Leadership Styles on Employee’s Psychological Contract: A Signalling Theory Perspective

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ABSTRACT
The study examined the relationship between leadership styles and employee’s relational and transactional psychological contract (PC). The study took Yun et al., (2007) five leadership styles: directive, transactional, transformational, empowering and aversive leadership. Using the random sampling procedure, data were collected from 170 faculties working in different colleges of the Royal University of Bhutan. Correlation and regression analysis were carried out to test hypotheses of the study. The results revealed that leadership styles do influence on the employee’s PC. Further, it was found that transactional PC is significantly and positively correlated with the directive, transactional and transformational leadership styles; whereas transformational and empowering leadership styles were found to be significant and positively associated with relational PC. Implications of the study have been explicated in the research.

KEYWORDS: Leadership styles, Psychological contract, Relational psychological contract, Transactional psychological contract.

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