

Impact of Leadership Style on Employee Engagement

Dr.V.Rama Devi

Professor and Head,
Dept. of Management Sikkim University
6th mile, Tadong, Gangtok, Sikkim

Mrs. P. Lakshmi Narayanamma

Assistant Professor,
School of Management Studies
Vignan University, Vadlamudi,
Guntur Andhra Pradesh

Abstract

The main purpose of the study is to investigate the impact of leadership style (Transactional/ Transformational) on employee engagement. Survey was conducted among 55 subjects in a beverages company using questionnaire. The Utrecht Work Engagement Scale, developed by Schaufeli et al. (2002) was used to measure employee engagement. The Multifactor Leadership Questionnaire (Bass, Avolio, 2000) was used to measure leadership style. The data collected was analyzed using various statistical tools – Mean, Correlation, Regression and Chi-square test with the help of SPSS. The findings revealed that there is significant positive correlation between transactional leadership and employee engagement as well as between transformational leadership and employee engagement. It is also found that transformational leadership is a better predictor of employee engagement when compared to transactional leadership. The study also concluded that the demographic variables influence employee engagement.

Key words: Employee engagement, Transformational leadership, Transactional leadership.

JEL Classification: M12, M50

Introduction

In the cut throat competitive era, organizations are trying different strategies in order to have an edge over their competitors. In this context, employee engagement has become a hot topic. Engaged employees perform at consistently high levels of productivity and are passionate about the organization and the work that they are involved in bringing best results for the organization. Research studies have revealed a strong linkage between engagement, job satisfaction, organizational citizenship behaviour, organizational commitment, employee performance and business outcomes. Organizations with high levels of employee engagement details positive organizational outcomes (Kular, et al., 2008).

An organization to function efficiently requires healthy, committed and motivated employees, who can be termed as 'Engaged Employees'. But unfortunately, according to the research study (Towers Perrin, 2006), only 14 percent of the total global sample is "highly engaged". The figures are still worse in India -7% are highly engaged, 37% are moderately engaged and 56% are less engaged. Many employers think

they understand promoting employee engagement, but while practicing encounter difficulties and challenges. Knowing how to influence and increase the level of engagement of employees is one of the most critical challenges a company has.

Literature Review:

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). Kahn (1990) defines employee engagement as “the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”.

According to Schaufeli et al. (2002), employee engagement has three components -1) Vigor, 2) Dedication and 3) Absorption. Vigor aspect in engagement deals with stimulating and energetic experience that the employee has in his job. Dedication aspect relates to employee's devotion, commitment and involvement in the job. Absorption is characterized by high attention that the employee pays to his job. Absorption implies that the employee is so engrossed with the job that the time flies away and finds it difficult to disconnect from the job.

Leadership

Leadership is a process by which a leader influences the thoughts, attitudes, and behaviors of others. It is the ability to get other people to do something significant that they might not otherwise do.

The concept of transformational leadership was initially introduced by leadership expert James MacGregor Burns (1978). It is a process where a leader engages followers by motivating them through empowerment, learning, trust, and communication. Transformational leader encourages collaborative approach by which the leader and followers work together on a shared vision for the present and the future of the organization.

Transformational leadership style is measured using 4 factors: (a) Idealized Influence, (b) Inspirational Motivation, (c) Intellectual Stimulation and (d) Individual Consideration (Bass and Avolio, 2000). Individualized consideration is the degree to which the leader attends to each follower's needs, acts as a **mentor** or coach to the follower and listens to the follower's concerns and needs. Intellectual stimulation element of transformational leadership deals with encouraging the followers to be innovative & creative and never criticize the followers publicly for the mistakes committed by them. Leaders with inspirational **motivation** challenge followers to leave their

comfort zones, communicate optimism about future goals, and provide meaning for the task at hand. Idealized Influence is the degree to which the leader acts as a role model for their followers.

Transactional Leadership focuses on the role of supervision, organization, and group performance; it is a style of leadership in which the leader promotes conformity of his followers through both rewards and punishments. Transactional leadership has three components: Contingent reward, active management by exception and passive management by exception. The contingent reward component links the goal to rewards, elucidate expectations, provide necessary resources, lay down mutually agreed goals, and provide various kinds of rewards for successful performance. According to active management by exception, transactional leaders actively monitor the work of their subordinates; observe for deviations from rules and standards and take corrective measures to prevent mistakes. On the other hand as per passive management by exception, transactional leaders interfere only when standards are not complied with or when the performance is not as per the expectations.

Though employee engagement is the hot topic, there remains a dearth of key academic literature on the subject especially on the impact of leadership style on engagement. Leadership style of leader is found critical to the success of the organization (Bass and Avolio, 1990). Leaders impact organizational effectiveness through their followers. Leadership can have a great impact on engaging employees within the organization. Transformational leadership emerge as a style that promotes the development of employee engagement.

Transformational leadership inspires and motivated followers (Yukl, 2002) to put extra effort (Harter, Schmidt, & Hayes, 2002) and impacted on employee engagement element especially extra effort and company's performance (Bass, 1985 & 1990; Gill, 2006; Howell, 1993; Northouse, 2010). Transformational leadership is positively correlated with follower job satisfaction, follower motivation and organizational commitment (Jessica and Helena, 2011). Transformational leaders move followers beyond their self-interest for the great good of the organization by creating a blame-free environment and building trust in leader to enable employee engagement (Kahn, as cited in Jessica and Helena, 2011).

As Kaiser, Hogan, and Craig (2008) suggest, transformational leadership changes the way followers see themselves-from isolated individuals to members of a larger group. When followers see themselves as members of a collective, they tend to endure group values and goals, and this enhances their motivation to contribute to the greater good. Hayati, et al., (2014) conducted research study and

reported that the effect of transformational leadership on work engagement and its facets is positive and significant. It illustrated that transformational leaders transfer their enthusiasm and high power to their subordinates by the way of modeling. Further, the results of multiple regressions showed that considerable variance of work engagement dimensions is explained by transformational leadership components. Bass (1985) suggested that employees were more likely to devote additional extra effort at work, if they reported to a transformational leader who guided their employees by stimulating them and inspiring their trust.

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. The research study conducted by Khuong and Hoang (2014) revealed that the transactional leadership was negatively correlated with employee engagement. Relatively many studies are conducted on the impact of transformational leadership on employee engagement but very few studies are conducted exploring the impact of transactional leadership on employee engagement.

Objectives of the Study:

1. To study different components of engagement and leadership
2. To explore the relationship between leadership style and employee engagement
3. To determine the impact of transactional leadership and transformational leadership on employee engagement
4. To investigate the impact of demographic variables on employee engagement

Table 1
Employee Engagement

S.no	Components	Mean score (on a scale of 1 – 5)
1	Vigor	2.106
2	Dedication	2.585
3	Absorption	2.203

It is clear from Table 1 that the mean score of dedication component of employee engagement as perceived by the respondents is 2.58 on a scale of 5 which is reasonably good when compared to absorption and vigor. This implies that workforce's dedication regarding one's work is relatively

Hypotheses:

1. There is no relationship between leadership style and employee engagement
2. Leadership style is not a predictor of employee engagement
3. There is no relationship between demographic variables and employee engagement

Methodology:

The sample frame for the study constitutes employees in a beverages company in Vijayawada region. The total sample size is 55 and the sample is drawn using simple random sampling technique. The present study is based on primary data collected with the help of a questionnaire. The Utrecht Work Engagement Scale, developed by Schaufeli et al. (2002) is used to measure employee engagement. The Multifactor Leadership Questionnaire (Bass, Avolio, 2000) is used to measure transformational leadership style. The data collected is analyzed using various statistical tools – Mean, Correlation, Regression and Chi-square test with the help of SPSS.

Results and Discussion:

Objective 1: To study different components of engagement and leadership

Components of Employee engagement

The mean scores of the components of employee engagement are presented in Table 1.

high when compared to other components.

Components of Transactional leadership

The mean scores of the components of transactional leadership are displayed in Table 2.

Table 2

Components of Transactional Leadership

S.no	Components	Mean score (on a scale of 1 – 5)
1	Contingent reward	2.64
2	Management by exception(passive)	1.36
3	Management by exception(active)	2.75

It is evident from Table 2 that the Management by exception (active) mean score of the transaction leadership is 2.75 on a scale of 5 which is reasonably good and followed by contingent reward. It implies that transactional leaders actively monitor the work of their subordinates, watch for deviations from rules and standards and take corrective

action to prevent mistakes. Whereas Management by exception (passive) mean score is low.

Components of Transformational leadership:

The mean scores of the components of transformational leadership are portrayed in Table 3.

Table 3

Transformational Leadership

S.no	Components	Mean score (on a scale of 1- 5)
1	Intellectual stimulation	2.36
2	Idealized influence(behaviour)	2.33
3	Idealized influence(attribute)	2.44
4	Inspirational motivation	2.68
5	Individual consideration	2.51

Table 3 reveals that the inspirational motivation mean score of the transformation leadership is 2.68 on a scale of 5 which is reasonably good and followed by individual consideration and idealized influence (attribute). This shows that respondents perceive that leaders with inspirational motivation challenge followers to leave their comfort zones, communicate optimism about future goals,

and provide meaning for the task at hand.

Objective 2: To explore the relationship between leadership style & employee engagement

Hypothesis 1: There is no relationship between leadership style & employee engagement

Table 4.1

Correlation between Transactional Leadership and Employee Engagement

		Employee engagement	Transactional leadership
Engagement	Pearson correlation	1	0.487**
	Sig. (2 –tailed)		0.000
	N	55	55
Transactional leadership	Pearson correlation	0.487**	1
	Sig. (2 –tailed)	0.000	
	N	55	55

** Correlation is significant at the 0.01 level (2-tailed)

Table 4.2
Correlation between Transformational Leadership and Employee Engagement

		Employee engagement	Transactional leadership
Engagement	Pearson correlation	1	0.760**
	Sig. (2 –tailed)		0.000
	N	55	55
Transformational leadership	Pearson correlation	0.760**	1
	Sig. (2 –tailed)	0.000	
	N	55	55

** Correlation is significant at the 0.01 level (2-tailed)

Table 4.1 shows that correlation between transactional leadership and employee engagement is positive and significant. This is contrary to the findings of Khuong and Hoang (2014) that the correlation between transactional leadership and employee engagement is negative. Table 4.2 also shows that correlation between transformational leadership and employee engagement is positive and significant. This indicates that both transactional leadership and transformational leadership promote employee engagement. But the correlation value between transformational leadership style and employee engagement is .760** which is high when compared to correlation value of .487** between transactional leadership and employee

engagement. This implies that there is relatively stronger positive relationship between transformational leadership and employee engagement. It shows that when the leader exhibits transformational leadership style, employee engagement increases.

Objective 3: To determine the impact of transactional leadership and transformational leadership on employee engagement.

Hypothesis 2: Leadership style is not a predictor of employee engagement. Hypothesis is tested using Regression.

Table 5
Impact of Transactional Leadership on Employee Engagement

Model	R	R square	Adjusted R square	R square	F	Df1	Df2	Sig. f
				Change	change			change
1	.755a	.570	.545	.570	22.553	3	51	.000

- a. Predictors:(constant), management by exception(active) mean, management by exception(passive) mean, reward mean.

ANOVA

	Model	Sum of squares	Df	Mean square	F	Sig.
1	Regression	11.306	3	3.769	22.553	0.000a
	Residual	8.523	51	0.167		
	Total	19.829	54			

- a. Predictors:(constant), management by exception(active), management by exception(passive), reward mean.
b. Dependent variable: employee engagement

COEFFICIENTS

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	S.E.			
1	(constant)	.689	.264		2.608	.012
	Reward	.748	.114	.843	6.552	.000
	Management by exception(passive)	-0.71	.128	-.058	-.552	.583
	Management by exception(active)	-1.01	.104	-.112	-.971	.336

- a. Dependent variable: Employee engagement

Table 5 shows that R square is .570 which indicates that the 57% of variation in employee engagement is predicted by independent variables – components of transactional leadership. It is also observed that coefficient of reward is

significant and it implies that reward is a better predictor of employee engagement when compared to other components.

Table 6

Impact of Transformational Leadership on Employee Engagement

Model	R	R square	Adjusted R square	R square	F	Df1	Df2	Sig.f
				Change	change			change
1	.832a	.692	.660	.692	22.008	5	49	.000

- a. Predictors: (constant), individual consideration, inspirational motivation, idealized influence (attribute), idealized influence (behaviour), intellectual stimulation.

ANOVA

	Model	Sum of squares	Df	Mean square	F	Sig.
1	Regression	13.719	5	2.744	22.008	0.000a
	Residual	6.109	49	.125		
	Total	19.829	54			

- a. Predictors: (constant), individual consideration, inspirational motivation, idealized influence (attribute), idealized influence (behaviour), intellectual stimulation.
- b. Dependent variable: employee engagement

COEFFICIENTS

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std.error			
1	(constant)	.560	.230		2.435	.019
	Intellectual stimulation	.501	.166	.583	3.023	.004
	Idealized influence (behaviour)	-.034	.126	-.044	-.270	.789
	Idealized influence (attribute)	.213	.147	.230	1.456	.152
	Inspirational motivation	-.161	.117	-.174	-1.369	.177
	Individual consideration	.216	.158	.223		.178

- a. Dependent variable: Employee engagement.

Table 6 reveals that R square is 0.692 which is pretty high. This indicates that 69% of the variation in employee engagement is explained by independent variables – dimensions of transformational leadership. It is also observed that the coefficient of intellectual stimulation is significant when compared to other components and it implies that intellectual stimulation significantly influences employee engagement.

studies (Hayati, et al., 2014, Bass, 1985 & 1990; Gill, 2006; Howell, 1993; Northouse, 2010) that transformational leadership is a better predictor of employee engagement.

Objective 4: To investigate the impact of demographic variables on employee engagement

Hypothesis 3: There is no relationship between demographic variables and employee engagement

Hypothesis is tested using chi-square test.

The finding of the study is in conformity with other research

Table 7

Chi-square test for Relationship between Demographic variables and Employee Engagement

Variable	Chi-square value	Significant/insignificant
Gender	110.000	Significant at1% level
Age	385.000	Significant at1% level
Marital status	93.253	Significant at1% level
Education qualification	144.780	Significant at1% level
Designation	637.083	Significant at1% level
Years of service	617.528	Significant at1% level
Nature of job	50.205	Significant at1% level

Table 7 reveals that all demographic variables significantly influence employee engagement. It implies that employee engagement depends upon various demographic variables such as gender, age, marital status, educational qualification, designation, experience and nature of job.

Conclusion:

Forward looking organizations are trying to realize their business goals by promoting employee engagement in their organizations. The focus of the present study has been on the relationship between 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. The present study has shown that both transactional and transformational leadership styles influence employee engagement. But the relationship is stronger between transformational leadership and employee engagement.

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