THE INTERCONNECTION OF TRANSFORMATIONAL LEADERSHIP BEHAVIORS AND PSYCHOLOGICAL CONTRACT PROCESSES: THE MEDIATING ROLE OF LEADER-MEMBER EXCHANGE (LMX)

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ABSTRACT
This study explores the relationship among transformational leadership behaviors, psychological contract process, and individual reactions by examining the mediating role of leader-member exchange. Our study responds to question regarding how leader behaviors can make individual reactions to remain positive and supplement the literature gap of leadership and psychological contract theory.

Keywords: transformational leadership behaviors, leader-member exchange, psychological contract, and employee outcomes

INTRODUCTION
The function of leaders is to engage followers and activate them to strive toward the
Transformational leadership has been emerged as a kind of major leader behaviors that can influence followers’ attitudes, behaviors and outcomes, including organizational commitment (Bycio, Hackett, and Allen 1995; Bono and Judge, 2003; Dumdum, Lowe, and Avolio 2002), job satisfaction (Barling, Weber, and Kelloway, 1996), intention to quit (Bass, 1999), performance (Colbert, Kristof-Brown, Bradley, and Barrick, 2008; Yukl, 1999), and organizational citizenship behaviors (Wang, Law, Hackett, Wang, and Chen, 2005). Transformational leadership involves four major components that can motivate followers’ attitudes and behaviors (Bass, 1985; Colbert, Kristof-Brown, Bradley, and Barrick, 2008; Gong, Huang, and Farh, 2009; Gumusluoglu and Ilsev, 2009; Menguc, Auh, and Shih, 2007; Nemanich and Keller, 2007; Osborn and Marion, 2009). Idealized influence, which refers to the degree to which leaders can behave in charismatic ways that induce followers to trust, admire, and indentify with them (Barling, Weber, and Kelloway, 1996). Inspirational motivation, which refers to the degree of which leaders articulate a compelling vision that is appealing to followers (Wang, Law, Hackett, Wang, and Chen, 2005). Intellectual stimulation, which refers to the degree of which leaders encourage followers to challenge their assumptions and solicit their thinks or ideas (Nemanich and Vera, 2009; Rowold and Heinitz, 2007). Individualized consideration, which refers to the degree of which leaders attend to followers’ need, act as coaches, and listen to followers’ concerns (Bono, and Judge, 2003; Hunt, 1999). Although transformational leadership has been confirmed to be positively related followers’ attitudinal outcomes, there are still some places that remain unclear, such as its influence on followers’ conceptions of psychological contract.

According to psychological contract theory (Coyle-Shapiro and Conway, 2005; Dulac, Coyle-Shapiro, Henderson, and Wayne, 2008; Robinson, 1996, Morrison and Robinson, 1997; Zhao, Wayne, Glibkowski, and Bravo, 2007), psychological contract refers to individual’s beliefs about mutual obligations in the context of the relationship between the employer and the employee (Coyle-Shapiro and Conway, 2005; Robinson and Morrison, 2000). While the perceived promise is not fulfilled by the organization, the psychological contract breach would occur (Cullinane, Dundon, Maynooth, and Ireland, 2006; Guest and Conway, 2002; Hall, 2002). Psychological contract breach refers to individual’s cognition that the employer (organization) has failed to fulfill the promise or obligation within employment relationship (Robinson and Morrison, 2000; Zhao, Wayne, Glibkowski, and Bravo, 2007). Besides, form the cognitive-motivational-relational theory (Lazarus, 1991; 1992), psychological contract violation also would follow while psychological contract breach arises (Sutton and Griffin, 2004). In relative to psychological contract breach, psychological contract violation is defined as “individual’s emotional response to the cognition that the employer (organization) has failed to fulfill the promise or obligation within employment relationship” (Morrison and
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Robinson, 1997; Thompson and Bunderson, 2003). In fact, psychological contract breach and psychological violation also have been found to be negatively related to unbeneficial individual reactions, such as affective commitment (Sturges, Conway, Guest, and Liefooghe, 2005), trust in organization (Dulac, Coyle-Shapiro, Henderson, and Wayne, 2008), intention to quit, performance(Coyle-Shapiro and Kessler, 2000), and organizational citizenship behaviors (Suazo, Turnley, and Mai, 2005). Although the original concepts of psychological contract is emphasized on individual’s psychological contract conception to the employer (organization) rather than the leader (Lemire and Rouillard, 2005), few studies has argued that the leader also can shape and influence followers’ psychological contract conception, such as psychological contract breach (Dulac, Coyle-Shapiro, Henderson, and Wanyne, 2008). As an agent of organization, the leaders can decide and influence the resource distribution and the extent of reward for followers and hence also would shape and influence followers’ experiences, expectation, and cognition with respect to their employment relationship (Crawford and Strohkirch, 1997; Cullinane, Dundon, Maynooth, and Ireland, 2006). Hence, it appears to be needed for researchers to further explore and understand the possible interconnection between transformational leadership theory and psychological contract theory.

This study proposed leader-member exchange (LMX) as a mediator to explore how transformational leaders may influence and shape followers’ psychological contract conception. We explore the possible causal relationship among transformational leadership behaviors, leader-member exchange (LMX), psychological contract process, and individual attitudinal outcomes that have been found to be related to above constructs.

THEORY AND HYPOTHESES

Transformational leadership and leader-member exchange (LMX)

Previous scholars identify transformational leadership as a kind of leader’s behavior that can transform members’ mental model, attitudes, and behaviors (Bass, 1990; Bass, and Avolio, 1995; Gumusluoglu and Ilsev, 2009; Tsai, Chen and Cheng, 2009). In fact, transformational leadership behaviors have been regarded as one of the most important and popular approaches to exploring and understanding the leader effectiveness (Gumusluoglu and Ilsev, 2009). Prior research has pointed that transformational leadership behaviors would be associated with higher degree of LMX (Howell and Hall-Merenda, 1999). Idealized influence of transformational leadership has been found to be associated with high LMX (Deluga, 1992). Due to the effects of idealized influence, transformational leadership behaviors would be more attractive than other leadership behaviors (such as transactional leadership) and transformational leaders can hence induce higher degree of personal identification of
followers. In addition, the increase of personal identification of followers to their leaders also would facilitate followers to internalize their leaders’ values and beliefs, which would help followers to engage in higher degree of interaction with their leaders and lead to a higher degree of LMX (Wang, Law, Hackett, Wang, and Chen, 2005). In addition, inspirational motivation of transformational leadership also has been found to positively related to high LMX (Den Hartog, Van Muijen, and Koopman, 1997). By encouraging followers to perform beyond exception and pursue the attractive future, inspirational motivation would help followers to develop self-perceptions of competence and self-efficacy, which have been linked to higher degree of LMX (Snyder and Bruning, 1985). In other words, individuals would enhance their trust, respect, or obligation to their leaders due to reciprocation. Other studies also found that inspirational motivation would faster followers to reciprocate their support and efforts for their leaders, such as contributing their efforts to pursue the collective goals and vision of their organizations, which also reflects a higher degree of LMX (Lee, 2005). In sum, transformational leadership consists of a set of leader behaviors that can facilitate development and formation of leader-member exchange relationship, including idealized influence, inspirational motivation, and individualized consideration (Basu and Green, 1997; Howell and Hall-Merenda, 1999). As a kind of leader behaviors that focus on individual’s needs and developments, transformational leadership not only improves the interpersonal interactions between the leaders and the followers but also helps them to develop and build higher degree of trust, respect, affect, and loyalty to each other, which reflects a higher degree of leader-member exchange (LMX). Following above argument, we proposed transformational leadership is positively related to leader-member exchange (LMX).

Hypothesis 1: Transformational leadership is positively related to leader-member exchange (LMX).

**Leader-member exchange (LMX) and psychological contract breach**

LMX theory argued that leaders can develop different social exchange relationships with different followers (Chen, Lam, and Zhong, 2007; Dienesch and Liden, 1986; Graen and Schiemann, 1978; Lee, 2005). High-quality LMX relationships are characterized by mutual respect, commitment, trust, and obligation (Brower, Schoorman, and Tan, 2000). Leaders in high LMX would be able to encourage followers to undertake more responsible behaviors than they otherwise would. Individuals in high-quality LMX relationships interact frequently with their leaders and can get their leaders’ assistances, encouragements, and supports, and hence they tend to take on more responsibility and play a more important role in accomplishing work-related tasks (Erdogan and Enders, 2007). In contrast, low-quality LMX relationships are characterized by formal set of rules, organizational role-defined employment contract, and economic exchange behaviors. Leaders in low quality LMX relationship
maintain a distance with their followers in which the leader’s support and consideration would be limited, and information exchange also is communicated downward (Van Dyne, Kamdar, and Joireman, 2008). In other words, although the organization has not fulfilled its promises temporarily, higher degree of LMX social relationship between the leader and the follower would make individual to believe that the unfinished promise may be fulfilled in the future. Accordingly, previous research also has argued that leader-member exchange (LMX) would play an important influence on individuals’ responses to psychological contract breach. Since higher LMX social relationship would provide individuals the perceived supports for them to cope with the psychological stresses and effects regarding their cognition that their employer (organization) has failed to fulfill their agreements temporarily. Hence, following above argument, we proposed that leader-member exchange (LMX) is negatively related to psychological contract breach.

Hypothesis 2: Leader-member exchange (LMX) is negatively related to psychological contract breach.

**Psychological contract breach and psychological contract violation**

According to the cognitive-motivational-relational theory (Lazarus, 1991; 1992), psychological contract breach and violation is a two-step process in which breach precedes violation. Following Lazarus’s (1992) perspective, individuals’ cognitive activities consist of two steps: knowledge step and appraisal step. Psychological contract breach is the appraisal step of individuals’ cognitive activities and it also would lead to psychological contract violation simultaneously. Knowledge step consists of what an individual believes about the way the world works in general and in a specific context. Knowledge includes the sense and the relation of oneself and world. Under knowledge step of cognitive activity, individual’s benefits and damage would not be influenced or intervened by his or her external environments. Hence, knowledge step of cognitive activities is relatively instrument and non-emotional stage in which individuals only response their understanding to external activities or environments and don’t explain their effects to individuals’ well-being. In comparison, appraisal step of cognitive activities reflects individuals’ evaluation of the significance of knowledge regarding what is influencing individuals’ well-being. Hence, when individuals assess the influence of external activities or environments has made them to gain or lose some things (individuals’ well-being), they would generate a response of emotion. Lazarus (1991; 1992) also further pointed that knowledge step and appraisal of cognitive activities represent different condition for the formation of emotional response. Knowledge step of cognitive activities is only a sufficient condition whereas appraisal step of cognitive activities is both sufficient and necessary conditions. Under Lazarus’ perspective, sufficient condition refers to that thoughts are capable of incurring emotions whereas necessary
condition implies that emotional response would not occur when some specific kinds of though haven’t formed. Hence, psychological breach is necessary and sufficient conditions of emotional response in which emotion is the results of appraisals of the significance of what has influenced individual well-being (Lazarus, 1991; 1992; Dulac, Coyle-Shapiro, Henderson, and Wayne, 2008). Hence, following above argument, we proposed psychological contract breach is positively related to psychological contract violation.

Hypothesis 3: Psychological contract breach is positively related to psychological contract violation.

Psychological contract violation and work outcomes

A large volume of studies have pointed that individual’s perceptions of psychological contract breach would lead to negative work outcomes, including lower affective commitment, lower job satisfaction, and intent to leave an organization, lower task performance, and lower organizational citizenship behaviors (Coyle-Shapiro and Kessler, 2000; Cullinane, Dundon, Maynooth, and Ireland, 2006; Robinson and Rousseau, 1994; Robinson and Morrison, 2000; Zhao, Wayne, Glibkowski, and Bravo, 2007). However, few studies pay more attention to understand the relationship between psychological contract violation and individual attitudinal outcomes (Raja, Johns, and Ntalianis, 2004; Dulac, Coyle-Shapiro, Henderson, and Wayne, 2008; Grimmer and Oddy, 2007; Thompson. and Bunderson, 2003). In addition to psychological contract breach, previous research also argued that psychological contract violation also would be negatively associated with individual work outcomes, such as trust in organization, organizational commitment, and intention to stay with organization (Raja, Johns, and Ntalianis, 2004; Dulac, Coyle-Shapiro, Henderson, and Wayne, 2008). Dulac, Coyle-Shapiro, Henderson, and Wayne (2008) argued that psychological contract violation would be a mediator of the relationship between psychological contract breach and individual attitudinal outcomes, including intent to leave an organization, trust in organization, and organizational commitment. In other words, psychological contract violation also would yield unfavorable individual reactions, which implies that psychological contract violation also would lead to lower affective commitment, lower trust to organization, and higher intent to leave an organization. For instance, individuals who perceive that their employer (organization) has failed to fulfill promised agreement will be less satisfied with their jobs, which would lead to lower job satisfaction (Sutton and Griffin, 2004; Tekleab, Takeuchi and Taylor, 2005). Besides, individuals who experience psychological contract violation would tend to decrease their contributions to their organization, which would lead to lower task performance or higher willingness to leave their organization (Turnley and Feldman, 2000).
In addition to in-role performance, psychological contract violation also has been found to be significantly associated with extra-role performance, such as organizational citizenship behaviors (Grimmer and Oddy, 2007). Organizational citizenship behaviors (OCBs) consist of individuals’ work-related behaviors that are discretionary and not linked to the formal organizational reward system (Robinson and Morrison, 1995). It involves individuals’ extra-role behaviors that go beyond the formal role responsibility of individuals in organizational context. Previous studies have argued that individuals who experience positive emotions would tend to increase their willingness to engage in organizational citizenship behaviors (Turnley and Feldman, 2000). In comparison, individuals who experience negative emotion would less likely explicit their willingness to engage in organizational citizenship behaviors that are not formally related to organizational reward system (Robinson and Morrison, 1995). Hence, individuals who experience psychological contract violation in their employment relationship also would tend to distrust their employer or organization, which also would diminish their willingness to engage in organizational citizenship behaviors. Hence, following above argument, we proposed psychological contract violation is negatively related to work outcomes, including job satisfaction, task performance, and intention to stay with organization, and organizational citizenship behaviors (OCB).

Hypothesis 4: Psychological contract violation is negatively related to work outcomes.
Hypothesis 4-1: Psychological contract violation is negatively related to job satisfaction.
Hypothesis 4-2: Psychological contract violation is negatively related to task performance.
Hypothesis 4-3: Psychological contract violation is negatively related to intention to stay with organization.
Hypothesis 4-4: Psychological contract violation is negatively related to organizational citizenship behaviors.

The mediated effect of leader-member exchange (LMX) on psychological contract breach

As discussed above (Hypothesis 1 and hypothesis 2), we link the hypothesis 1 and hypothesis 2, and further argue that transformational leadership behaviors would be able to lead to lower degree of psychological contract breach when they develop higher degree of leader-member exchange (LMX) social relationship that have been important for assauging the perception of psychological contract breach. In other words, transformational leadership behaviors affect individuals’ psychological contract breach through their effects on leader-member exchange. Thus, we predict that leader-member exchange (LMX) will mediate the relationship between transformational leadership behaviors and psychological contract breach.

Hypothesis 5: Leader-member exchange (LMX) will mediate the relationship between
transformational leadership behaviors and psychological contract breach.

**The mediated effect of contract violation on individuals’ work outcomes**

As discussed above (Hypothesis 3 and hypothesis 4), we have discussed Lazarus’s cognitive-motional-relationship model of emotion and proposed that cognitive appraisal of individuals would be the major component to influence affective responses of them, which in turn, would yield unfavorable individuals’ reactions, such as lower job satisfaction, lower task performance, intention to leave, and lower organizational citizenship behaviors. In other words, without a perception that the employing organization has broken its promise, individuals would not response their negative emotions to that perception and thereby lead to subsequent unfavorable individuals’ reactions. Thus, we predict that contract violation will mediate the relationship between contract breach and work outcomes.

Hypothesis 6: Contract violation will mediate the relationship between contract breach and work outcomes.

**Potential boundary condition**

Although we argued that transformational leadership behaviors could develop higher degree of leader-member exchange (LMX) social relationships and hence assuage psychological contract breach, we still must point the potential boundary condition for leader-member exchange (LMX) effects on psychological contract breach. Prior research has argued that individual mood may play an important role on individual reaction to psychological contract breach (Dulac, Coyle-Shapiro, Henderson, and Wanyne, 2008; Watson, Clark, and Tellegen, 1988). Individuals high in negative mood would less likely to perceive their social relationship with their leaders. In contrast, individuals low in negative mood would more likely to perceive their social relationship with their leaders. Thus, we predict that individual mood will moderate the relationship between leader-member exchange (LMX) and psychological contract breach.

Hypothesis 7: Individual mood moderates the negative relationship between leader-member exchange (LMX) and psychological contract breach: the relationship is stronger for individuals who have lower negative moods.

**METHOD**

**Sample and procedure**

To test our hypothesis, we would collect data via executive students of colleges or
universities who work in small and medium-sized enterprises in Taiwan. Separate questionnaires of supervisors and subordinate will be designed and administered in order to minimize the influence of common method variances (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The supervisor questionnaires would first be distributed to supervisors who work in small and medium-sized enterprises and are executive students of colleges or universities in southern Taiwan. Furthermore, the questionnaires for subordinates also would be distributed to two immediate subordinates of these supervisors. Each supervisor will rate task performance and organizational citizenship behavior for his/her immediate subordinates. Each subordinate also will rate the questionnaire with the transformational leadership, leader-member exchange (LMX), psychological contract breach, psychological contract violation, job satisfaction, and intention to leave scales. Meanwhile, completed surveys would be expected to return directly to us in sealed and preaddressed envelopes. In addition, above process would be followed by an e-mail reminder, and finally, a telephone reminder. By collecting measures of the independent and dependent variables from different data source, we should be able to limit the problems related to common method variance. Finally, since the construct of transformational leadership is typically regarded as a generalized behavioral approach of a leader to subordinates, it hence should be measured by calculating the average ratings of cross-subordinate within the same group (House & Aditya, 1997; Yukl, 2002). In addition to using the average ratings of two subordinates to represent the group-level transformational leadership construct, applying the same average core to two subordinates within the same group is also an important step in following analysis of data.

**Data analysis procedures**

We plan to adopt a two-step process of analysis to test our hypotheses. In the first step, we will use two tests to verity the distinctiveness of our study variables. At first, we would conduct a confirmatory factor analyses (CFA) to evaluate measure model adequacy. Given the large number of item relative to the sample size, we would reduce the size-to –estimator ratio. For constructs with nine or fewer indicators (psychological contract breach, psychological contract violation, job satisfaction, intention to quit, task performance, and organizational citizenship behaviors), we would use the individual items as observed indicator of the latent constructs. At the same times, for other multi-item constructs (Transformational leadership behaviors and leader-member exchanges), we would use dimension of constructs as its indicators following statistical produces set up by Anderson & Gerbing (1988). After deciding the indicators of all constructs, we would use a model comparison procedure to produce our fitted measure model. Secondly, following the suggestions of Fornell and Larcker (1981), we would further test the discriminant validity of transformational leadership behavior, leader-member exchange, psychological contract breach, psychological contract violation, job satisfaction, intention to quit, task performance,
and organizational citizenship behaviors, by comparing the variance shared by each construct and its measures with variance shared by both constructs (latent variables). To meet the requirement of the test, the variance captured by each construct of our study needed to be larger than .50 and smaller than the squared correlation between these two latent constructs.

In the second step, we would adopt the structural model to analyze the hypothesized relationship by using a series of nested model comparisons. Hypothesized direct effects would be assessed from the results of SEM, while mediating effects also would be tested through above nested model comparisons. Accordingly, confirmatory factor analysis also would be used to test construct distinctiveness in order to have enough observations for data stability. Finally, our hypothesized mediation effects were examined in accordance with standards proposed by Baron and Kenny (1986). Baron and Kenny specified three conditions that must be satisfied in order to infer mediation: (1) the independent variable must be significantly associated with the dependent variable in the absence of the mediator, (2) the independent variable must be significantly associated with the mediator, and (3) when both the independent variable and the mediator are considered simultaneously, the direct relationship between the independent variable and the mediator are considered simultaneously, the direct relationship between the independent variable and the dependent variable should either decrease significantly or become non-significant. Hence, following Baron and Kenny’s (1986) three requirement that must be satisfied, we would test our hypothesized relationships by analyzing the change of direct or indirect effects of independent variable and dependent variable. (Hypothesis 5 and Hypothesis 6).

In addition to adopting Baron and Kenny’s (1986) three requirements to test the mediated effects in this study, we also used Sobel test to examine the mediated analysis (Sobel, 1982; Preacher and Hayes, 2004; Hayes and Mattes, 2009; Yang, Mossholder, and Peng, 2009). Research on behavior research methods has argued that Sobel test has greater statistical power than that of other methods of assessing mediation, including the Barson and Kenny’s approach (Preacher et al., 2004; Hayes et al., 2009). Prior research pointed that it is necessary to perform a formal significance test of the indirect effect that is not listed by Barson and Kenny as one of the requirement for assessing mediation, and ignoring above procedures may lead to Type I and Type errors (Holmbeck, 2002; Preacher et al., 2004). Thus, in this study, we also used Sobel test to assess the mediation effect and followed procedures (a) that there exists an effect to be mediation (i.e., $C \neq 0$) and (b) that the indirect effect to be statistically significant in the direction predicted by the mediation hypothesis (Sobel, 1986; Preacher et al., 2004; Hayes et al., 2009). Finally, bootstrap analysis also was used to examine the mediated or indirect effects of independent variables on dependent variables. While the basic assumption of general statistic analysis mainly is based on that the data has multivariate normal distribution, many empirical studies may fail and are not the form of normal
distribution (MacKinnon, 2008; Preacher et al., 2004). To test the stability of our model, we computed the confidence internals of the proposed paths and examine whether the confidence internal of these paths doesn’t include zero, which is the major principle of bootstrap analysis to examine the mediated effects (Byrne, 2001; Chuang and Liao, 2010; MacKinnon, 2008).

**Questionnaire design and measurement**

**Transformational leadership**

We would use the Multifactor Questionnaire (MLQ Form 5 X.; Bass & Avolio, 1995; 2000) to assess the four dimensions of transformational leadership, including idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. The MLQ assesses idealized influence with an eight-item scale, and the other three behaviors remain four-item scales, respectively. Example of items used include: “The leader in this company emphasizes the importance of having a collective sense of mission” (idealized influence); “The leader in this company articulates a compelling vision of the future” (inspirational motivation); “The leader in this company articulates a compelling vision of the future”.

**Leader-member exchange (LMX)**

We would measure leader-member exchange with an 11 item scale adapt from Liden and Maslyn (1998). The scale includes four dimensions: Affect, loyalty, contribution and professional respect. The LMX scale assesses contribution with an two-item scale, and the other three constructs remain three-item scales, respectively. This measure has shown adequate levels of reliability and construct validity in previous research ($\alpha= .81$; Wang, Law, Hackett, Wang, and Chen [2005]) Example of items used include: “My supervisor is the kind of person one would like to have as a friend.” (affect); “My supervisor defends my work actions to a superior, even without complete knowledge of the issue in question.” (loyalty); “I do work for my supervisor that goes beyond what is specified in my job description.” (contributions); “I am impressed with my supervisor's knowledge of his/ her job.” (Professional respect).

**Psychological contract breach and violation**

We would measure psychological contract breach and psychological contract violation with five-item and four-item scale developed form Robinson and Morrison (2000). This measure of psychological contract breach assesses the degree to which individuals’ global perceptions of how well their organization has fulfilled their psychological contract. This measure has demonstrated adequate levels of reliability and construct validity in previous research ($\alpha= .92$; Robinson and Morrison [2000]). Example of items used include: “I have not received
everything promised to me in exchange for my contributions”; “My employer has broken many of its promises to me even though”. On the other hand, this measure of psychological contract violation assesses the degree of which individuals’ affective responses in the context of a contract. This measure also has showed adequate levels of reliability and construct validity in previous research (α= .90; Robinsonand and Morrison [2000]) Example of items used include: “I've upheld my side of the deal I feel a great deal of anger toward my organization”, “I feel extremely frustrated by how I have been treated by my organization”.

**Work outcomes**

In our study, work outcomes include job satisfaction, task performance, intention to quit, and organizational citizenship behaviors (OCBs). We would assess job satisfaction with two items taken from Dunham and Smith (1979). Example of items used include: “All in all, I am satisfied with my job” and “Compared to most jobs, mine is a pretty good one.” Previous research has pointed that this measure has acceptance levels of reliability and construct validity (α= .68; Tekleab, Takeuchi, and Taylor [2005]) In addition, we also would assess task performance with seven items developed from Tsui, Pearce, Porter, and Tripoli (1997). Example of items used include “The quality of work is much higher than average.” This measure has demonstrated adequate levels of reliability and construct validity in previous research (α= .89; Wang, Law, Hackett, Wang, and Chen [2005]). The degree of which intention to leave would be assessed with three items from Cook, Hepworth, Wall, and Warr (1981). Example of items used include: “It is likely that I will leave my employment with the organization within a year” and “I intend to keep working at the organization for at least the next three years”( reverse-coded). This measure has shown high levels of reliability and construct validity in previous research (α= .96; Dulac, Coyle-Shapiro, Henderson, and Wayne [2008]). Finally, we also would assess organizational citizenship behaviors with nine items developed from Tsui, Pearce, Porter, and Tripoli (1997). Example of items used include: “Makes suggestions to improve work procedures”; “Suggests revisions in work to achieve organizational or departmental objectives” The reliability and construct validity of the scales also shown acceptance levels in previous research (α= .79; Tsui, Pearce, Porter, and Tripoli [1997] ).

**Individual mood**

We would measure individual mood with two ten-item mood scales form Watson, Clark, and Tellegen (1988). This measure of individual mood comprises the Positive and Negative Affect Schedule (PANAS). Positive affect refers to the extent to which an individual feels enthusiastic, active, and alert. In contrast, negative affect reflects the extent to which an individual feels anger, contempt, disgust, guilt, fear, and nervousness. Previous research has
Control variables

Individuals’ gender, age, educational level, position, number of previous jobs, firm tenure and industry would be included as control variables in our analyses to understand their potential influence for our findings. Previous studies have argued that educational level, age, and sex are important to understanding employee attitude and behaviors (e.g., Cohen, 1992; Cotton & Tuttle, 1986) whereas position, number of previous job, and firm tenure also are viewed as the potential factor to influence individuals’ behavioral outcomes. It is hence possible that these individual differences also may influence individuals’ psychological perception and their attitudinal and behavioral outcomes. Gender includes female and male. The range age is separately divided in to specific groups from <25; 26-30; 31-35; 36-40; 41-45; >46. For education, all levels are listed from the lower to higher, such as below senior high school, senior high school, colleague school, undergraduate school, graduate school, and above graduate school. Firm Tenure would be period of running a company. It would be separated less than one year, from 1.1 to 5 years; 5.1-10 years; 10.1-15 years; 15.1-20 years and more than 20 years. Several positions also would be provided for respondents to tick and the business sector of industry is given with manufacturing and service for respondents to select.

DISCUSSION

Combined with transformational leadership theory, leader-member exchange (LMX) theory and psychological contract theory, we explicated that transformational leadership would be able to influence and assuage the perception of psychological contract breach of individuals through developing higher degree of LMX social relationship. Meanwhile, our study also explains that how transformational leadership, through psychological contract processes, influence individuals’ work outcomes, including job satisfaction, task performance, intention to quit and organizational citizenship behaviors. Hence, the main contribution of our study includes two points. At first, we explored and explicated the interconnection of transformational leadership and psychological contract breach, and found that leader-member exchange (LMX) play an important mediating role in both side relationship. In addition, from the LMX and psychological contract perspective, we also explain how transformational leadership behaviors influence individuals’ work outcomes. We explicated that transformational leadership would be able to influence and assuage the perception of psychological contract breach of individuals through developing higher degree of LMX social relationship. We also argued that transformational leadership behaviors would
influence and assuage individual’s conception of psychological contract breach when they can develop higher degree of leader-member exchange (LMX) social relationship. Besides, by analyzing Lazarus’s cognitive-motional-relationship model of emotion, we also noted that violation may mediate the relationship between psychological contract breach and individual reactions. Finally, we also discuss the potential boundary condition for our model. Our research findings respond to questions regarding how leader behaviors can make individual reactions to remain positive when the negative circumstance occurs (such as individual’s cognition of psychological contract breach), and supplement the literature gap of transformational leadership behaviors and psychological contract process. In this respect, our research contributes to explore mediation mechanism that underlies the influence of transformational leader on employee performance and behavior and help explicate the process through which transformational leadership behaviors influences employee outcomes (Bass, 1999; Yukl, 1999).

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References available upon request by Tso-Jen Chen, at tj0004@mail.tut.edu.tw.