Psychological Capital, Psychological Climate and Leader-Member Exchange as Drivers of Employee Engagement

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Abstract

In this era of globalization, where the organizations are confronting various job demands, and where employee engagement is declining, it becomes imperative for the organizations to focus on employee engagement. Employee engagement is gaining prominence in organizations as it endows wide array of benefits on not only the employees but also on the organizations. Keeping in mind the manifold benefits of employee engagement, the study draws on Kahn's (1990) work in order to arrive at a conceptual model of employee engagement elucidating that psychological capital, psychological climate, and Leader-Member Exchange are positively associated with employee engagement. The study suggests that the managers should foster resources like psychological capital, psychological climate and leader-member-exchange within the organizations in order to engage employees.

Keywords: *Employee Engagement, psychological climate, psychological capital, leader-member exchange, organizations, productivity.*

1. Introduction

Employee engagement is an indispensable tool that can be harnessed by the organizations for enhancing employee performance (Demerouti and Cropanzano, 2010; Halbesleben, 2010), organizational success (Richman, 2006), organization commitment and organization citizenship behavior. Employee engagement is "the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances" (Kahn,1990). An engaged employee enjoys wide array of benefits ranging from job satisfaction to negative intention to quit the organization. Engaged employees are less susceptible to stress. In this era of globalization, where there is cut throat competition, the management is trying to ensure that their employees are engrossed in their work not only physically but also mentally and emotionally. Thus, employee engagement is taking center stage in the corporate world. On account of such immense contribution of employee engagement, the paper attempts to develop a conceptual model of employee engagement.

2. Theoretical Foundation of the Framework

The theoretical framework of the proposed conceptual model is Kahn's (1990) and Saks (2006) study. According to Kahn (1990) study, personal engagement refers to "harnessing of organization members' selves to their work roles: in engagement, people employ and express themselves physically, cognitively, emotionally, and mentally during role performances". It is psychological meaningfulness, safety and availability that keeps the employees engaged in workplace (Kahn, 1990). Thus, Kahn's qualitative study suggests that challenging and enriched jobs abounding with psychological safety and personal resources are key to employee engagement. The proposed conceptual model is based on the conceptualization of Kahn's (1990) work on engagement i.e. "three main psychological conditions that influenced people's engagement and disengagement at work: psychological meaningfulness, psychological safety and psychological availability". As per Kahn (1990) the three dimensions of psychological meaningfulness are worthwhile, usefulness, and valuable.

3. Methodology

The current study is designed as a conceptual paper. The paper is based on a systematic review of literature on employee engagement with the aim of synthesizing the current thinking and evidence. Emphasis is drawn on three drivers of engagement namely psychological capital, psychological climate and Leader-Member Exchange. A model has been conceptualized based on these findings. Literature for this study was sourced from use of management journal databases such as EBSCO, EMERALD, Elsevier etc.

4. Proposed Conceptual Framework

The researchers have focused on three drivers of employee engagement, namely, psychological capital, psychological climate and Leader-Member Exchange (Figure 1).
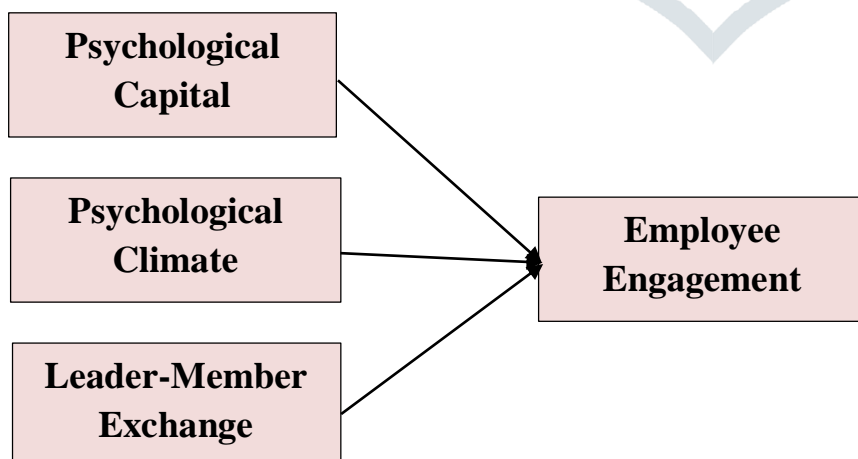
Figure 1. Drivers of Employee Engagement

4.1 Psychological capital

According to (Bandura, 1997) self-efficacy refers to "beliefs in one's capabilities to organize and execute the courses of action required to produce given attainments."

Studies conducted by (Chaurasia & Shukla 2014; Gupta et al., 2017; Gupta et al. 2019) confirmed that all the aspects of psychological capital i.e. self-efficacy, hope, optimism and resilience are positively associated with employee engagement. Various studies indicate that the component of psychological capital i.e. self-efficacy is positively associated with employee engagement (Yakın & Erdil, 2012; Skaalvik & Skaalvik, 2014; Mastenbroek et al., 2017; Albrecht & Marty, 2017; Sulistiyo & Suhartini, 2019). Hope, which is an aspect of psychological capital is positively associated with employee engagement Sihag (2014).

4.2 Psychological Climate:

Psychological Climate is defined as employees' perception of their work environment. The various components of psychological climate include "autonomy, trust, pressure, cohesion, support, recognition, fairness, innovation, competence and relatedness". As per Brown and Leigh (1996) the various aspects of psychological climate are "supportive management, role clarity, self-expect, contribution, recognition and challenging role".

Studies have shown that psychological climate has a significant positive relation with employee engagement (Thayer, 2008; Shuck. 2011; George, 2015). Kataria's (2013) study suggested that the various aspects of psychological climate, such as (job-challenge, supportive management, self-expression, clarity, recognition and contribution) have positive impact on employee engagement. (Lee, 2015) also indicated that four components of psychological climate (i.e., customer orientation of the management, managerial support for service, internal service, and information-sharing communication) are positively associated with employee engagement. Various components of psychological climate in various empirical studies are found to be positively associated with employee engagement. These include supervisory support (Sohrabizadeh et al., 2014; Rai et al., 2017), organization support (Patil, 2018), innovativeness (Bakker et al., 2007; Gupta and Bhattacharya, 2017), appreciation (Bakker et al., 2007), autonomy (Borman, 2011; Skaalvik & Skaalvik 2014; Altunel et al., 2015), competence (Borman 2011; Jose & Mampilly, 2014), team and co-worker relationship (Anitha, 2014; Borst, 2017), recognition (Koyuncu, 2006; Patil, 2018), relatedness (Borman, 2011) and perceived service failure recovery climate (Menguc et al., 2017).

4.3 Leader-Member Exchange

Leader-member exchange conceptualizes leadership as a process that is centered on the interactions between leaders and followers. Studies indicate that Leader-Member Exchange is positively associated with employee engagement (Agrawal et al., 2012; Burch & Guarana, 2014; Chaurasia & Shukla, 2014; Afacan Findikli, 2015; Dasgupta, 2016; Garg 2017). Kim & Koo (2017) study also revealed that Leader-Member Exchange has a

significant positive effect on job engagement but did not significantly impact organization engagement. Tanskanen et al. (2019) highlighted that various aspects of Leader-Member Exchange "trust, two-way communications and sharing of ideas" have a significant positive association with employee engagement.

5. Discussion

With the aim of reviewing the literature on employee engagement and to gain insights into future research, the researchers have followed prior extant literature (Lammersma & Wortelboer, 2017). The paper consolidates knowledge and highlights the ways to improve the understanding of drivers of employee engagement. Since psychological capital, psychological climate and Leader-Member Exchange plays an important role in enhancing work engagement, thus, our findings and the proposed conceptual model can be useful for the HR practitioners in enhancing work engagement in the organizations. HR practitioners are strongly suggested to identify the current state of psychological climate in the organizations by carrying out surveys or by directly asking the employees regarding how they perceive their work environment. This can help in changing the perception of those employees who perceive their work environment in negative light. The organizations should also focus on enhancing the various components of psychological capital like hope, optimism, self-efficacy in their existing employees. As regards Leader- Member Exchange, research suggests that the nature and quality of relationship between leaders and subordinates fuel work engagement. Therefore, the leaders should encourage cordial relationships in the organization as this will lead to better leader-member exchange.

6. Conclusion

Thus, it can be concluded that employee engagement plays a vital role in the organizations. Psychological capital, psychological climate and leader-member exchange are important drivers of employee engagement. Employee engagement increases with the increase in psychological capital, psychological climate and leader-member exchange. So, HR practitioners should foster resources like psychological capital, psychological climate and Leader-Member Exchange. Similarly, the managers should hire employees with high psychological capital as these resources lead to high employee engagement. Increase in employee engagement leads to employee satisfaction and the productivity of the employees also enhances.

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