to Rousseau et al. (1993) that the length of employment is the factor affecting employee PCs; however, it is not found to be significant in the present study. This might be because S University is a new school with only six years of history; as a result, there is not much difference among all the faculty members. Research to schools with longer history should be conducted in order to verify that the existing literature is still valid. However, this study was conducted only to the faculties in S University; therefore, the applicability is limited. Further studies to more universities are needed for adding more valid literature to this area.

### References

- BICER (1998). The twelve education reform mandates. *Bureau of international cultural and educational relations*. Retrieved November 1, 2001, from <http://www.edu.tw/bicer/english/e28b.htm>
- Chu & Fu (2004). An investigation of leadership styles and psychological contracts. *AHRD 2005 Conference Proceedings, 1*, 663-669
- Campisano, F. A. (1992). A theoretical model for the effects of the school work environment in Jesuit high schools [CD-ROM]. Abstract from: ProQuest File: Dissertation Abstracts International Item: 54/01.
- Davis, F. K. (2003). *West Virginia tough boys: Vote buying, fist fighting and a president named JFK*, Cygnus Software Ltd.
- Executive Yan, R. O. C. (2005). Directorate-General of Budget, Accounting and Statistics. National statistics. Retrieved May 1, 2005 from: <http://www.stat.gov.tw/lp.asp?ctNode=548&CtUnit=383&BaseDSD=7>.
- Freiberg, J. H. (1983). *Improving school climate--A facilitative process*. Paper presented at the Seminar in Organizational Development in Schools, University of La Verne, La Verne, CA.
- Glisson, C., & Durick, M. (1988, March). Predictors of job satisfaction and organizational commitment in human service organizations. *Administrative Science Quarterly, 33*(1), 61-81. Abstract from: Dialog on Disk File: ERIC Item: EJ 377 472.
- Halpin, A. W., & Croft, D. B. (1963). *The organizational climate of schools*. Chicago: Midwest Administrative Center, The University of Chicago.
- House, R. J. (1971). A path-goal theory of leader effectiveness. *Administrative Science Quarterly, 16*, 321-338.
- Howard, E., Howell, B., & Brainard, E. (1987). *Handbook for conducting school climate improvement project*. Bloomington, IN: The Phi Delta Kappa Educational Foundation.
- Immegart, G. (1988). Leadership and leader behavior. In N. J. Boyan (Ed.), *Handbook of research on educational administration* (pp. 259-277), New York: Longman.
- Lawler, E. E., III, Hall, D. T., & Oldham, G. R. (1974). Organizational climate: Relationship to organizational structure, process and performance. *Organizational Behavior, 11* (1), 139- 155.
- Litwin, C. H., & Stringer, R. A. (1968). *Motivation and organizational climate*. Boston: Harvard University.
- Lunenburg, F. C., & Ornstein, A. C. (1991). *Educational administration: Concepts and practices*. Belmont, CA: Wadsworth.
- McDonald, D. J., Makin, P. J. (2000). The psychological contract, organizational commitment and job satisfaction of

- temporary staff. *Leadership and Organization*, 21(2), 84-91.
- MacNeil, I. R. (1985). Relational contract: What we do and what we do not know. *Wisconsin Law Review*, 483-525.
- Ministry of Education (2005). Higher educational statistics. Department of Higher Education. Retrieved May 1, 2005 from: [http://www.edu.tw/EDU\\_WEB/EDU\\_MGT/HIGH/EDU5128001/E171-21.doc](http://www.edu.tw/EDU_WEB/EDU_MGT/HIGH/EDU5128001/E171-21.doc).
- Moorhead, G., & Griffin, R. W. (2004). *Organizational behavior: Managing people and organizations* (6<sup>th</sup> ed.). Houghton Mifflin (Academic).
- Norton, M. S. (1984). What's so important about school climate? *Contemporary Education*, 56(1), 43-45.
- Pacifico, E. (1994). *School climate and teacher commitment*. Unpublished master's thesis, College of Education, University of the Philippines, Diliman.
- Patterson, M., West, M., & Lawthom, R. (1997). Do employee attitudes predict company performance? *The Foundation for Manufacturing and Industry Brief*, 1-3.
- Pritchard R. D., & Karasick B. W. (1973). The effects of organizational climate on managerial job performance and job satisfaction. *Organizational Behavior and Human Performance*, 9, 126 - 146.
- Roehling, M. (1997). The origins and early development of the psychological contract construct. *Journal of Management History*, 3, 204-217.
- Rentsch, J. R. (1990). Climate and culture: Interaction and qualitative differences in organizational meanings. *Journal of Applied Psychology*, 75, 668-681.
- Rousseau, D. M. (1989). Psychological and implied contracts in organizations. *Employee Responsibilities and Rights Journal*, 2, 121-139.
- Rousseau, D. M. (1990). New hire perceptions of their own and their employer's obligations: A study of psychological contracts. *Journal of Organizational Behavior*, 11, 389-400.
- Rousseau, D. M., & McLean Parks, J. (1993). The contracts of individuals and organizations. In L. Cummings & B. M. Staw (eds.), *Research in organizational behavior* (pp. 1-43). London: JAI Press.
- Rousseau, D. M., & Tijorwala, S. A. (1998). Assessing psychological contracts: Issues, alternatives and measures. *Journal of Organizational Behaviors*, 19, 679-695.
- Schein, E. H. (1980). *Organizational psychology*. New Jersey: Englewood Cliffs. Prentice-Hall.
- Schermerhorn, J. R., Jr., Hunt, J. G., & Osborn, R. N. (1985). *Managing organizational behavior* (2<sup>nd</sup> ed.). New York: John Wiley & Sons.
- Schneider, B.; Smith, D. B.; & Goldstein, H. W. (2000). Attraction-selection-attrition: Toward a person-environment psychology of organizations. In W. B. Walsh, K. H. Craik, & R. H. Price (Eds.), *Person-environment psychology: New directions and perspectives* (2<sup>nd</sup> ed), (pp. 61-85). Mahwah, NJ: Lawrence Erlbaum Associates, Inc.
- Shore, L. M., & Tetrick, L. E. (1994). The psychological contract as an explanatory framework in the employment relationship. *Trends in Organizational Behavior*, 1, 91-109.
- Stogdill, R. M. (1962). *Handbook of leadership*. New York: Alfred A. Knopf.
- Stogdill, R. M. (1974). *Handbook of leadership: A survey of theory and research*. New York: Free Press.
- Tornow, W. W. (1988). Contract redesign. *Personnel Administrator*, 33, 97-107.
- Tzoa, C. W. (2004). Effective leadership. *Journal of Civil Service*, 94, 1-4.