The Impacts of Leadership on Employee Engagement Programs

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Abstract

Employee engagement is known as a tool for employee retention and employee performance enhancement. It requires several organizational supports such as working environment, proper job design, managers and etc. Leadership and close contact by managers play a vital role in driving an employee engagement program. This study aimed to investigate the impact of leadership on company employee engagement and employee satisfaction with supervision. The model of the relationship among these three variables was tested. It was hypothesized that leadership style influences the level of employee engagement and subordinate satisfaction with supervision. A purposive sampling method was employed to select companies with employee engagement programs for participation; thirteen manufacturing companies agreed to participate. In-depth interviews were conducted in search of employee engagement predictors which were later used in the questionnaire. With 1,007 respondents, the findings reveal that employee engagement has a direct effect on employee satisfaction with the supervision of the leaders.
Keyword: Employee Engagement, Leadership

Introduction

Economics and technology changes lead to changes in labor markets and employees switching from job to job and have left employers with turnover costs. With the implementation of the ASEAN free trade area or AFTA, free movement of the workforce is one of the benefits that will take place. Companies are aware of the fact that employees will be eligible for massive job choices and are trying to find ways to retain them. Organizations place great attention on retention because of the strategic value of intellectual capital and the costs of replacing valued employees (Conger & Ready, 2007; Eleftheriou, 2007; Glen, 2006). The price companies have to pay when losing employees is enormous since human resources are known to be a crucial source of company’s competitive advantages; several studies have stated that the firm’s intellectual capital is critical for sustained competitiveness (Boudreau & Ramstad, 2003). Another reason that employee retention should be a center of attention of organizations is the fact that there is empirical evidence from several research studies that show positive correlations between employee and customer attitudes (Way, Sturman, & Raab, 2010; Yee, Yeung, & Cheng, 2010; Chi & Gursoy, 2009; Brown & Lam, 2008; Casey & Warlin, 2001). Satisfied employees possess the ability to satisfy customers. The fact that employees with valuable work skills are becoming scarce and difficult to retain is undeniable. Highly skilled workers realize their demand - if they are not satisfied with their current jobs, they are able to get new job easily. So, retention of employees with high skills and competency will become even more critical in the future. The result of organizations with satisfied employees is that they will have higher levels of customer retention, which leads to overall profitability (Kennedy & Daim, 2010).

Human resource challenges today are not only about how to retain talented people and increase organizational commitment, but how to fully engage their minds and hearts at every stage of their working lives (Kaye & Jordan-Evans, 2003). According to practitioners, Traynor, the director for Whip-Smart Management Consulting, stated that work engagement exists when employees perform their jobs for self-actualization and fulfillment rather than necessary burden. He also suggests that employee engagement is found to be a key driver for total organizational success because a high level of engagement builds a remarkable competitive advantage by promoting the retention of a firm’s talented performers. This has been confirmed by a consulting firm that has done considerable researches into the area. Tower Perrin (2005) stated that engagement is the crucial tool for employers in retaining employees due to the fact that it integrates several aspects of HR, such as employee motivation, commitment, satisfaction, job design and involvement (Stairs, 2005).

Even though engagement is a useful tool, to successfully engage the employee requires more than just setting policies. Managers and supervisors have a great impact on level of employee engagement because employee engagement is affected by several organizational factors such as work environment, work value, constructive feedback, good mentoring program, professional development, fair compensation program, effective leadership, clear job expectation, teamwork, work relationship, and high level of motivation (Arakawa & Greenberg, 2007; Crabtree, 2005; Lockwood, 2006). As such, managers and their leaderships are key players in the engagement...
process due to the fact that they work closely with employees to influence the work environment, employee development and most importantly, employee motivation.

**Research objectives**

This study aimed to investigate the impact of employee engagement and leadership on satisfaction with supervision with the following objectives:

1. To study the impact of the transformational leadership style and employee engagement on employees’ satisfaction with supervision.
2. To investigate the influence of the transformational leadership style on employee engagement.
3. To investigate the influence of employee engagement on the transformational leadership style.

The hypothesized model (Figure 1) of the relationship among three variables - namely employee engagement, leadership style and satisfaction with supervision - was tested. It was hypothesized that leadership style influences level of employee engagement and subordinate satisfaction with supervision. Leadership plays a vital role in engaging employees (Venkatesh, 2015), especially in top management. Sustainability of engagement must derive from top management initiation, with HR as a key player to drive engagement to higher level. Furthermore, it was also hypothesized that there is a correlation between employee engagement and leadership style and employee engagement mediates the relationship between leadership style and subordinate satisfaction with supervision.

**Figure 1:** Hypothesized model

**Research framework**

The theoretical foundation for this study was comprised of conceptualizations of Gallop’s 4 dimensions of Employee Engagement and Bass’s (1985) theory; transformational and transactional leadership are the independent variables and employee satisfaction with supervision is the dependent variable.
The concept of employee engagement has emerged as one of the useful ideas for HR practitioners in the 21st century. Schaufeli and Bakker (2010) defined employee engagement as “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication and absorption” (p. 295). Consistent with Schaufeli and Bakker detailed that engaged employees were attracted to and inspired by their work (“I want to do this”), commitment (“I am dedicated to the success of what I am doing”), and fascination (“I love what I am doing”). There are studies linking engagement with various variables like employee retention (Palmer & Gignac, 2012) and emotional intelligence. Kahn (1990) found that there were three conditions associated with engagement and disengagement at work: meaningfulness—feeling worthwhile, useful, and valuable; safety—being able to show and employ oneself without fear of negative consequences; and availability—possessing the physical, emotional, and psychological resources required to employ oneself in the role (Kahn, 1990). Engaged employees focus on what they are doing (thinking), feel good about their roles and organization (feeling), and perform with commitment to the organization (acting). Employee engagement is when employees commit to something or someone in the organization, which results in hard work and the intention to stay with the organization (CIPD, 2012). Since managers play a significant role in the day-to-day work experience of their front-line employees, manager’s leadership directly effects how employees think, feel and act in the organization.

Research Methodology

This study used both qualitative and quantitative research methods. In-depth interviews were conducted to explore employee engagement predictors in participating companies. Survey questionnaires were used to investigate the relationship among employee engagement, leadership style, and satisfaction with supervision.

Sample

Purposive sampling method was employed to select twenty five manufacturing companies, with in-house employee engagement programs, and thirteen of these agreed to participate. Thirteen human resource managers participated in the interview and current front-line employees were chosen to participate in the qualitative survey. Front-line subordinates are those who received an annual performance evaluation and who received formal and informal feedback from, and reported directly to a department manager. Of the 1,122 front-line subordinates who received the survey, 1,007 responded for a response rate of 89.75%. The majority of respondents were women (67.53%). Mean age was 28.26 years, with an average of 4.19 years of experience on the job.

Instruments

Qualitative: The semi-structured interviews were conducted to investigate employee engagement predictors of the participating companies. Seven predictors derived from the interview were communication, trust and integrity, job, organizational support, career advancement opportunities, contribution to organizational success, pride and supportive colleagues (see Table 1). According to Lockwood (2006) open communication, respect, trust, teamwork, and positive work relationships are reported as conditions that support physical and psychological well-being, which is one crucial factors of workplace environment. Results from the interview were used as a guideline to develop the employee engagement questionnaire used in this study.
Table 1: Interview result summary

<table>
<thead>
<tr>
<th>EE predictors</th>
<th>Managers</th>
<th>C1</th>
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<th>C3</th>
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<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>trust and integrity</td>
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<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>X</td>
<td>X</td>
<td>X</td>
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<td></td>
</tr>
<tr>
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<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>X</td>
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<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>contribution to success</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Pride in the organization</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>supportive colleagues</td>
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<td>X</td>
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<td></td>
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</tr>
</tbody>
</table>

Quantitative: The survey questionnaire used in this study consisted of three parts: Employee Engagement questionnaire (Harter, Schmidt, Killham, & Asplund, 2006), Leadership Questionnaire by Bass (1985) and Employee Satisfaction with Supervision (Hackman & Oldman, 1980). Questionnaire items from the Gallup’s Q12 survey were adapted and used in this study to measure employee satisfaction with the engagement program in 4 aspects of employee engagement: give, get, belong and grow. Data from the thesemployee-engagement predictors results was triangulated using the interview with HR managers. The instrument required the respondent to determine the degree to which the statements reflected the approach practiced in the organization. Each statement was measured on a scale of 1 – 5 ranging from “1” for “extremely dissatisfied” to “6” for “extremely satisfied”. The reliability estimates, coefficient alpha, for the engagement dimensions ranged from 0.834 - 0.893. The overall reliability estimate was 0.891. Confirmatory factor analysis was conducted to verify the factor structure of a set of observed variables. CFA results for the Employee engagement questionnaire were as follows: Chi-square = 23.66, df. = 24, p-value = .481, Chi-square/df. = 0.98, GFI = 1.00, AGFI = 0.99, CFI = 1.00, NFI = 1.00, RMSEA = 0.00, and SRMR = 0.01, with factor loading > 0.30.

To measure transformational and transactional leadership style, this study employed the leadership questionnaire developed by Saetang (2004), based on Bass (1985), to measure the leadership style of school principals in Thailand. The questionnaire consisted of thirty items with five factors (1 = not at all, 5 = frequently or always). The result of Saetang’s study indicated that the underlying constructs of transformational and transactional leadership in Thai context were Hard Worker, Training and Encouraging Employees, Rewards, Strategic Planning, Democratic Workplace, and Employee Development. Development represented a transformational leadership style, while Rewards represented transactional leadership style (Saetang, 2004). The reliability estimates, coefficient alpha, for the engagement dimensions ranged from 0.845 - 0.861. The overall reliability estimate was 0.946. CFA results for the Gallup’s Q12 report were as follows: Chi-square =
0.32, df. = 2, p-value = 0.852, Chi-square/df. = 0.16, GFI = 1.00, AGFI = 1.00, CFI = 1.00, NFI = 0.99, RMSEA = 0.00, and SRMR = 0.00, with factor loading ranged from 0.80 - 0.96.

The third instrument was used to measure the dependent variable of subordinates’ satisfaction with supervision. The sub-scale of the Job Diagnostic Survey (JDS) (Hackman & Oldham, 1980) was used to measure the dependent variable of subordinates’ satisfaction with job and supervision. The JDS measures several job characteristics, employees’ experienced psychological states, employees’ satisfaction with their jobs and work context, and the growth need strength of respondents (Hackman & Oldman, 1980). Reliability estimates found in the current study showed that the instrument was reliable with Cronbach’s alphas of 0.928. CFA results for the Gallup’s Q12 reports were as follows: Chi-square = 372.06, df. = 243, p-value = 0.225, Chi-square/df. = 1.53, GFI = 0.98, AGFI = 0.95, CFI = 1.00, NFI = 0.99, RMSEA = .023, and SRMR = 0.03, with factor loading ranged from 0.80 to 0.90.

Data Analysis

Structural Equation Modeling (SEM) was used to answer the research questions. SEM is a multivariate statistical procedure that allows researchers to test theoretical models with latent variables and multiple indicators. The SEM technique was used to examine the fit between empirical data and the hypothesized model. LISREL was employed to test variables in the proposed model.

Results

The aim of this study was to examine the hypothesized model of the transformational leadership style, employee engagement and employee satisfaction. A mix of recommended fit indices was used. The structure equation hypothesized model 1 (Figure 2) was tested.
<table>
<thead>
<tr>
<th>Statistical Test</th>
<th>Acceptance criteria</th>
<th>Test result</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>Not Sig. (p-value &gt; 0.05)</td>
<td>0.000</td>
<td>X</td>
</tr>
<tr>
<td>Chi-Square/df.</td>
<td>Not more than 2.0</td>
<td>9.05</td>
<td>X</td>
</tr>
<tr>
<td>GFI</td>
<td>Greater than 0.90</td>
<td>0.91</td>
<td>✓</td>
</tr>
<tr>
<td>AGFI</td>
<td>Greater than 0.90</td>
<td>0.88</td>
<td>X</td>
</tr>
<tr>
<td>CFI</td>
<td>Greater than 0.90</td>
<td>0.98</td>
<td>✓</td>
</tr>
<tr>
<td>NFI</td>
<td>Greater than 0.90</td>
<td>0.97</td>
<td>✓</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.05 or less</td>
<td>0.09</td>
<td>X</td>
</tr>
<tr>
<td>SRMR</td>
<td>0.05 or less</td>
<td>0.05</td>
<td>X</td>
</tr>
</tbody>
</table>

A mix of recommended fit indices was used. The hypothesized model 1 (Figure 2) was tested and confirmed that a causal relationship among transformational leadership style (TRLS), employee engagement (EMEN) and satisfaction of employees (SATI) was not consistent with the empirical data with dissatisfactory overall fit indices, as shown in Table 4 (Chi-square = 669.77, df. = 74, p-value = .000, Chi-square/df. = 9.05, GFI = .91, AGFI = .88, CFI = .98, NFI = .97, RMSEA = .09, and SRMR = .05) (Table 2). Therefore, the model was modified using modification indices (Figure 3).

![Figure 3: Adjusted hypothesized model](attachment:image.png)
Table 3: Alternative hypothesized model of relationship’s consistency test result

<table>
<thead>
<tr>
<th>Statistical Test</th>
<th>Acceptance criteria</th>
<th>Test result</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>Not Sig. (p-value &gt; 0.05)</td>
<td>0.126</td>
<td>✓</td>
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<tr>
<td>Chi-Square/df.</td>
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<td>1.24</td>
<td>✓</td>
</tr>
<tr>
<td>GFI</td>
<td>Greater than 0.90</td>
<td>0.99</td>
<td>✓</td>
</tr>
<tr>
<td>AGFI</td>
<td>Greater than 0.90</td>
<td>0.98</td>
<td>✓</td>
</tr>
<tr>
<td>CFI</td>
<td>Greater than 0.90</td>
<td>1.00</td>
<td>✓</td>
</tr>
<tr>
<td>NFI</td>
<td>Greater than 0.90</td>
<td>0.99</td>
<td>✓</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.05 or less</td>
<td>0.02</td>
<td>✓</td>
</tr>
<tr>
<td>SRMR</td>
<td>0.05 or less</td>
<td>0.02</td>
<td>✓</td>
</tr>
</tbody>
</table>

Results confirmed that a causal relationship among transformational leadership style (TRLS), employee engagement (EMEN) and satisfaction of employees (SATI) was consistent with the empirical data with satisfactory overall fit indices (Chi-square = 57.88, df. = 46, p-value = 0.112, Chi-square/df. = 1.26, GFI = 0.99, AGFI = 0.98, CFI = 0.99, NFI = .99, RMSEA = 0.02, and SRMR = 0.02) (Table 3).

To better understand the relationship between Transformational leadership and Employee Engagement, direct and indirect effects were examined.

![Figure 4: Transformational leadership effect on employee engagement](image-url)
Table 4: Result of direct and indirect effect for Model 1

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Effect on EMEN</th>
<th>Effect on SATI</th>
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<tr>
<td></td>
<td>0.64*</td>
<td>0.64*</td>
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<tr>
<td>TRLS</td>
<td></td>
<td>0.32*</td>
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<tr>
<td></td>
<td>0.32*</td>
<td>0.64*</td>
</tr>
<tr>
<td>EMEN</td>
<td></td>
<td>0.49*</td>
</tr>
</tbody>
</table>

|                      | EMEN           | SATI           |
| R²                   | 0.41           | 0.55           |

Chi-Square = 57.88, df = 46, P-value = 0.112, RMSEA = 0.02

DE = Direct Effect  
IE = Indirect Effect  
TE = Total Effect

Figure 3 and Table 4 show the direct and indirect influence of transformational leadership style (TRLS) on employee satisfaction (SATI) at a statistically significant level of 0.05. Transformational leadership style indirectly influenced employee satisfaction through employee engagement (EMEN), with a 0.32 path coefficient. Moreover, transformational leadership style and employee engagement also shared 50% of the variance caused to employee satisfaction.

To learn more about employee engagement influence on leadership style and how it affects employee satisfaction, the employee engagement effect was also examined (Figure 5). The causal relationship among employee engagement, transformational leadership style and employee satisfaction is consistent with the empirical data to a great extent with satisfactory overall fit indices (Chi-square = 54.23, df. = 46, p-value = 0.189, Chi-square/df. = 1.17, GFI = 0.99, AGFI = 0.98, CFI = 1.00, NFI = 1.00, RMSEA = 0.01, and SRMR = 0.02)

Figure 5: Employee Engagement effect on Transformational leadership
Table 5: Result of direct and indirect effect for Model 2

<table>
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<th>Independent Variable</th>
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<th>Effect on SATI</th>
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<td></td>
<td>DE</td>
<td>IE</td>
</tr>
<tr>
<td>EMEN</td>
<td>0.66*</td>
<td>-</td>
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<td>TRLS</td>
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</table>

EMEN, SATI

Chi-Square = 54.23, df = 46, P-value = .189, RMSEA = .01

DE = Direct Effect    IE = Indirect Effect    TE = Total Effect

Figure 5 and Table 5 show the direct and indirect influence of the transformational leadership style (TRLS) on employee satisfaction (SATI) at a statistically significant level of 0.05. Employee engagement (EMEN) indirectly influenced employee satisfaction through the transformational leadership style with path coefficients of direct and indirect influences equal to 0.46 and 0.23, respectively. Moreover, transformational leadership style and employee engagement also shared 55% of the variance caused to employee satisfaction.

Discussion

Today various organizations have continued to recognize the benefits of employee engagement as an essential tool for achieving employee retention and employee performance. As researches show, employee engagement relations are factors that contribute to organization success (Alarcon & Edwards, 2011; Giallonardo, Wong, & Iwasiw, 2010; Kaliannana & Adovu, 2015; Karatepe, 2013; Rurkkhum & Bartlett, 2012 and Avey, Wernsing, & Luthans, 2008). However, employee engagement programs still fail to effectively contribute to organization long term success due to the discontinuation of the practice and the impact of other organization factors, especially the leadership (Bakker & Schaufeli, 2008; Catwright & Holmes, 2006; Herd, 2012; Rose, Chuck, Twyford, & Bermaj, 2015; Venkatesh, 2015). Research results (Figure 3) depict correlations between transformational leadership and employee engagement and their impact on employee satisfaction with supervision, as proposed by the researcher.

This study identified the impact of leadership style and employee engagement on employee satisfaction with supervision. From Figures 4 and 5, it can be concluded that employee satisfaction is the effect of leadership style with employee engagement, rather than a result of leadership style or employee engagement alone. It is suggested the aim of the employee engagement program is not just to engage employees, but to retain them as well. Great leadership is crucial for such achievement (Ayers, 2007), since engagement is a reciprocal relationship between employee and employer (Welch, 2011).

Suggestions

Evidence revealed that leadership affects employee engagement. In order to create a work environment to actively engage employees, top managers and line managers play vital roles in driving employee engagement programs. Therefore, it is suggested that companies ensure that
their managers are involved with employee engagement programs from the beginning from planning, implementation and evaluation. Employee engagement goals must be clarified to guarantee goal accomplishment. Companies that prioritize engagement at the managerial level consequently will engage other employees. Performance evaluation and compensation, of both financial and non-financial natures, are important to employees regarding their feeling of engagement to organization. Therefore, companies need suitable compensation strategies.

The literature review evidences that employees are more likely to form relationships with managers who lead them with positive attitudes and behaviors (Coffman & Buckingham, 2002). Therefore, it is suggested that companies must ensure that their managers are selected and trained to be equipped with necessary skills. Positive psychology is recommended, because it requires managers to focus and expect good things from their employees (Baumgarder & Crothers, 2009). Employee engagement is about connecting employees. Line managers are important because they serve as links between companies and employees; their impact on employee engagement is high. Companies must give great care to the job design and the selection process.

References


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