CHAPTER TWO
LITERATURE REVIEW

This chapter reviews theories, concepts and previous literature in three main areas as the follows:

1.) Leadership
2.) Employee Engagement
3.) Relevant Research

2.1   LEADERSHIP

2.1.1   Definitions of leadership

According to a 1920s' definition of leadership, leadership is "the ability to impress the will of the leader on those led and induce obedience, respect, loyalty, and cooperation (Moore, 1927, cited in Gill, 2006, p.7).

Burns (1978) defines leadership as a mobilization process by individuals with certain motives, values and access to resources in a context of competition and conflict in the pursuit of goals. More recently, Nigel Nicholson speaks of leadership as either a position or a process (Bradshaw, 2002). As a process, he says, it is about influencing other people, and this requires knowing oneself, knowing other people, and knowing how to influence them.

The European Foundation for Quality Management (EFQM) and the British Quality Foundation (BQF) defines leadership as how leaders develop and facilitate the achievement of a mission and vision, develop values required for long-term success and implement these via appropriate actions and behaviors, and are personally involved in ensuring that the organization's management system is developed and implemented. (EFQM, 2000, cited in Gill, 2006, p.10).

Also leadership includes the follows: (Gill, 2006)

- Stimulating and encouraging empowerment, innovation and creativity.
- Aligning the organizational structure to support delivery of policy and strategy.

- Supporting and engaging in activities that aim to improve the environment and the organization's contribution to society.

- Personally communicating the organization's mission, vision, values, policy and strategy, plans, objectives and targets to people.

2.1.2 Leadership and Direction

Richard (1999) indicated that leadership is concerned with providing direction for the organization. Moreover, leadership means creating a compelling vision of the future and developing farsighted strategies for producing the changes needed to achieve that vision.

According to the Concise Oxford English Dictionary (2004), vision involves the ability to think about or plan the future with imagination or wisdom. Vision defines direction – what or where the organization wants or needs to be.

Effective vision is related to organizational performance implicit in conceptions of leadership and effective group interaction (Kirkpatrick and Locke, 1996; Hartog, 1999; Sosik 1999, cited in Gill, 2006). Michael Mumford and Jill Strange (2002) concluded that vision serves five purposes:

- Specifying direction and purpose.

- Providing a motivational force by organizing action around a future goal.

- Providing a sense of identity and meaning for work.

- Enabling coordination and integration of activities by providing a framework for action.

- Providing a basis for organizational norms and structures as a result of the prescriptive beliefs embedded in it.

2.1.3 Leadership and Motivation

Leaders get things done through using authority, manipulation or influence. They motivate people by using various forms of power. Power is the ability to influence the thoughts and actions of another person or group of people while leadership is the use of that power to motivate people to aim towards the organization's purposes. There are several forms of power described by John French and Bertram Raven (1993): legitimate power, coercive power, referent power, reward power, informational power and expert power.

- Legitimate power is based on the followers' perception of the leader's right to make them do their role or position in an organization.

- Coercive power is used by leaders to create fear among followers of the consequences of not complying with the wishes of the leader

- Referent power is based on followers' interpersonal attraction to and identification with a superior because they admire the leaders.

- Reward power offers a material or financial benefit in return for acquiescence, cooperation; for example, a pay increase, bonus, or promotion. This power is based on the followers' perception that leaders can reward them for desired behavior.

- Informational power is the ability to affect others' attitudes, beliefs and behaviors without using force or formal authority.

- Expert power is based on followers' believing that leaders have job experience and knowledge or expertise in the field.

2.1.4 Leadership and Organizational Performance

Truskies (1999, cited in Schermerhorn, Hunt, and Osborn, 2005, p.24) suggested that there is a direct link between leadership and organizational performance. Leaders can help their organizations become more effective and achieve superior long-term results by establishing an integrated, balanced organizational culture.

According to Kotter, in a high performance organization (HPO) (1982, cited in Schermerhorn, Hunt, and Osborn, 2005, p.25) leaders bring out the best in people and produce sustainable organizational results. These HPOs tend to share the five components listed below:

- Value people as human assets, respect diversity, and empower all followers to fully use talents to advance organizational and personal performance.

- Mobilize teams that build synergy from the talents of followers and that have the freedom to exercise self-direction and initiative to maximize their performance contributions.

- Utilize the latest in information and production technologies, achieving success in bringing people and technology together in a performance context.

- Thrive on learning, with norms and cultures that encourage knowledge sharing and enable followers to grow and development.

- Achievement-oriented and focus on delivering customer satisfaction. In addition to the Path-Goal theory, achievement-oriented leadership, the leader sets challenging goals for followers, expects them to perform at their highest level, and shows confidence in their ability to meet this expectation (House and Mitchell, 1974, cited in Gill, 2006, p. 47).

2.2   EMPLOYEE ENGAGEMENT
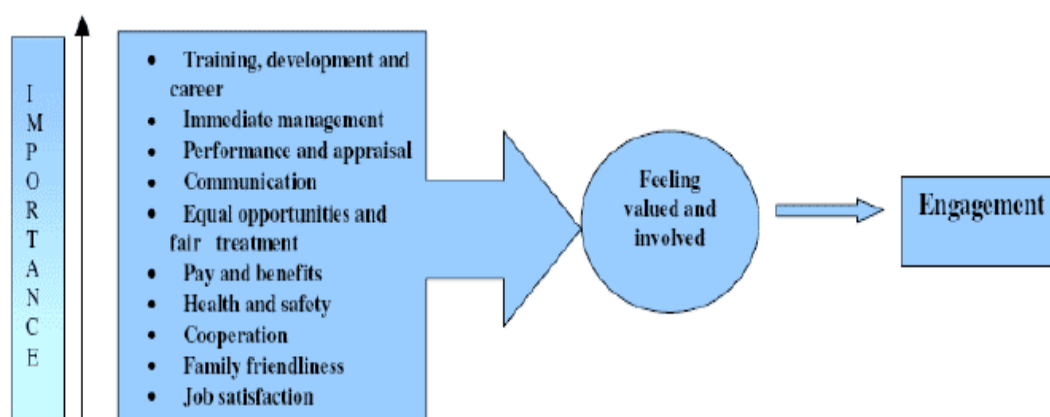
2.2.1   What is employee engagement?

According to the "Predicting Employee Engagement" research results of the Development Dimensions International Incorporation (DDI) (2005), engagement is defined as the extent to which individuals are committed to their organization, have pride and job ownership, and put forth more discretionary effort in terms of time and energy.

Alpha Measure, Inc. (2004) defines employee engagement as the level of commitment and involvement an employee has towards their organization and its values. The primary behaviors of engaged employees are speaking positively about the organization of coworkers, potential employees and customers, having a strong desire to be a member of the organization, and exerting extra effort to contribute to the organization's success.

Robinson D., Perryman S., and Hayday S. at Institute for Employment Studies or IES (2004) suggested engagement could be demonstrated by the behaviors of the engaged employee which are belief in the organization, desire to work to make things better, understanding of the business context, being respectful of and helpful to colleagues, willingness to do the job well, and keeping up to date with developments in their field. IES, however, concluded that engagement is a positive attitude held by the employee towards the organization and its values.

The approach to employee engagement, discussed by Robinson et al. (2004) stresses the importance of 'feeling valued and involved' as a key driver of engagement. Within this scope, there are a number of elements that have a varying influence on the extent to which the employee will feel valued and involved and hence engaged. Figure 1, which is based on a diagnostic model in Robinson et al (2004), illustrates the drivers of engagement suggested through a survey of over 10,000 NHS employees. Robinson et al (2004) state that this can be a useful pointer to organizations towards those aspects of working life that require serious attention if engagement levels are to be maintained or improved.

Figure 4: Robinson et al's (2004) model of the drivers of employee engagement

### 2.2.2 The significance of employee engagement

There is a significant link between employee engagement and profitability of organization. Engaged employees will stay with the company, be an advocate of the company and its products and services, and contribute to bottom line business success. Engaged employees also normally perform better and are more motivated.

The ASTD Employee Engagement Survey (2007) indicated organizations having high levels of engagement could enhance customer satisfaction, improve organizational productivity, affect positively teamwork and morale, and align employees with organizational strategy. Furthermore, absenteeism reduced among organizations with high levels of engagement.

2.2.3 Hierarchy of engagement

The Gallup Organization (2003) indicates factors affecting employee engagement as four hierarchies of engagement as follows:

Figure 5: The Gallup Organization's Hierarchy of Engagement
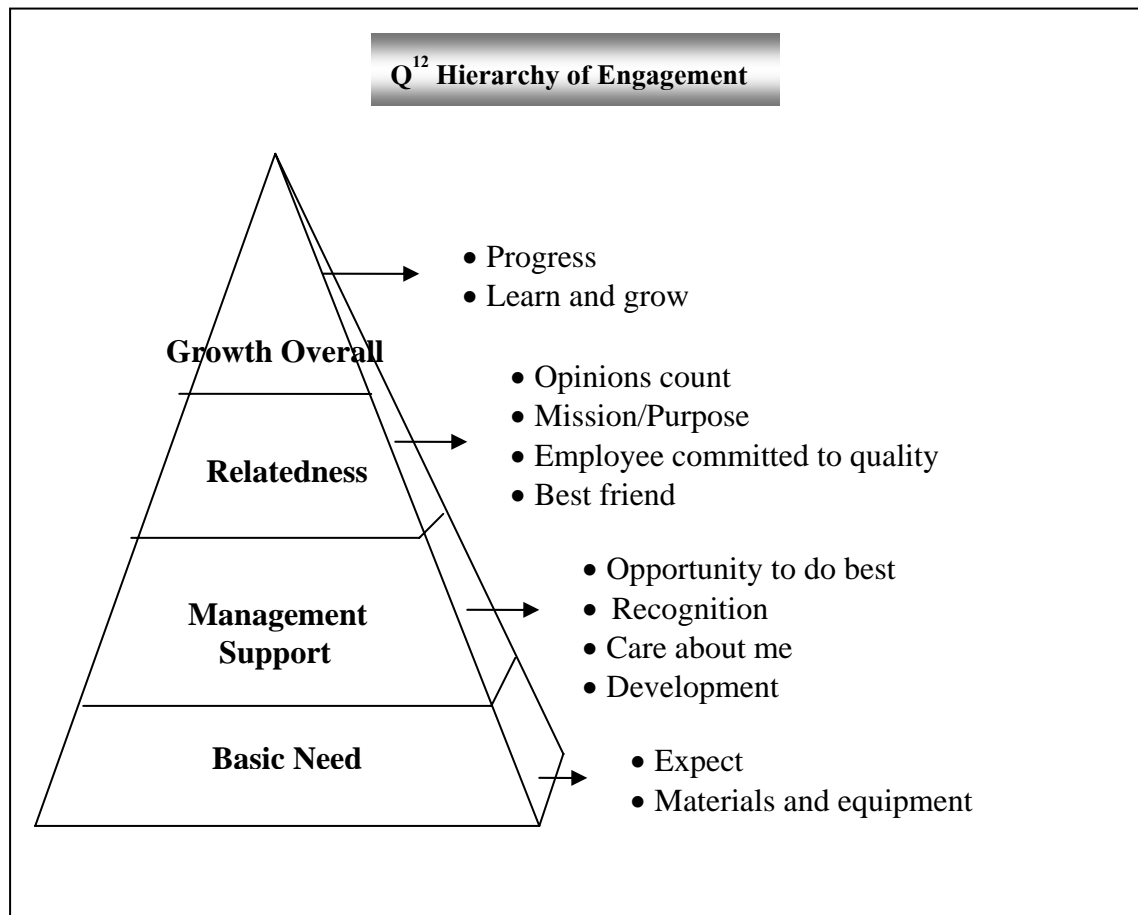
2.2.3 Leadership and employee engagement

According to the survey of IES (2003) of over 10,000 employees in fourteen organizations, engagement is accepted as one step up from commitment. Research on opinions of committed employees shows there are many drivers of engagement. However, the strongest driver of all is a sense of feeling valued and being involved. This has several key components:

- Involvement in decision making

- The extent to which employees feel able to voice their ideas, with managers listening to these views and valuing employees' contributions
- The opportunities employees have to develop their jobs
- The extent to which the organization is concerned for employees' health and wellbeing.

Hence, a line manager clearly has a very important role in fostering employees' sense of involvement and value.

2.3   RELEVANT RESEARCH

As mentioned, employee engagement seems to be critical ingredient of individual and organizational success. Engagement is strongly influenced by leadership quality. There are many related studies of leadership style and employee engagement as follows:

Hewitt Associates (2003) conducted a research study of ten Double-Digit Growth (DDG) companies to investigate whether the relationship between leadership and employee engagement. The results indicated that leaders at DDG organizations have a direct impact on employee engagement.

Moreover, in the Development Dimensions International, Inc.'s Leadership Forecast 2003 study, the results showed a link between leadership and engagement. Leadership plays a vital role in the context of enhancing and maintaining employee engagement. Leaders help employees to achieve their maximum potential through coaching – providing support, guidance, and helping them think how to accomplish goals – to help employees feel involved and committed.

Research conducted by the Walter Reed Army Institute of Research (WRAIR) examined leadership's impact on the job engagement of subordinates. (Thomas W. Britt, James Davison, Paul D. Bliese, and Carl Andrew Castro, 2004, cited in Gill, 2006, p.276).

Wikanya Nonsadoo, (2006, p.73) also found that a leader's behavior impacted the sum of engagement of the staff (45.4%) at The State Railway of Thailand; moreover, the leader's behavior impacted engagement in two aspects – the cognitive (49.4%) and the emotional components (39.9%).

Sunthruthai Limweeraphan (2007) studied employee engagement at Rayong Purify CLC and determined that employee engagement in terms of organizational reliability, relationships between employers and staff, as well as leadership were at a high level.