Employee Engagement and Transformational Leadership

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Executive Summary

Human capital is the most valuable asset in any organization. Organizations dedicate many resources to bring new employees onboard and then organizations invest more resources in training and development so employees can perform their job at the highest level. Unfortunately, the research analyzed in this paper demonstrate that levels of engagement in organizations are still way below the ideal state, showing figures of employee engagement which are below the forty percent of the entire population.

The literature included in this research paper indicates that in today’s global and competitive market, having engaged employees is a competitive advantage for organizations, as the benefits the organization receive correlate in many areas in the organization, such as improvement on performance, productivity, reduction of turnover, increases innovation, motivation, employee morale, customer loyalty, and ultimately increases profitability.

The job demand-resource model (JD-R) included in this paper was used to validate the positive relationship that exists between employee engagement and transformational leadership.

The conclusions and literature included in this paper corroborate that transformational leadership is a management style that fosters the creation of an organizational culture where employees can develop a sense of getting more involved into their jobs in order to achieve the organization goals and objectives.

The recommendation of this paper is that organizations should implement strategic processes within the organization to improve employee engagement given the potential benefits it could bring to the organization.
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Employee Engagement and Transformational Leadership

Employee engagement has been the center of attention in recent years because organizations are aware that higher engagement potentially correlates to higher productivity and higher performance (Hough, Green & Plumlee, 2015).

The researcher concentration is general administration and employee engagement is one of the main problems that are affecting organizations in today’s environment, as in many cases there are no clear strategies on how to increase employee engagement.

Looking at organizations that have similar structures, similar resources, similar products or services and are similar in size, the only real competitive advantage for them is to have engaged employees (Radda, Majidadi & Akano, 2015). When employees are completely immersed, vigorous, and passionate about their jobs, consequently they will act positively and with a commitment to reach the objectives of the organization, and they will have a higher level of job satisfaction, thus they are engaged to their jobs (Ford, Myrden & Jones, 2015).

Considering the job demands-resources theory (JD-R theory); it is possible to correlate the benefits of transformation leadership as an important job resource that is beneficial for the organization at times where job demands are stringent. Transformational leadership characteristics such as consideration of the employee needs, and empower employees to act with freedom in order to reach the vision and objectives of the organization, contribute in a great manner to foster employee engagement (Breevaart & Bakker, 2017).

In traditional and conservative organizations that promote a more transactional management style, with strong vertical organizational structures, and with an organizational culture of lack of trust in employees that require physical presence of employees at the office, it is necessary to implement new Human Resources strategies and new ways of working (NWW) if
they want to increase employee engagement. Transformational leadership supports the NWW as it positively relates to an increase in work engagement (Gerards, de Grip, & Baudewijns, 2018).

This paper includes the results and findings from three major consultant agencies, Gallup Q12, CIPD and Towers Watson. These studies comprehend a good representation of employee engagement across many different countries, organizations, regions, and industries (Radda, Majidadi & Akano, 2015).

The Concept of Employee Engagement

Professor Khan introduced the concept of employee engagement as an organizational behavior in 1990, and ever since this concept has been one of the most important organizational concerns for practitioners and researchers (Radda, Majidadi, & Akanno, 2015).

According to Sharma and Kaur (2014), employee engagement is one of the most recent developments to achieve success in organizations as well as to increase employee talent retention. Engaged employees have an important contribution to the performance of the organization, which benefits the profitability, the strategic long-term financial results and the satisfaction of internal and external customers.

Radda, Majidadi, & Akanno (2015) identified engaged employees have a positive impact in the organizations because they care more for their jobs, they have an inclination to get more involved, and because they have a tendency to contribute more to the success of the company. All these actions result to increase the employee’s organizational citizenship, increase their commitment to the organization, and in consequence their willingness to stay longer, thus reducing the turnover of the organization. Ultimately, having engaged employees will influence customer satisfaction, which eventually will benefit the profit and growth of the organization as represented in Figure 1.
Definitions of Engagement

According to Sharma & Kaur (2014), engagement is a mental state that emphasizes the way people act with vigor, commitment, and immersion. Additionally, Ford, Myrden, & Jones (2015) indicated people engage when they are passionate about their jobs; their behavior is energetic, emotional and entirely cognitive devoted to their role at work.

Many different practitioners and researchers have explained employee engagement in many different ways. Sharma & Kaur (2014) compiled a list of the most recent definitions and dimensions related to employee engagement (see Appendix A). It is observable that the most common dimension related to employee engagement is emotional, and the second most important dimension related to engagement is proactive behavior or intellectual.

The Ford, Myrden, and Jones study (2015) also highlighted the importance of Khan’s 1990 engagement theory, which states that when certain positive organizational conditions exist, employees will be engaged to their job. These authors also identified that the lack of emotion, passion, energy, and thought on employees are characteristics of disengagement.

Job Demands-Resource Model (JD-R) and Transformational Leadership

The Hawks, Biggs, & Hegerty research (2017) expanded the scope of employee engagement using the Bakker & Demerouti’s JD-R model, which proposes that work
engagement relates positively to job resources. The assumption for this model is that all unique workplace attributes can be either demands or resources. Job demands encompass all aspects of a job that needs constant mental and/or physical effort. In contrast, higher engagement and occupational health are related to job resources.

According to Hawks, Biggs, & Hegerty (2017), the JD-R theory identifies the work environment has a great impact on how much employees are energetic, passionate, and concentrated on their work.

The Breevaart & Baker study (2017) recognized the JD-R theory also identifies two interaction effects, the boosting effect and the buffering effect. The boosting effect refers to employees that feel particularly engaged in their work on days when they have available all the necessary resources to confront the challenging task from their jobs. As an example, if the supervisor provides feedback to employees about their performance when they work under high pressure, they might learn how to work more efficiently and with higher efficiency. When leaders also help to find solutions to these work demands and therefore stimulates employee's feelings, then we can see the impact of transformational leadership.

The second interaction on the JD-R theory is the buffering effect. In this case, job resources will provide energetic resources for employees necessary to fulfill job demands, by supplying the available tools to deal with stressors attainable to their jobs. Managers and Supervisors that offer individualized support to employees on the days where they feel oppressed by hindering job demands, may buffer the negative effect of these demands, so employees can be full of vigor, commitment, and absorption, in other words, they will feel engaged (Breevaart & Bakker, 2017).
Impact of Ethics on Employee Engagement

In today’s world, one of the most common questions for organizations is if being ethical really pays, especially when the main objective for organizations is to create value. The answer is simply “Yes”. Having an ethical climate in the organization makes a significant difference, as it is perceivable in aspects such as communication, organizational trust, job satisfaction, and organizational commitment (Hough, Green & Plumlee, 2015).

Several authors have concluded that ethical behavior in leaders and organizations have a great influence on the ethical behavior of the employees, and in consequence, employees become more engaged in their jobs. For example, trust is essential in any business relation, so when managers and employees trust each other, trust becomes the primary driver of engagement (Hough, Green & Plumlee, 2015).

According to Demirtas, Hannah, Gok, Arslan, & Capar (2015), ethical leadership correlates in a positive way with meaningfulness follower engagement. Meaningfulness is a sense or belief that one's actions have a positive impact and are consistent with one's values. If ethical leaders can influence how followers perceive their job and how they can be more meaningful, most likely they will be more committed and psychologically engaged in their jobs.

Literature Review

According to Radda, Majidadi, & Akanno study’s (2015) employee engagement is also linked to other organizational factors like job involvement, commitment, and organizational citizenship behavior. The authors also identified that job involvement relates how much a job correlates with the employee’s psychological disposition or passion, or in other words, job involvement represents the self-view of the employee associated to the job.
The Radda, Majidadi, & Akanno study (2015) included a list of eight drivers to promote engagement within an organization as listed in Table 1 below.

Table 1. Drivers of employee engagement

<table>
<thead>
<tr>
<th>Engagement drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Trust and Integrity: It happens when management is concerned for the well being of employees and have good communication with them, and where their opinions are taken into account.</td>
</tr>
<tr>
<td>2 Person-Job alignment: It is perceivable when the daily job content and roles create a mental, challenging and emotional wellbeing.</td>
</tr>
<tr>
<td>3 Synchronization of individual and organization's goals: It shows how individual performance contributes to the overall success of the organization.</td>
</tr>
<tr>
<td>4 Career growth: It is achievable when training and opportunities are available to the employees to help them reach a career path within the organization.</td>
</tr>
<tr>
<td>5 Identify with Organization: It is the pride feel by employees to belong to the organization. Employee express positively about the organization and potentially influence others to come and be part of the organization from the outside.</td>
</tr>
<tr>
<td>6 Team members: It is sense when colleagues are cooperative and supportive of others.</td>
</tr>
<tr>
<td>7 Employee development: It happens when the organization puts interest to develop the employee skills.</td>
</tr>
<tr>
<td>8 Manager relationship with employees: This bond is one of the biggest drivers to boost employee engagement.</td>
</tr>
</tbody>
</table>

Taken from Employee engagement: The new model of leadership (p. 19) by Radda, Majidadi, & Akanno 2015.

According to Sahu, Pathardikar, & Kumar (2018), if an organization wants to have higher employee engagement, transformational leaders are a key element to be successful as they will be an inspiration to followers. This kind of leader encourages and spread the vision and goal of the organization to their followers.

Regarding the four components of transformational leadership, the Kovjanic, Schuh & Jonas study (2013) listed them as follow ideal influence, individual consideration, intellectual stimulation and inspirational motivation. Ideal influence refers to develop and gain loyalty from the employees; it is to become a role model. Individual consideration is the attention leaders have to individual needs of employees; it refers to become a mentor and a coach.
Intellectual stimulation promotes the innovation and risk-taking sense of followers. Inspirational motivation is the leader’s ability to stimulate and motivate employees to pursue the same vision and goals of the organization.

Between all the possible leadership styles, transformational leadership is the most common approach to increase employee engagement as it focuses on factors as open communication, autonomy at work, promotes growth and innovation at work, and in consequence, it may reduce turnover (Sahu, Pathardikar, & Kumar, 2018).

To have a better understanding of the potential impact of employee engagement in the organization, the study from Radda, Majidadi, & Akanno (2015) refers to the findings from three major consultant companies as shown in Appendix B (Gallup Q12, CIPD, and Towers Watson). All three-consultant companies revealed a low level of employee engagement.

The findings from Gallup 2013 Q12 meta-analysis shown in Figure 2 on Appendix B demonstrated that employee engagement could influence all of the factors included in this study in many different ways. In Figure 2, it is possible to observe results in organizations such as 37 percent lower absenteeism, 25 percent lower turnover for high attrition companies, 65 percent lower turnover for low attrition companies, 21 percent increase on productivity, and 22 percent increase on profit. However, the results from 2013 indicated that there were no improvements concerning the level of engagement compared to the previous Gallup's2009 results (Radda, Majidadi, & Akanno, 2015).

The findings from CIPD employee outlook winter 2012-2013 shown in Figure 3 on Appendix B showed a negative impact in the total percentage of engaged employees, reaching only a level of 35 percent. It is also observable that the majority of employees responded they feel neutral concerning engagement with 61 percent, and only 4 percent felt
they were disengaged. It is interesting to observe that the percentage of women feeling engaged is greater than the percentage of men feeling engaged (37 percent versus 34 percent). The largest sector of employees feeling engaged relates to the micro business, reaching a 60 percent of engagement (Radda, Majidadi, & Akanno, 2015).

The findings from Towers Watson Global Workforce Study 2012 shown in Figure 4 on Appendix B showed that there is only 35 percent of highly engaged employees and 26 percent of disengaged employees. It also showed 17 percent of detached employees, which are employees with energy but they do not feel engaged with the organization (Radda, Majidadi, & Akanno, 2015).

Conclusions and Recommendations

Employee engagement is a key element for organizations in order to be successful in today’s global environment. The research done for this paper supports the concept that engaged employees are persons who are fully immersed to their jobs (physically and cognitively), they are highly motivated, they are vigorous, and they are committed to achieving the objectives and goals of the organization.

The literature included in this paper clearly shows that there is a lot of potentials to increase employee engagement in organizations. The data recollected on Radda, Majidadi, & Akanno’s study (2015) shows that about 50 percent of the workforce in organizations do not go for the extra mile, mainly because they feel disengaged with their jobs, and they only do the minimum necessary to fulfill their roles and responsibilities. The collected data comes from three major consultant agencies such as Gallup, CIPD, and Towers Watson.

Recommendation 1: The literature included in this paper sustains that employee engagement brings several benefits for the organization. Organizations must embrace new strategies to
increase employee engagement. Some of the positive impacts found during the research about employee engagement include reduction of attrition, it has a positive impact to the profitability of the organization, it increases loyalty, innovation, commitment, and it motivates employees to go beyond their roles and responsibilities in order to achieve the vision and goals of the organization.

**Recommendation 2:** The literature included in this paper confirm that in order to foster employee engagement, organizations can adopt a transformational managerial style. These type of leaders serve as role model for employees to motivate them, to encourage them to put the extra effort to reach the organizational goals and to increase their commitment to the organization.

The researcher of this paper supports that these conclusions and recommendations are applicable to all organizations pursuing the development of strategies to increase employee engagement and talent retention.
References


## Appendix A

### Table 2. Typical definitions and dimensions of employee engagement

<table>
<thead>
<tr>
<th>Year</th>
<th>Researcher</th>
<th>Definition</th>
<th>Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>Kahn</td>
<td>The governing of person’s selves to their job; when people devote themselves to express emotionally, physically, and cognitively while executing their jobs.</td>
<td>Emotional, physical, and cognitively.</td>
</tr>
<tr>
<td>2002</td>
<td>Haudan &amp; MacLean</td>
<td>Engaged people put their minds and hearts into their jobs. Time does not seem to be important as they are completely involved and concentrated to their jobs.</td>
<td>Behavior, intellectual, and emotional</td>
</tr>
<tr>
<td>2002</td>
<td>Schaufeli et al.</td>
<td>A positive job-related condition that is recognized by complete dedication, immersion, and vigor</td>
<td>Dedication, immersion, and vigor</td>
</tr>
<tr>
<td>2004</td>
<td>Robinson et al.</td>
<td>Engaged people understand the objectives of the organization and support their colleagues to achieve better results within their jobs in benefit of the organization. Engagement is to have a positive mindset towards the organization.</td>
<td>Awareness, cognitive, and emotional</td>
</tr>
<tr>
<td>2004</td>
<td>Strayhorn</td>
<td>Engagement happens on three different levels: behavior, cognitive, and emotional</td>
<td>Behavior, cognitive, and emotional</td>
</tr>
<tr>
<td>2005</td>
<td>Scheimann</td>
<td>Engagement occurs when employees put their minds, hands, and hearts completely into their jobs to reach the objectives of the organization, to produce products at the highest quality, to provide excellent customer service, and to create a caring culture.</td>
<td>Behavior, emotional, and intellectual</td>
</tr>
<tr>
<td>2010</td>
<td>Bakker and Leiter</td>
<td>Engagement is the psychological mindset that correlates to dedicate higher personal energy to the job</td>
<td>Dedication, behavioral, and intellectual</td>
</tr>
<tr>
<td>2010</td>
<td>Robertson and Coopers</td>
<td>Full engagement is a cognitive or mental dedication to the wellbeing</td>
<td>Cognitive, emotional, and behavior</td>
</tr>
<tr>
<td>2011</td>
<td>Vaijayanthi</td>
<td>Engagement is a measurable dimension of an employee’s sentiment (positive or negative) to their job, organization, and coworkers, which has repercussions on the willingness to conduct at work.</td>
<td>Willingness, performance, and emotional</td>
</tr>
<tr>
<td>2012</td>
<td>Hewitt</td>
<td>Engagement happens when people constantly stay, strive, and say positive messages about the organization to colleagues and customers. They have an intense passion to be part of the organization and conduct in behaviors to reach the expected results.</td>
<td>Strive, say and stay.</td>
</tr>
</tbody>
</table>

Taken from An introspection of employee engagement: A quantitative content analysis approach (p. 41) by Sharma & Kaur 2015.
Appendix B

Figure 2. Gallup Q12 Meta-analysis

Gallup Q12 Meta-analysis: Outcomes Difference between top and bottom engagement quartiles

Taken from Employee engagement: The new model of leadership (p. 22) by Radda, Majidadi, & Akanno, 2015.

Figure 3. CIPD Employee Outlook Winter 2012-2013
Figure 4. Towers Watson Sustainable Engagement

Taken from Employee engagement: The new model of leadership (p. 22) by Radda, Majidadi, & Akanno, 2015.

Taken from Employee engagement: The new model of leadership (p. 23) by Radda, Majidadi, & Akanno, 2015.