Leadership Style and Employee Engagement

Geeta Ann Sulamuthu
Faculty of Management
Universiti Teknologi Malaysia
81310 Skudai, Johor, Malaysia
gann2@live.utm.my / geetario9280@gmail.com

Halimah Mohd Yusof
Faculty of Management
Universiti Teknologi Malaysia
81310 Skudai, Johor, Malaysia
halimahmy@utm.my

Abstract

Retaining employees in an organization has become a growing challenge for most corporations in current modernized world. Ironically, the turnover among employees is prevalent within the well-educated and highly skilled employee group. Retaining optimistic staff with excellent job performance is important for the growth of the organization as turnover of critical employee is deemed as major hindrance to the development of the organisation in relations to cost of replacement and work disruption. In this competitive world, retaining admirable workers is essential because losing them can disrupt an organization’s competitive advantage, lowering the morale of other staff, as well as reducing productivity and work quality. Lack of social support of the supervisor is a major reason for employees leaving an organisation. Having engaged employees results in greater profitability, shareholder returns, productivity and customer satisfaction. Transformational leaders are motivating leaders who initiate their subordinates by empowering the identification of the group members with each other and with the organization, and by instilling hope, trust, optimism, and positive emotions. The absence of positive support and motivation from their superiors contribute to employees’ decision to willingly leave their jobs. This paper tries to explore a possible factor that can give significant impact to employee retention in an organization. Based on the literature review, studies conducted on different fields of industries, revealed that there is existence of a positive relationship between leadership style and employee engagement. Thus, the objective of this study is to investigate the implication of transformational and transactional leadership styles on employee engagement to foster employee retention.

Keywords
Leadership style, Transformational leadership, Transactional leadership, Employee Engagement

1. Introduction

The success of an organization highly depends on the active employee engagement due to the fact that it improves performance and productivity. These key factors contribute highly in generating the most vital part of a business; profit. The business revenue influences the growth and survival of a business. Keeping employees happy is the misconception many superiors have about employee engagement whereas, engagement is basically encouraging employees to perform above par in achieving the aims of the organization. Many dependable researchers and human resource specialists have found that high-spirited workers with enthusiasm are deemed as an added advantage to the growth of an organization (Kompaso and Sridevi, 2010). Prior research has found that individuals strive for meaningful everyday work which is different from their daily life routine (Mishra et al., 2014; Ugwu et al., 2014).
Employee engagement levels can be seen through the impact of employees’ work performance and the longstanding contribution to a business. Nowadays many workers are very multitasking and dynamic, which form a great challenge for organizations to retain their worthy staff. Several researchers conducted in the past agree with one common aspect of employment; for an organization’s long-term survival, workforce engagement is crucial. In other words, an organization with a steady engaged workforce guarantees the advancement of the organization.

According to the 2017 Trends in Global Employee Engagement Report from Aon Hewitt, a leading global professional services firm, Malaysia engagement levels are lowest among major Asian markets. Employee engagement levels in Malaysia declined by 2 points from 61 % in 2016 to 59 percent in 2017. Employees in Malaysia join their Singaporean counterparts in being the least engaged among major Asian markets (Aon Hewitt, 2017). Hence, superiors are strongly encouraged to provide a significant work platform, for example, by establishing and striving to resolve any difficulties that employees face (Biswas et al., 2013). According to Lockwood (2007), in today’s competitive world of business, employee engagement is deemed as the most crucial factor in determining the organization’s success. Therefore, in the quest to succeed in business, an organization has to prioritize their employee engagement. According to Gallup (2002) there are three types of people: engaged employees, not engaged employees, and actively disengaged employees. Engaged employees are constructors who work hard to produce excellent work within their roles. Engaged employees outshine in their work through their distinctive skills and management fortes which helps to build a stronger bond within the organization and contribute significantly to its growth by being creative and innovative. Not engaged employees are aimless followers who mere follow instructions without striving to achieve the organization’s goals. Actively disengaged employees are detrimental to an organization because of their unfavorable characteristics that discharge themselves from performing and demotivating others to do the same. They constantly break rules and rather rebellious in the organization (Joshi and Sodhi (2011).

There are many studies conducted globally to examine the relationship between various variables with employee engagement. Employee engagement is influenced by different variables, such as job demand (Hicks et al., 2014), customer loyalty and satisfaction resources (Karatepe (2011), perceived organizational support (POS) (Biswas, 2014) and employee performance (Christian, 2011). Employees in Malaysia expect organizations to have consistent and strong prediction of the future to make viable decisions in business during a tough economy, hence, ‘Senior Leadership’ comes under scrutiny as perception scores fell across all employees’ groups in Malaysia (Aon Hewitt, 2017). Therefore, this study suggests that leadership highly influence in nurturing employee engagement, which is the key to organizations’ success and growth.

The objective of this research is to study the transformational and transactional leadership styles of managers working in Manufacturing Industries in Malaysia. Although there could be various influencers acting at the same time on the employees to develop intentions to quit the job, the Employee Engagement ultimately decreases the Turnover Intention. Hence, it leads to the suggestion that the Transformational and Transactional leadership styles need to focus on carrying out activities within the organization that ultimately can positively influence the engagement of the employees.

2. Literature Review

2.1 Leadership Styles

Leadership is consistently the most sought after topic in all disciplines of organizational studies. It is deemed as the fundamental trait of an organization because leaders play an important role in imparting their knowledge and skills to their followers through a well-defined leadership competency that benefits the organizational growth (Kelloway et al., 2012). The Transformational Leadership was first introduced in 1960 by James Macgregor Burns. Later, Bass and Avolio (Bass, 1985a) developed Burns’ (1978) ideas and advanced the formal concept of transformational leadership (Tims et al., 2010). Today, undeniably the Transformational Leadership model is the most researched topic in the field of Leadership (Avolio, 2003; Barnes 2013 and Hytter 2014), and leaders who push the envelope in working pattern by passionately activating followers’ high order needs, fostering a climate of trust, and inducing followers to sacrifice self-interest for the sake of the organization is considered as Transformational leaders (Bass 1985). Furthermore, Rao (2014) defined Transformational leadership as “a motivational leadership style which involves presenting a clear organizational vision and inspiring employees to work towards this vision through establishing connections with
employees, understanding employees’ needs, and helping employees reach their potential, contributes to good outcomes for an organization”.

There are four types of behavior components in transformational leadership: Idealized influence, Inspirational Motivation, Intellectual stimulation, and individualized consideration (Avolio and Bass, 2004). Idealized Influence - is the compelling element of Transformational leadership where leaders are placed in a high position and the followers will fully follow the leaders’ footprint to identify their potential. Inspirational Motivation – Transformational leaders inspire their employees through profound motivation so that the employees would be committed and faithfully work hard to achieve organizational goals. Intellectual Stimulation - transformational leaders try to integrate creativity and innovation in the work performance of their subordinates by questioning assumptions, reframing problems, and approaching old situations in new ways. Lastly, Individualized Consideration – transformational leaders take the role of a mentor or coach to educate and guide their subordinates to outperform their work that would benefit both the employee and the organization.

Bass (1985) defined Transactional leadership as “an exchange leadership style which motivates employees to produce the desired results by explaining the target that employees must achieve, showing employees how to achieve the target, clarifying the performance evaluation, providing feedback on job outcomes, and providing contingent rewards if employees meet the target”. The transactional leadership style explains leadership behaviors from three perspectives: contingency reward and management by exception – further split into two: passive and active: Contingent Reward – leaders promise their employees with appropriate remuneration for their job done well. Employees will be rewarded for their achievement but at the same time they will be corrected and rebuked for non-performance or lack of achievement. Active Management by-Exception - leaders will monitor the work performance of their employees after outlining the goals and performance standards. Concurrently, the leaders will take the extra effort to observe the employees work for errors and abnormalities, rectify the mistakes, and enforce rules and procedures. Passive Management by-Exception – these leaders are considered inactive as they unproductively lead their staff by only correcting their staff’s mistakes only when are occur rather than taking precautions.

2.2 Employee Engagement

According to Lockwood (2007), employee engagement can be identified from the level of commitment an employee has on a person or a task in the organization, the effort they put in the work and the retention period in the job as a result of their commitment. Schaufeli et al. (2002) one of the prominent researchers in the area of employee engagement, classified employee engagement as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption. Vigor is identified as the readiness to participate and devote to one’s job based on the inspiration derived from the specific features of the job and also an active, determined and goal-oriented attitude. The job content greatly induces the employee with the feel of vigorousness while working (Mauno et al., 2007). Dedication is characterized as a strong psychological effect with an immense connection to the give task and “by a sense of significance, enthusiasm, inspiration, pride, and challenge” (Schaufeli et al. 2002). Absorption is portrayed as the completely focused job that instinctively encourages a person to work disregard of time. This dimension of work engagement disperses acceptable level of contentment and a point to which an employee becomes engrossed in a task and loses track of time (Song Hoon et al., 2012). Employee engagement equals to employee commitment (Schaufeli and Bakker, 2010).

Engagement at work was first conceptualized by Kahn (1990) giving his now famous definition as “the harnessing of organizational members’ selves to their work roles”. He added that in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances. Personal disengagement refers to “the uncoupling of selves from work roles”. In disengagement, people withdraw and defend themselves physically, cognitively, or emotionally during role performances.

The other model of engagement comes from the burnout literature which suggests that engagement was the direct opposite of burnout (Maslach and Leiter, 1997). Burnout includes exhaustion, displaying pessimism and lacking the drive to succeed while engagement is linked to energy, involvement and efficacy. Two other popular academic approaches to explain EE are the “satisfaction-engagement” approach by Harter et al. (2002) and the “multi-dimensional approach” by Saks (2006). Kahn (1990) who is accredited for his conceptualization of the major components of employee engagement suggests that “engagement focuses on how one commits self during the performance of the job.” To obtain comprehensive employee engagement, three psychological conditions must be met.

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in the work environment: meaningfulness (workers feeling that their job tasks are worthwhile), safety (a feeling as though the work environment is one of trust and supportiveness), and availability (workers having the physical, emotional and psychological means to engage in their job tasks at any given moment) Kahn (1990). Therefore, an engaged employee possesses the disposition of optimism, great attention on work, keen and eager to exceed in the contribution level for the organization’s sustainability practice in the long run. Engaged employees deliver higher productivity, higher job satisfaction, less turnover intention, lower absenteeism and more satisfied. To sum up, employee engagement is the catalyst in any organization’s uplift regardless of the economy status (Sarkar, 2011) and hence this concept has become a global catchphrase in the sphere of management.

3. Findings - Leadership style and Employee Engagement

Employee engagement is clearly visible in the leadership style of an organization where employees are eager to outperform with their best talents and strengths in the organization. Subsequently, they will push the limits in terms of pioneering new ideas through creativity to develop a strong bonding with the organization. One of the behavioral characteristics of the transformational leadership is intellectual stimulation. Intellectually stimulating leaders rouse their employees’ efforts “to be innovative and creative by questioning assumptions, reframing problems, and approaching old situations in new ways” (Avolio and Bass, 2002). Thus, encouraging employees to concentrate and become absorbed in their work (absorption). Absorption is characterized by total concentration on the performed task where it provides overall happiness and degree to which an employee loses track of time and engulfs in the task (Song Hoon et al., 2012). Absorption is considered the cognitive dimension of engagement by Schaufeli et al. (2002). His perspective on work engagement differs in concept and defined as “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption.” (Shuek and Reio, 2013). Employees with a strong connection and comfortable with their job are positively engaged in their job and determined to take up even the most challenging task. Meanwhile, disengaged employees, are the defiant types that violates the company rules and constantly find fault in the organization. As a result, the organizational performance also will be very bad. These types of employees usually give bad influences to engage employees in accomplishing their tasks.

Many studies highlight the importance of leaders’ characters, abilities and behaviors as an important lever for human resource development (HRD). Transformational leadership is a method that cultivates employees’ capabilities to higher levels while fulfilling their growing needs which develops employee dedication. There is empirical evidence that transformational leadership is positively associated with organizational commitment and work engagement (Avolio et al., 2004; Cotton and Hart, 2003). The quality of relationship between employees with their immediate supervisors is crucial in instilling engagement (Tymon et al., 2011).

Employees identify their managers’ support only when their immediate manager is apparent as a role model, an exemplary leader, offers adequate support to complete a task, and is good at developing people. This is characterized by Idealized Influence, one of the four types of behavior components in transformational leadership. On the other hand, Kahn, (1990), explains the concept of employee engagement from three psychological conditions; meaningfulness, safety and availability. Safety is the feeling perceived as employees a trustworthy and supportive work environment. Thus, a leader with idealized influence behavior will influence the employees’ engagement towards the job and organization (Spreitzer, 1995). Psychological safety is important for fostering work engagement because it reduces the depletion of vigor, a core dimension of engagement by Schaufeli et al., 2002.

Secondly, in transformational leadership, leaders often coach their subordinates giving individual attention to develop them in a supportive surrounding. This is called the individualized consideration, the second type of behavior component in the transformational leadership. Alfes et al. (2013) argues that transformational leaders who boost employee engagement are required in an organization. Transactional leadership as “an exchange leadership style which motivates employees to produce the desired results by explaining the target that employees must achieve (Bass, 1985). When the immediate manager is just and shows autonomous observation at work place, employees feel important to compensate the benevolence with higher levels of organizational commitment (Poon, 2013). Another method or employees to react is through engagement. Employees feel obligated to respond by approaching their work with greater vigor, dedication, and absorption (Saks, 2006). Engagement is payback or reciprocation for what an employee receives (Alfes et al., 2013). As such, organizations attempt to device and implement policies that is expected to encourage work engagement and stable retention in the organization. For this purpose, organizations are suggested to offer appropriate remunerations according to the achievements of their employees which can be accomplished well through transactional leadership. (Bass, 1985).
Alfes et al., (2013) further commented that strengthening the psychological, emotional and cognitive bonds with organization is actually the way of engaging employees. Additionally, organizations should be compassionate and empathise their employees. Macey, et al., (2009) suggests that organizations should satisfy further the demands of their employees and develop a positive image among their employees.

Tims et al. (2010) conducted a study to investigate the effect of transformational leadership behavior on the level of work engagement among employees. The sample comprised of 42 employees from two different organizations in the Netherlands. The findings indicated that transformational leaders positively contribute to the work engagement of employees. Transformational leadership is positively related to subordinate work engagement, particularly when the subordinate is creative, innovative, and proactive. Transformational leaders boost employees’ optimism and subsequently enhance their work engagement (Tims et al., 2011). Biswas (2013) noticed supervisor-employee relationship as a source of employee engagement. Furthermore, Inoue et al., (2013) and Karatepe (2011) also signified the supervisor-employee relationship positively impacts employee engagement.

Base on the above literature review, a conceptual framework is developed (Figure 1).

Figure 1: Conceptual Framework

The finding is expected to be useful to managers, human resource managers and organizations. It will be helpful to the managing body of the manufacturing companies in Malaysia while framing strategies to develop a competent and committed workforce that is well engaged with the organization. This study focusses on the rapidly growing Manufacturing industry in Malaysia, where employees get opportunities to switch between companies frequently. One potential contribution of this study is to enhance the factors such as Transformational and Transactional leadership styles and Employee Engagement which are involved in the process of reducing employee Turnover Intention.

Methods

Articles for this review were searched from various databases such as Emerald, Scopus, Sage Journals, Google Scholar, Web of Science, Masters and PhD thesis from various universities. Articles cited were between 2000 to 2017. However, articles published pre-2000 were also considered important. Only articles in English Language were reviewed, whereby, articles in other languages were excluded. Additionally, all studies with uninterpreted data were excluded from this review. Lastly, only Empirical research, which is typically involve systematic collection and analysis of data is used in this review whereby non-empirical research has been excluded.

Finally, to validate the conceptual model of the linkage between Leadership Styles and Employee Engagement, a quantitative survey analysis will be conducted in real study in future. A valid and reliable self-administered questionnaire will be used for data collection purposes. The Multifactor Leadership Questionnaire (MLQ) will be used to measure transactional and transformational leadership behaviours. The MLQ contains 72 items covering nine leadership dimensions of the Full Range Leadership Model. However, in this study, only 66 items are selected to test transformational and transactional leadership. The other 6 items testing laissez faire have been removed. As to measure employee engagement, the Utrecht Work Engagement Scale (UWES - 9) developed by Schaufeli et al. (2006) will be used. The engagement scale in this study assesses respondents’ perception on their level of vigor, dedication and absorption on the job. It consists of 9-items measured by a Likert-type 5-point scale (“1” very low level of agreement to “5” very high level of agreement). The Structural Equation Models (SEM) method will be used to assess the reliability and validity of the model measures and to hypothesize relationships among variables.
Reference


**Biography**

**Geeta Ann** is a PhD student at Universiti Teknologi Malaysia (UTM). She is currently a fulltime senior lecturer in Sunway College Johor Bahru, Malaysia. Geeta Ann holds a Bachelor of Science degree in Real Estate Management and a Master of Science degree in Human Resource Development from Universiti Teknologi Malaysia (UTM). She has completed a research project as part of her Master degree project on Leadership and Learning Organization. Her research interests include leadership and human resource development.