Effectiveness of leadership style on employee engagement

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Abstract

Leadership is now a feature theme in the matrix of corporate settings and dynamic polity. In immediate corporate domain the leadership complication is responsible for the rise and fall of the establishments. It serves as a dual focused approach which encircles individual and group, as a whole. It now works as a compass for organization commitment which shell out direction and dimension of organization. An institution cannot be built without leadership. It provides resources, processes, tools, methods and vision, requisite for strong foundation of employee engagement. The greatest obstacle for organization commitment is selection of right style of leadership. The organizations get confused over and over again in alternatives of transformational and transactional leadership. Former can be understood as long term outcome and latter as short term output. This situation in the organization and, in other various human terrains has attracted attention over the past few years. This paper attempts to inspect the relationship of leadership and organizational commitment with transformational and transactional style of leadership in an organization. Many studies had been done to examine the impact of leadership style on organization commitment in an organization. Almost nominal studies are performed in relation to formal institutes in India. This gap in knowledge is very crucial and decisive to welfare of right thinking of people. My paper addresses the correlation of leadership influence of organization commitment in formal institutes in India. Specifically, I will gauge the influence with two instruments; Transformational and Transactional style of leadership. The paper will conclude with the emphasis on the right choice of leadership style influencing the positive association between employee engagement and organization commitment in formal institutes in India.

Keywords: Leadership, Organization Commitment, Employee engagement, transformational, transactional laissez-faire.

Review of Literature

The meaning of employee engagement is ambiguous among both academic researchers and among practitioners who use it in conversations with clients. The term is used at different times to refer to psychological states, traits, and behaviors as well as their antecedents and outcomes. **MACEY, W.H. and SCHNEIDER, B. (2008).**

Employee engagement had two different dimensions of meaning wrt. organization and employee. When employee define employee engagement- it is a bond or connection he/she experience with the organization they understand goal mission, vision of the organization and finally fit in. Employee engagement from organization member's psychology towards his/her attachment for the organization. It

facilitates in prediction of employee turnover, satisfaction, job performance, leadership, job security and other similar attributes.

From early 1800 to late nineteenth century put "The Great Man" concept in center. The notion was that leader was born not made. The leader mystically assumed to have a certain set of inherent qualities and characteristics which qualifies as a leader. The leader pictured to have courage, inspiration and heroism which is unmatched to an average person to nail the goal. The flaws in "The Great Man Theory" begins to grow with the advancement in psychological research and development.

In early 1900 the question forms on what constructs a leader? What are the content which proves them to be a successful leader? The first modern theory "Trait theories of leadership" emphasis on empirical research to present a clear leadership development.**(Shriberg and Shriberg, 2011)**. It produce that leadership is sum of individual personalities i.e. extraversion, intelligence and courage. The era change the lane of thought because it was found that there are only few traits which distinguish leaders from follower and create a space for other elements which influence leadership.

In 1950 some questions arise from former development of leadership. Why every leader is not effective in leading? Why not all people possess required traits to become a leader? "Behavioral theories" focuses on action and behavior of a leader. It brought the societal concept, it suggest leaders are made not born. It suggests that any individual can become leader by teaching and training. This new concept made a sharp turn from previous approaches.

Now it was clear that learning ability, knowledge and experience can develop leadership skill in an individual to prove be a leader. In this time different leadership styles were also found. In **1977, Hersey and Blanchard** argued that rather a 'one size fits all' approach there is requirement of leadership shaped by situation, required context of leadership, team competence and nature of task.

In 1990's the turn of century took place and took the active stage from leader to develop potential of the followers to achieve desired goal. This leadership style called "Transformational leadership" focuses on motivation, positive change, drive, support and polishing individual core values and collective identity to obtain maximum potential of them. The uncertainty of today's challenges transforming the followers is sustainable for an institution.

In present time it is practiced that ability of leadership can be developed in any individual and can be passed to others. The circle of leadership is continuing to expand as new and advance research, knowledge and concepts grows. Presented by organization like Google, Intel, Facebook and TATA have staff to the heart of organization. These elements are altering dimension of organization productivity and performance in present era.

It is very difficult to put predictions about it future prospective, but data driven leadership approach can be a best guess. It still requires taxing work in next decade and beyond it. There is a lack of studies which integrate both methods to study i.e. qualitative and quantitative. The future research work should be more than construction of theory and relationships. There is a need of content dependent developments in further leadership theories. The leader -follower interaction still demands new work to understands process and dynamic element involved in it.

Robert J Vance 2006 states, employee who are engaged in their work and commited to their organizations give companies crucial advantages-including higer productivity, lower employee turnover and low level of absenteeism. One of the main hurdles is the right kind of employees and the right kind of mix of employees that is created overtime. Lack strategic thinking on recruitment policies to align with the requirements of the organization – as a social milieu and as an economic entity may also create a mismatch between the organization and its employees **(Allen and Seinko, 1997).**

The competitive globalization has made to nurture beyond employee engagement and motivation. The organization is also changing their structure. Past few years, organization has change lanes and focusing on employee engagement and development at their utmost priority. Now organization are giving more importance to employee and their advancement in skills **(Heger, 2007)**.The employee engagement influence various organization outputs productivity and employee turnover. Now, institution must focus on advancing levels of employee engagement which will produce employee initiative, innovation and proactive in nature. Engagement refers to an "individual's involvement and satisfaction with as well as enthusiasm for work**" (Harter, Schmidt, & Hayes, 2002, p. 269)**. Engagement follows when employees identify what to expect, must have resources to complete their work, participation and feeling of belongings 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)**.Leaders are the drivers of ambiance and culture formation in an institution. **Northouse (2004)** states leadership as a process, whereby one individual influences a group of individuals to achieve a common goal. The direct correlation between leadership and employee engagement provides a positive energy to effectiveness of organization. Leadership play a vital role in employee engagement. Talent management can escalate engagement, remains a skill that human resource professionals are encouraging leaders at all levels. Knowledge of employee engagement determinants will prevent an organization to have a disengaged workers.

The hurdles in gaining employee engagement stems from several sources. The one of the most important is organizational focus. According to **Breukelen 1996**, organizational focus on achieving short term performance goals at the expense of long term employee development, and low investment in building shared vision and community. It can be concluded from above statement that transactional and transformational are heavy elements when we discuss about employee engagement.

The contemporary literature divides leadership into two style: transformational and transactional styles. To motivate employee commitment former use intangible rewards which results in outcome i.e. personal growth, self esteem & professional values, latter uses tangible rewards i.e. money, status etc. In order to maximize employee productivity, both styles are necessary **(Avolio & Bass, 1999)**. The reason behind selecting these two style of leadership for measuring organization commitment is transactional leadership use extrinsic rewards which effectiveness may be short term; once the extrinsic desires are met , the same level of intensive is no longer effective. Transformational leadership in contrast may enhance commitment in long term by boosting intrinsic reward i.e. enhancing trust and sense of self belonging to the organization **(Bass 1985)**.
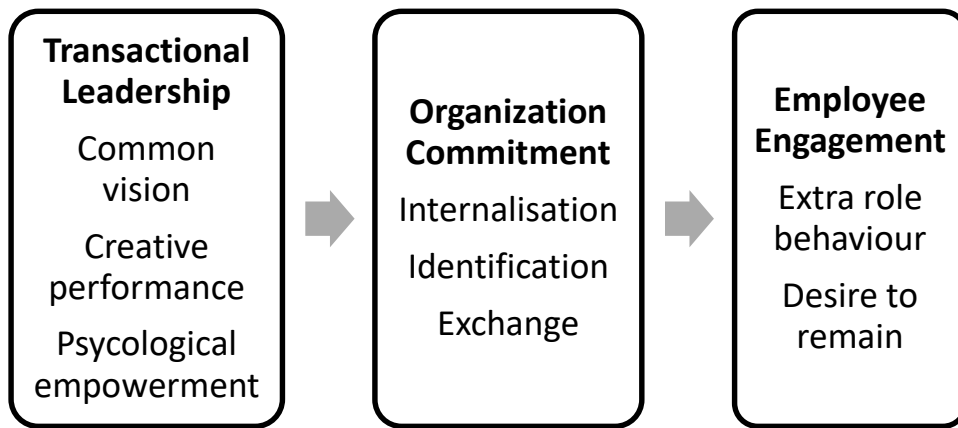
The concrete truth which cannot be altered that leadership impact organizations and people. From an organization perspective, the leader relates to its followers and followers relates to their work. There is two ways to stimulate followers by only two ways. Stimulate them with material rewards i.e. transactional

leadership. Inspiring the employee to perform for a cause beyond themselves i.e. transformational leadership. Bass (1999) categorized leader as being either transactional or transformational. He produce hypothesis that transformational leaders display a greater performance of leadership as they appeal to the spirit of individuals and are able to motivate them to move beyond self-interest to reach goals for the greater good of the organization (Bass, 1999). Formulating clear objectives is the first step of ladder to motivate employee aiming towards goal. Transformational leadership makes employee fee confident about the path ahead which helps in sustainable engagement of employees to sum up the success of organization. More engagement of employee will result in higher level of professionalism, more productivity and improved performance. The relationship of employee engagement and leadership is now proved to be crucial for a healthy organization.

When leadership and employee engagement collide it may sometime due to role stress- Role space conflicts, Role set conflicts and Role efficacy. Therefore the triumph of an institution is composed of cohesive, intertwined and overlapping fusion of these two terms.

From the above review of literature we can conclude that,

Tranformational Leadership		Organizational Commitment		Employee Engagement
Idealise Influence Inspirational Motivation Intellectual simulation	→	Internalisation Identification Exchange	→	Extra Role behaviour Desire to remain

Transactional Leadership

Common vision

Creative performance

Psycological empowerment

→

Organization Commitment

Internalisation

Identification

Exchange

→

Employee Engagement

Extra role behaviour

Desire to remain

Introduction

Leadership

Leadership rested in three possible sources of authority: charismatic authority, reflected personal characteristics; traditional authority, referred to compliance with norms and forms of conduct; and legal authority, which resulted from functional, duty of office. **Stodgill (1974**) concluded that there are almost as many definitions of leadership as there are persons who have attempted to define the concept.

Transactional leadership

Transactional leadership, commencing from defining the relationship between superiors and subordinates as a social exchange, motivated followers primarily through conditional rewards. These rewards were results of reaching established goals and task accomplishment.

Bass defined the transactional leader as one who pursues a cost-benefit, economic exchange to meet subordinate's current material and psychic needs in return for contracted services rendered by the subordinate **(Bass, 1990).**

Bass (1990) indicated that the transactional leader accomplished the attainment of mutual goals and contributed to the adequacy of his or her subordinates" performance in five steps:

1. Involved the clarification of what was expected from the subordinates including the objective of their performances.
2. The supervisor explains what the employees were to do to meet the expectations set forth.
3. The explanation of how the performance would be evaluated.
4. The supervisor would provide feedback to the employees regarding whether the objectives had been met.
5. Finally, the supervisor would allocate rewards based on the attainment of the objectives.

Transformational Leadership

It provides deeper aspects on leadership than previous theories, for example contingency theory. The situational leader acts according to the situation and maturity level of the subordinate, having short–run effect, whereas the transformational leader influences the subordinates" deeper needs and has long–run effects. Transformational leaders care about their followers and understand the impact of their actions on the group, seek the development of followers who are motivated by high- internal values and consequently more attached to the leader's mission **(Avolio & Yammarino, 2002).**

It is an expansion of transactional leadership, does not place major emphasis on exchanges or rewards within the system. Instead, transformational leadership challenges followers to disregard self-interests and encourages pursuit of institutional goals, interests of the group, and moves followers gradually from concerns for exchange to concerns for achievement and growth **(Bass & Avolio,1994).**

Laissez-faire Leadership Style

Laissez-faire leader "is inactive, rather than reactive or proactive", they added Laissez-faire leaders "avoid decision making and supervisory responsibility". Thus, the theory of laissez-faire leadership implies a positive relationship between leaders" scores on laissez-faire leadership and their scores on avoiding and a negative relationship between leaders" scores on laissez-faire leadership and their scores on collaborating.

Employee engagement

Employee Engagement is about staff takes place when employee show interest in their jobs, and are willing to exert an extra discretionary effort to get the required results. It is not for the Organization and comes from the internal motivation; however the benefits do reach the organization. An engaged employee is someone who is aware of business context, and works closely with colleagues to improve performance within the job for the benefit of the organization'.

An Engaged employee is someone who shows affection and dedication to the job he/she performs with no particular interest in the organization except as the provider of the opportunity to carry out the job.

Finding and Discussion

The effect of these two leadership behavior on organizational and employees engagement found to be varying. While transformational leadership has higher positive effect on job satisfaction, organizational commitment and performance of employees, transactional leadership was found to have a positive effect on employee outcome to a lesser degree (output). Further, it was found that most of the component behaviors of transformational leadership have a positive effect on employee outcome only the accountancy behavior of the employee. Transactional leadership has a profound effect on them. These distinctions are not universally common. It may differ from context to context depending on the dominant and structural factors operating therefore, it needs to be tested in a different context in order to derive more refined conclusions.

Conclusion

An employee engagement to an organization or to any object, person cause, etc. - is a complex phenomenon subject to changing influences both internal and external i.e. psychological and circumstantial that affect both how a person views a commitment and goes in meeting the terms. The complexity is a underlying notion about what the "engagement" means, grounded in its basic definition. Perhaps the essence of this concept is the idea of continuity of action even in the face of fluctuating circumstances and feelings.

It is the recognition of the relationship between leadership styles i.e. transformational and transactional that most impacts the manner in basic terms of the employee engagement. The investigation of leadership approaches in historical, contemporary and future lays down three deductions. Firstly, It is a multilevel and pervasive function. Secondly, Study of leadership style and approaches are not complete without multilevel and multilayer studies. The understanding of leadership in not completed. This is endless scholarly quest.

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