

Relationship Between Authentic Leadership Style and Employees' Psychological Contract

Md. Hassan Jafri
Patna College, Patna

This study aimed at understanding the relationship between authentic leadership style and employees' relational and transactional psychological contract (PC). Further, the study also examined the influence of authentic leadership style on employees' perception of breach of PC. Using random sampling approach, data were collected from 123 employees working in the financial sector organizations. Correlation and regression analysis were carried out to test hypotheses of the study. Results revealed that authentic leadership style positively influences on employees' relational PC and not transactional PC. It was also found that authentic leadership style has significant and negative effects on perception of breach of PC. Implications of the study have been explicated in the research.

Keywords: Authentic leadership style, Psychological contract breach, Relational psychological contract, Transactional psychological contract.

"Everything rises and falls on leadership" writes an American expert (Maxwell, 2012, p. 267) on the leadership's role in the organization. It implied that organizational variables including PC can be attributed and appropriated to the leadership's efforts or lack of efforts. Various types of leadership theories (Avolio & Bass, 2002; Gardner, et al., 2005; Yukl, 2008) have blossomed in the literature and in the organizational practices. Authentic leadership is one of the recently emerged leadership theory which is based on the positive psychology and positive organizational behaviour (Luthans & Avolio, 2003).

This leadership style is gaining wide acceptance in organizations as well as by academicians (Owusu-Bempah, Addison, & Fairweather, 2011). Essential characteristics of the authentic leadership styles are knowing his values, beliefs, motives and goals and acting on them to achieve organizational goals. Although there is a growing interest by researchers in authentic leadership style, but still the construct is less researched (Rego et al., 2012, 2014). Research on the relation between authentic leadership and follower work attitudes and behaviors is still scarce (Erkutlu & Chafra, 2013).

It is in the response of these researchers' opinion that the present study focused on the authentic leadership style.

Authentic leadership has been studied in relation to various tangible and intangible organizational outcomes such as job satisfaction, employees' performance and, employees' creativity. The current study extended this line of research by examining the authentic leadership in relation to employees' PC. A psychological contract is an individual's belief regarding terms of an exchange agreement between employee and his / her employer (Rousseau, 1995). Various organizational as well as individual factors have been associated as the antecedents of PC (Blancero et al., 2007; Suazo & Turnley, 2010). Researches on these antecedents are important in understanding employees' PC and are significant for practitioners and academicians. However, little evidence examining the direct relationship between the leader behaviour / style and employees' PC exist in the literature (Chu & Kuo, 2012). According to the knowledge of the present researcher, how authentic leadership styles influences an employees' PC, is not examined yet, given the fact that the manager / leader work as a significant signaling