

Leadership Style and Employee Engagement



Management

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ABSTRACT

This paper explores the relationship between leadership styles and engagement in the workplace. The competitive global markets are forcing organizations to look past their products and the bottom line and move beyond just employee motivation and towards having an engaged workforce.

Due to globalization, companies are changing their structure and competing in a bigger arena. Most of these organizations used to think of capital simply as shares, cash, investments, or some sort of wealth. Over the years, these organizations have changed their views and have added employee development and performance management as a strategic business priority to set them apart from their competition. With this shift, organizations are adding more value to their employees and their employees' skill sets (Heger, 2007). Talent management has emerged as an area in which organizations, and especially human resource professionals, can spend time and resources to develop a workforce that gives them a competitive and strategic advantage.

Organization use talent management in order to achieve some of their goals, such as competitive advantage, retention, and increase productivity. For the purpose of this paper we will focus on one aspect of talent management, motivation, that leads to some of these desired organizational outcomes and take it a step further by approaching it through the engagement lens. Engagement impacts various organizational outcomes, such as retention and productivity. To accomplish their talent management goals, organizations must move beyond employee motivation strategies and towards increasing the levels of employee engagement. Having engaged employees has become crucial in a time where organizations look to their employees to take initiative, bring innovation, and be proactive with solutions to current needs. Organizational leaders are in the position to increase their employees' engagement levels and do more than just motivate them. The purpose of this paper is to explore what type of leadership style is more conducive to increasing the levels of employee engagement. First, employee engagement and leadership are discussed followed by an exploration of what leadership style is more conducive to increasing employee engagement levels. Lastly, implications and conclusions bring this paper to a close.

ENGAGEMENT

The term engagement refers to an "individual's involvement and satisfaction with as well as enthusiasm for work" (Harter, Schmidt, & Hayes, 2002, p. 269). Built on the work of Kahn (1990), engagement describes the intimate involvement with and framework of the work experience. When employees are engaged, they are emotionally connected to others and cognitively vigilant to the direction of the team (Harter et al., 2002). Engagement occurs when employees know what to expect, have the resources to complete their work, participate in opportunities for growth and feedback, and feel that they contribute significantly to the organization.

Although engaged employees have consistently shown to be more productive, profitable, safer, healthier, and less likely to leave their employer (Fleming & Asplund, 2007; Wagner & Harter, 2006), only 30% of the global workforce is estimated to be engaged (Buckingham & Coffman, 1999; Harter et al., 2002; Saks, 2006; Wagner & Harter, 2006); more than 60% of the global workforce goes to work, at best, ambivalent and emotionally uninvolved with their work (Shuck & Wollard, 2008). It is estimated that this engagement gap cost the United States economy more than \$300 billion dollars a year in lost productivity (Fornes, Rocco, & Wollard, 2008; Rath & Clifton, 2004). Unfortunately, employee engagement seems to be on a continued decline (Shuck & Wollard, 2008). Despite the low numbers of engaged employees, organizational leaders rate employee engagement among the top priorities of their organizations (The Ken Blanchard Companies, 2008; Ketter, 2008).

LEADERSHIP

Leaders are the individuals in the organization who set the tone and culture. Northouse (2004) defines leadership as a process whereby one individual influences a group of individuals to achieve a common goal. An effective leader is able to influence his or her followers to reach the goals of the organization. There is a clear distinction between managers and leaders. While managers create order and consistency, leaders produce change and motivate their employees. Building the relationship between a leader and his/her followers requires an appreciation from the leader for the personal values of those who would be

willing to give their energy and talents to accomplish shared objectives (Bass, 1985). Various leadership theories have evolved to define the characteristics, traits, and styles of various leaders and leadership styles (Bass, 1985). In the following paragraphs, transactional leadership, leader-member exchange theory, and transformational leadership are explored.

I. TRANSACTIONAL LEADERSHIP

Transactional leaders use conventional reward and punishment to gain compliance from their followers (Burns, 1978). These leaders tend to be action oriented and results focused. Three characteristics define transactional leaders: contingent reward, management by exception, and laissez-faire (Bass, 1985). Contingent rewards refer to a practice where leaders provide rewards if they believe subordinates perform adequately and/or try hard enough. Consequently, if they do not believe that subordinates have tried hard enough, no reward is provided. Management by exception is a conservative approach whereby resources are applied in response to any event falling outside of established parameters. This characteristic of transactional leadership seeks to minimize the opportunity for exceptions by enforcing defensive management processes. Lastly, the laissez-faire characteristic where a leader only gets involved when there is a problem (Northouse, 2004). Team members can do little to improve their job satisfaction under transactional leadership.

II. LEADER-MEMBER EXCHANGE

Leader-Member Exchange (LMX) theory focuses on the dyadic and quality of the relationship between leader and follower (Centre for Leader Development, 2006). In this style, a successful leader is characterized by high LMX that refers to a high quality relationship where members feel a part of in-group. As a result, they have more responsibility, decision influence, higher satisfaction, and access to valuable resources. Reciprocally, when members feel in the out-group, this relationship is characterized by low LMX. Here, the leader offers low levels of support to the member, and the person has less responsibility and ability to influence decisions. Leader-member relationships emerge as the result of a series of exchanges and interactions during which these roles develop.

III. TRANSFORMATIONAL LEADERSHIP

Burns (1978) defines transformational leadership as a process that occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality. The four dimensions of transformational leadership are:

(a) idealized influence, which deals with building confidence and trust; (b) inspirational motivation, which deals with motivating the entire organization; (c) intellectual stimulation, which involves arousing and changing followers' awareness of problems and their capacity to solve those problems; and (d) individualized consideration, which involves responding to the specific, unique needs of followers to ensure they are included in the transformation process of the organization. These four dimensions enable leaders to behave as strong role models fostering followers' transformation into more successful and productive individuals (Hay, 1995).

Transformational leaders are often highly visible and known for their passion and energy in all aspects of their work. They spend most of their time communicating with others and looking for initiatives that add value to their teams' future. Transformational leaders motivate and empower their followers, often transcending short-term goals by focusing on higher order intrinsic needs (Meyer & Allen, 1997).

LEADERSHIP AND ENGAGEMENT

Leaders impact organizational effectiveness through their followers. Leadership can have a great impact on engaging employees within the organization. However, transactional leadership limits the leader to using reward based behaviors in order to achieve higher performance from employees, which only have short-term effects. Additionally, LMX Theory (Center for Leader Development, 2006) supports the development of privileged groups in the workplace and appears unfair and discriminatory. LMX theory does not explain how to develop trust or how members can become part of the in-group. Transformational leadership emerges as a style that fosters the development of employee engagement.

Transformational leaders provide an inspiring vision of goals that can help overcome self-interest and narrow factionalism in organizations. They summon new and broader energies among followers. Bakker and Schaufeli (2008) found that employees who have positive interactions with their managers have increased levels of engagement. Additionally, Walumbwa, Orwa, Wang, and Lawler (2005) found that using a transformational leadership style leads to increased organizational commitment and job satisfaction, and still Cartwright and Holmes (2006) found that leaders who focus on relationship building and trust development increase engagement levels. Transformational leaders are not viewed as a power figure but as mutual support for a common purpose, the collective good of an organization. From this perspective, transformational leaders have the capacity to directly impact the engagement levels of their employees (Nohria, Groysberg, & Lee, 2008) and are able to meet the human and work needs of their employees, a dividend of a very unique and empowering style.

IMPLICATIONS

Engagement is a complex process and organizations must take time to fully develop it. Organizations must begin utilizing all the tools available to them in order to increase the engagement level of their employees. The literature reviewed highlights leadership behaviours that are more conducive to increasing engagement in the workplace as well as those behaviours that detract from it. Leaders play an important role in the development of engagement by projecting the ideals and characteristics that are tied to engagement drivers, such as being supportive, and providing a vision to the employees that goes beyond short term goals but the long term goals of the organization. Organizations such as Johnson and Johnson have begun developing training programs for leaders around transformational leadership and engagement related topics. Transformational leaders display behaviors that can potentially impact the level of en-

agement in their employees. As a human resource developing strategy, training programs for leaders should emphasize that this move towards developing transformational leadership skills is not merely a human resource initiative but an organizational development initiative that must be adopted on a daily basis (Cateeuw, Flynn, & Vonderhorst, 2007; Corace, 2007).

Organizations need to develop comprehensive strategies for executives that will provide them the tools to develop the skills for building trust, sharing their vision, and creating effective relationships between employees and the organization. Leaders who apply these skills are perceived more positively by their employees (Barling, Weber, & Kelloway, 1996). As a result, employees develop higher levels of organizational commitment and increase productivity levels. Leaders should understand the impact they have on employees and the importance of building a vision for the future with each employee. In addition, leaders that are confident and have higher levels of self-efficacy, such as transformational leaders, will be able to foster engagement in their employees more effectively than those with lower self-efficacy (Luthan & Peterson, 2001). Giving the employees a vision of the organization and how the employee fits within it, beyond just motivating them to complete the task at hand, will create a more productive workforce.

CONCLUSION

The focus of this paper has been leadership and employee engagement. In today's competitive work environment, it is time for organizations to move beyond just motivating their employees and towards creating an environment of engagement. In our review of leadership styles, transformational leaders seem to be more self-confident to lead the way toward a culture of engagement. While Bass, Avolio, Jung, and Berson (2003) found that both transactional and transformational leadership are related to increased unit performance, transactional leaders needed to set structure where transformational leaders built on the structure that was already there and developed a more cohesive unit better prepared to face the challenges of a turbulent global market.

In a turbulent environment, many factors contribute towards the delivering of sustainable employee growth and organizational profitability. Knowing how to manage talent in order to increase engagement is a skill that human resource professionals are encouraging leaders at all levels to have. Knowing how to increase the level of engagement in your workforce is an important talent management skill in order to prevent having a disengaged workforce. Transformational leaders display the behaviors, such as supportive management, displaying a vision that is related to increasing employees' level of engagement. Bhatnagar (2007) found that one of the factors that increase engagement is supportive management, which is also another trait that transformational leaders have. In addition Wellins, Bernthal, and Phelps (n.d.) found that exceptional leaders (who demonstrate the same characteristics as transformational leaders) will create the environment that fosters engaged employees. Both of these findings with leadership styles and increasing levels of employee engagement depict characteristics of transformational leaders. Future research should further explore the relationship between transformational leaders and employee engagement and measure the level of engagement of employees with transformational leaders versus those employees that are under the direction of leaders with other leadership styles.

It has been said that with no customers there is no business. However, a disengaged workforce is costly to an organization in this competitive global market. An engaged workforce has higher levels of commitment to the organization, lower levels of intentions to turnover, and higher rates of satisfaction. These elements are what we call engagement, the willingness and ability to contribute to company success by going above and beyond. Towers Perrin (2007-2008) survey found that employees that are engaged believe they can impact the organization bottom line; have higher productivity, and higher retention rates. This implies that organizations need to invest in employees on a continuous basis.

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