



**Blekinge Institute of Technology
School of Management**

Leadership and Employee Engagement in organizations: an analysis on correlation

Master Thesis

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Abstract

The Purpose: Leadership plays an important role in organizations towards driving the growth and success. And employee engagement is considered a key factor for organizational efficiency, success and achievement. Existing literature defines drivers of the employee engagement from different angles and commonly relates a portion to leadership skills, especially of the immediate managers. Our purpose is to strengthen the literature that relates leadership to organizational success by leadership positively effecting employee engagement. Our case is to investigate the nature and the magnitude of the correlation between Leadership and Employee Engagement, witness the existence or non-existence in our example organization. Our research hypothesis is - "Effective Leadership in organisations leads to an increased level of Employee Engagement".

The literature and the method: First, the related literature is reviewed. We focused specifically on the literature investigating the relation of our two variables i.e. Leadership and Employee Engagement. Next, for our research, we analysed the existing data from the survey reports of AB Volvo Penta for which we have been granted access. The company is long established, multinational and have its corporate culture with focus on both leadership competences and employee satisfaction.

Key findings: Congruent with the reviewed literature, the 2015 survey results of AB Volvo Penta shows that the two variables are correlated. The two indexes, namely Leadership Effectiveness Index (LEI) and Employee Engagement Index (EEI), are showing close relation within 146 departments measured. The survey results provide an interesting commonality, about the importance employees give on the behaviour of their immediate leaders which is eventually impacting their engagement at work. The commonality also leads to the fact that focusing on increasing leaders skills would increase employee's engagement.

Originality/value: The relationship between Leadership and Employee Engagement is explored theoretically and tested empirically in an isolated organizational structure.

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1 Introduction

1.1 Background & Introduction

Leadership plays an important role towards driving the growth and success of any organisation in today's world (Wallace and Trinka, 2009; Wiley, 2010; Hsieh and Wang, 2015). According to the survey conducted by 'The Center on Leadership & Ethics at Duke University' on 205 executives, it is explored that leadership can affect performance of the organization *"only if the leader is perceived to be responsible and inspirational"* (DuBrin, Andrew J. 2013, p.7). Whilst working in a corporate world, we often question the organizational structures and its vital components such as leaders, organizational culture or employee's behaviours. Concepts like the role of the leader or leadership (Kahn, 1990, p.711; Strom, Sears and Kelly, 2014; Carasco-Saul, Kim and Kim, 2015, p.41) their efficiency and contribution (Wallace and Trinka, 2009; Ghadi, Fernando and Caputi, 2013), their success in decision making, the way they evolved on the way to be a leader are of employees interest.

Employee Engagement, on the other hand, is a topic where companies have intensive focus on (Wiley, 2010; Xu and Thomas, 2011). Gerst (2013) states more than 720 MUSD per year is spent in order to improve the Employee Engagement. IBM Software (2014) estimates that 90% of their global survey clients conduct Employee Engagement surveys. Mainly due to being a key element for the operational efficiency and productivity (Harter, Schmidt and Hayes, 2002; Wallace and Trinka, 2009; Hansen, Byrne and Kiersch, 2014), Employee Engagement is part of the strategic objectives in modern organizations. For example, it is embedded in the "vision 2020" of Caterpillar Inc. as 'values in action' formed by integrity, excellence, teamwork and commitment of employees (www.slideshare.net, 2009). Or, Volvo Group announced "The Group has a culture of high performance created through Employee Engagement" (www.volvogroup.com, 2016).

Industry reports states only 20% of employees are engaged to their work and engagement were in decline causing losses in productivity (e.g. US\$300 billion annual losses in USA, approximately US\$100 billion in UK, and over US\$232 billion in Japan (Ghadi, Fernando and Caputi, 2013).

In our work, we aimed to focus on the relation of Leadership and the Employee Engagement. Our main motivation is the existing theory encouraging for further empirical studies and investigations in order to strengthen the concept (Xu and Thomas, 2011; Ghadi, Fernando and Caputi, 2013; Hansen, Byrne and Kiersch, 2014; Carasco-Saul, Kim and Kim, 2015). In this thesis work, we will aim to investigate the correlation between Leadership and Employee Engagement and demonstrate if there is such correlation; using both the existing theoretical literature and the survey results from AB Volvo Penta.

1.2 Problem Discussion

In our discussion, we have leaders on one side, representing organizations, and employees on the other side. While employees are hired to perform their roles, organizations request the workforce to perform the utmost thru the leaders. There are numerous articles published in the early 90s investigating the organizational behaviour (Hsieh and Wang, 2015) and its key concepts such as human interaction, motivation versus turnover and absenteeism, effects of group psychology and personal ego, productivity, balance between work and home life, loyalty, job satisfaction (Kahn, 1990). Even though the subject is related to psychology, the implications have deep effects on management of the organizations.

Kahn's (1990) article is one of the most referred works related to personal engagement and disengagement where he investigates the underlying factors behind the concept. Since then, the articles investigating the effect of the leaders and leadership on employee engagement are increasing. Recent examples of researches continue to investigate the size and the nature of the relationship. Some researchers further dive into the type of the leadership on the way to investigate the effects of the leaders on the employee engagement; such as Hansen, Byrne and Kiersch (2014) investigating the relation between interpersonal leadership and employee engagement. Another example is Strom, Sears and Kelly (2014) examining different leadership styles as serving in the role of moderators in the relationship between employee's organizational and work engagement.

In their article on the relationship between leadership and employee engagement, Carasco-Saul, Kim and Kim (2015) suggest further empirical verification to increase external validity of the existing theories. This motivated us to work and add an empirical study to the existing literature, using the advantage of being able to reach a comprehensive database.

1.3 Problem Formulation & Purpose

"Understanding employee preferences and creating a platform to express and employ themselves at work is a major responsibility of management". Bhuvanaiah and Raya (2015)

AB Volvo Penta conducts an anonymous survey every year among employees. The company is measuring recently the Employee Engagement Index (EEI) and Leadership Excellence Index (LEI), among other indexes. The target is to "leverage employee engagement in order to drive a high performance culture". The available database offers statistical results for these two indexes from globally distributed numerous departments. As these indexes evaluated separately, the relation between employee engagement and effective leadership is not thoroughly investigated yet.

Investigating the status and the relation of these two concepts, comparing it with known theory would support both the company and the theory. Such a research would support by conducting a solid analysis of the data obtained from a company having diverse input - from departments at different business functions and geographical locations. Leaders, in general, play an important role in creating the right context for employees to become engaged (Kahn, 1990). In our work, we aim to support his statement by tying leadership to employee engagement in our example organization. The research would also support the company by building the bridge between the leadership behaviour and employee engagement. This would facilitate the efforts to discover the right actions in the organizations aiming to increase the employee engagement.

Our thesis question is formulated as: Is effective leadership leads to high employee engagement and if so, to what degree these two organizational concepts correlate.

1.4 De-limitations

The empirical findings on the correlation of the two variables are limited with the survey results from AB Volvo Penta. Additionally, even though we are granted access to the results, an external company does the survey. The results are secondary source in this sense.

As AB Volvo Penta is multinational, the survey is conducted in globally distributed departments that are segmented in two ways: one segmentation is different functions of the firm e.g. production sites, purchasing, R&D, sales, the other segmentation is geographical locations such as local sales organizations in different countries. In order to keep our work straightforward, we focused on results considering there is an effective common company culture over the local business cultures, even at different countries. The possible effects of the local business cultures can be considered as potential sub-variables and these are not in the scope of our work.

The survey results are the results for the immediate managers evaluated by their direct reports. CEO of the company, for example, is measured for his leadership to his direct reports. A manager reporting directly to CEO and having direct reports is also evaluated by his own direct reports, and so on. By this, all managers in the organization, having more than five direct reports are measured with our two variables, LEI and EEI. The findings are based purely on the responses received from the employees who participated in the company survey, provided that they gave an honest and trusting view of the experiences they face in the company. As the responses reflect the relative judgement of the employees, eventually the outcome becomes perception based rather than being an objective measurement.

1.5 Thesis Structure

Having set the context for this thesis in previous chapters, including background to the problem and definition of our focus area, as well as things that will be excluded, the chapters to follow will now provide the actual details of our analysis. The readers will be presented with the following:

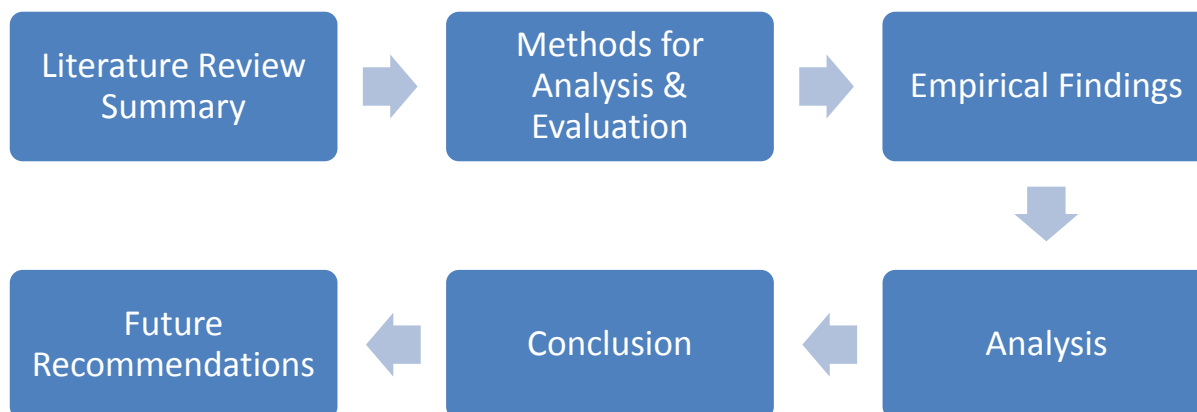


Figure 1: Thesis structure

2 Theory – Literature Review

The library offers large number of documents when leadership or employee engagement is searched. However, we targeted the articles that were focusing purely on the relationship of these two, and their interaction causing organizational results.

When we review the existing literature, we clearly noticed that employee engagement is taken as a key success factor and contributor to a successful company in the modern age (IBM Software, 2014, Wallace and Trinkka, 2009). In the review section, first, what is said about employee engagement - definitions and its importance in the organizational environment - is presented. Secondly, the drivers of employee engagement are listed from different sources and references. By that, it is aimed that the reader can witness the wide spectrum of drivers, mainly due to the different perspective of researchers but also the communalities among. Thirdly, the leadership and its effects to the drivers of the employee engagement are exhibited. The association of these drivers to leaders is the cause creating the correlation and extend of the two variables.

2.1 Definition of Employee Engagement and its importance

Kahn (1990) defined personal engagement as employees connecting selves to their roles at work; people employ and express themselves physically, cognitively, and emotionally during role performances. Later, Schaufeli, Bakker & Salanova (2006, p.702) detailed the engagement as the “work-related state of mind” with “vigour, dedication, and absorption” while describing. Recently, we see the organizational factors within the definitions: “The extent to which employees are motivated to contribute to organizational success, and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organizational goals.” (IBM Software, 2014). In short, the Employee Engagement represents a psychological and motivational state, wherein employees invest in their work and promote organizational goals (Kahn, 1990; Schaufeli et al., 2002).

In today’s world, it is becoming more and more difficult for business entities to differentiate themselves from their immediate competitors. Manufactured products and services are similar, thus difficult to differentiate, and there can be other means for the purpose, such as the quality of employees. The authors believe that potentially, one way to reach better financial results - and thus create difference in terms of organizational success - is to increase the organizational efficiency by utilising existing human resources at high performing pace. The performance delivered by the employees and the efficiency at which they operate can create the needed difference on the financial results. A highly engaged, and by that efficient and well performing, employee base is a key factor for the growth of any organisation and supports to differentiate amongst competitors.

“..... (employee) engagement led to greater performance quality and quantity and greater task performance.” (Kovjanic, Schuh and Jonas, 2013)

A genuine text from Dale Carnegie Training also questions what makes one company more successful than another. Between products, services, strategies, technologies and cost structures, the problem lies in the fact that all these factors, which has potential to contribute to a greater performance, can be copied over time. On the other hand, the workforce itself can create sustainable competitive advantage – and therefore ROI, company value and long-term strength. It is also proven by existing researches that employees who are engaged significantly outperform that are not engaged. In the quest of gaining competitive advantage, employee engagement is one of the important goals (Carnegie, 2012).

Employee engagement is a key element to organizational success and competitive advantage. Therefore, organizations ability to engage and retain employees has positive effect on the organization's bottom line (Carnegie, A., 2012). Raya and Bhuvanaiah refer to Gallup and do not hesitate to state employee engagement is a tool leading to increase in productivity, profitability and customer loyalty (2013, cited in Bhuvanaiah and Raya, 2015, p.93). Implying engaged employees positively affect the organization's financial performance, and relationships between engagement and organizational financial performance support such conclusions (Hallberg and Schaufeli, 2006; Harter et al., 2002).

"Identifying that 19% of all workers in the U.S. at the age of 18 or older are actively disengaged, estimation points the lower productivity of these workers costs about \$300 billion annually to U.S. economy." (Gallup, 2001).

As well as the organization, the engagement is also requested by the individual itself in order to make ones existence meaningful. Engaged employees are mentally and physically healthier than those who are not engaged (Schaufeli et al., 2008). They enjoy their work, feel they are making a meaningful contribution to their organization, and believe that by contributing to the organization they are contributing to society (Masson et al., 2008). Furthermore, employees reporting high levels of engagement are more likely satisfied with their work and thus less likely to quit (Harter et al., 2002) than those who report low levels of engagement.

"For instance, Maslow's Hierarchy of Needs indicates that once the lower survival needs which involve psychological, safety and social needs are met, individuals seek to address their higher order needs, which involves progressing from "belonging" to "esteem" to "self-actualisation". Experiencing personal meaning in work has been shown to relate closely to satisfying these higher order needs." (Ghadi, Fernando and Caputi, 2013)

As a result, companies are steadily looking for ways to improve employee engagement and researchers have pursued what drives employee engagement.

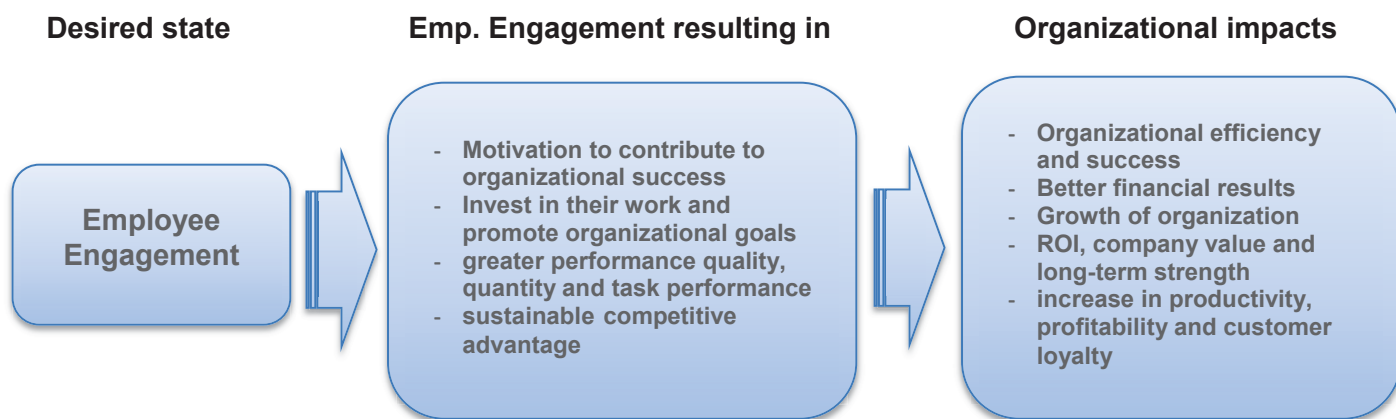


Figure 2: Organizational impacts of Employee Engagement

2.2 Drivers of Employee Engagement

In order to understand the employee engagement, we need to look further to the drivers of it.

Starting with Kahn (1990) who has investigated heavily the psychological conditions of employees, he stated that engagement is fostered by the development of three psychological states:

- **Meaningfulness:** psychological meaningfulness refers to feeling of being worthwhile and valuable for one's work. Rewarding interpersonal interactions help create psychological meaningfulness. Employee feels recognised, being valued and the sense of personal development.
- **Safety:** factors creating perceptions of psychological safety include positive interpersonal relationships, supportive management style, and organizational norms that reinforce trust and respect. Employee feels confidence, trust, security and predictability in terms of behavioural consequences.
- **Availability:** psychological availability refers to having enough physical and emotional resources to persist without distraction at work. Psychological availability is generally achieved by feeling supported and enjoying well-being outside of work. It also refers to one can take risks of self-expression and be voice in the interest of making a positive contribution. Employee feels supported and balanced work/life provides energy to invest his role performance.

A different perspective to the same topic would involve interpersonal elements including leaders-employees relations within organizations. An example to this approach would be Bhuvanaiah and Raya (2015) who specified in their recent article the four drivers that they defined for employee engagement:

- Decision-making authority causing employees feel involved and valued.
- Opportunities for growth and development causing employees feel the sense of personal development.
- Empowerment and fair treatment causing again employees feel involved and valued.
- Leadership giving rise to employees feel a sense of purpose by being motivational and inspirational via effective and honest communication

Authors further summarize the psychological needs behind these four drivers. It is important to notice all these are within the effect scope of the direct supervisors. In this regard, Bhuvanaiah and Raya also defend the idea of shifting from financial means to psychological support means, in order to motivate employees.

Dale Carnegie Training stating first that there are many factors that impact employee engagement however, they eventually point to three key drivers (Carnegie, 2012):

- **Relationship with immediate supervisor:** a person-centered relationship creating confidence, trust together with recognition and supporting individual development
- **Confidence in senior leadership:** for that they drive the company in the right direction and communicate this openly
- **Pride in working for the company** caused by caring organization, common values and respect.

On this topic, Wiley (2010) reports the behaviours that drive employee engagement, this time from the perspective of roles as leaders and managers, employees and the organization itself:

- Leaders must inspire confidence in the future of the organization.
- Managers must demonstrate respect and recognition for their employees. Employee recognition is a critical component of achieving higher levels of engagement.
- Individuals must have a job that is interesting and exciting to them. Management and leadership play a significant role in employee engagement, but it is equally important for employees to have enthusiasm for the work that they do.
- The organization must demonstrate genuine concern for employees and the communities in which they operate. In addition to feeling respected and recognized for their contributions, engaged employees value working for an organization that is committed to serving others.

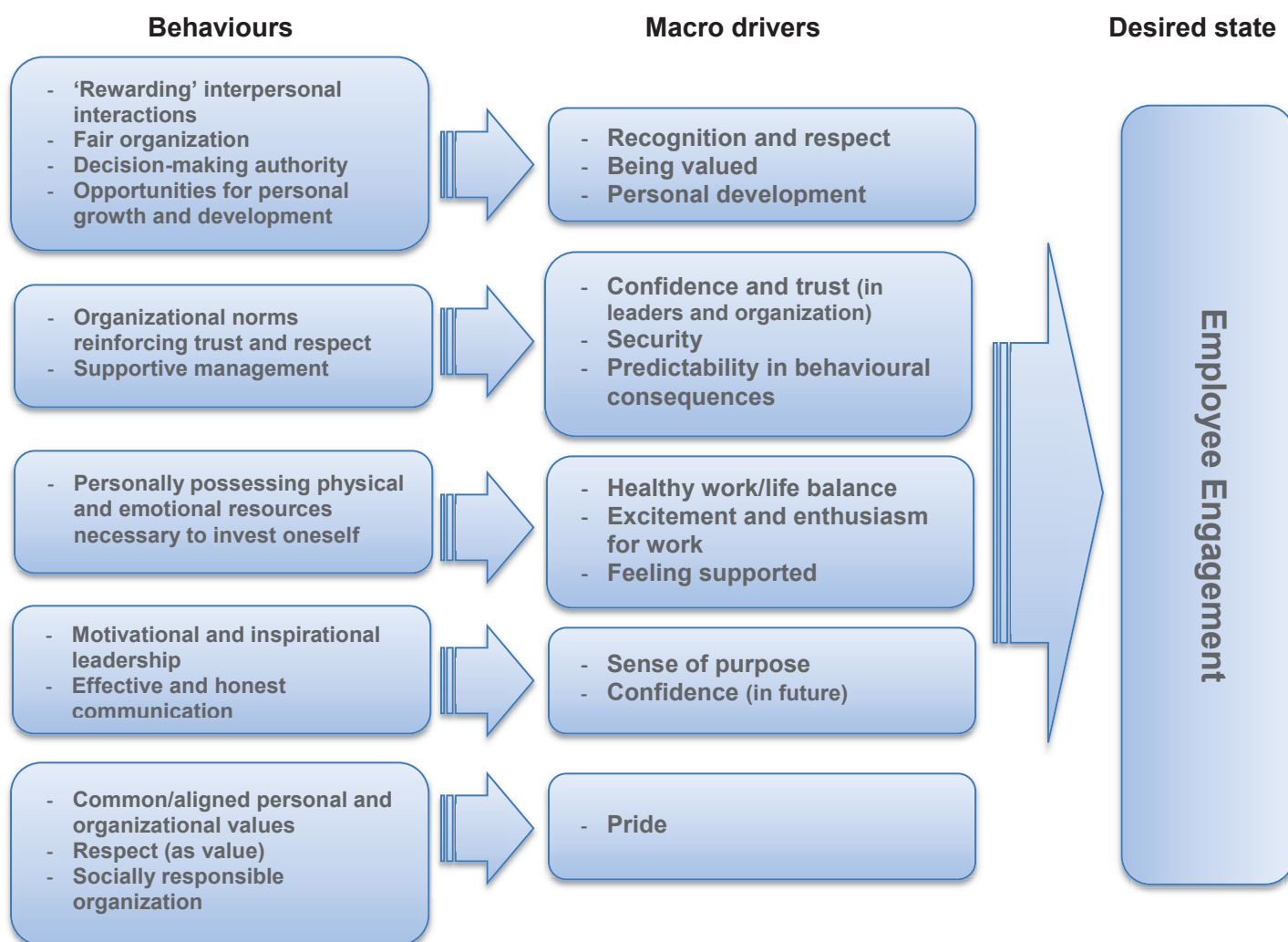


Figure 3: Drivers of Employee Engagement

The literature that investigates the drivers of Employee Engagement is numerous. We believe that we presented here a good coverage and stated the most common drivers (also summarized in Table 1). Visibly, some drivers of Employee Engagement relates to personal perception while some can be well grouped to be open to the effect of the leaders.

Authors	Behaviours	Drivers
Kahn (1990)	Rewarding interpersonal interactions	Recognition and respect Being valued Personal development
	Positive interpersonal relationships, supportive management style, and organizational norms that reinforce trust and respect	Confidence and trust Security Predictability in terms of behavioural consequences
	Employee take risks of self-expression	Healthy work/life balance Feeling supported
Roberts and Davenport (2002)	Supportive management (of immediate supervisor), opportunities for growth and development	Career development
	Common values and goals with the organization	Identification with organization
	Decision-making authority, positive and fun work environment, motivating supervisors	Rewarding work environment
Attridge (2009)	Better person– environment fit (better match of abilities and talents with work elements)	Excitement for job
	Supportive management	Less stressful job demands Good working conditions
	Role clarity and decision-making authority, opportunities for positive social relationships at work	Good work environment Positive social relations at work
	Supporting work–life balance and employee development, encouraging health and safety, recognition, and employee involvement, guidelines for work behaviours based on principles and ethics and not on rules and punishments	Confidence Common values Pride
	Communicating clear vision, inspirational and motivating leadership	Trust in management Sense of self-efficacy
Wiley (2010)	Leaders inspiring confidence in the future of the organization	Confidence
	Employee recognition, respect to individual (by Managers)	Recognition and respect
	Enthusiasm (of employees)	Excitement for job
	Caring organization both for individuals and community	Common values
Carnegie (2012)	Supportive management (of immediate supervisor)	Confidence and trust Recognition Individual development
	Senior leadership driving the company in the right direction and communicate this openly	Confidence in senior leadership
	Caring organization, common values, respect to individuals	Pride
IBM Software (2014)	Leaders inspiring confidence (in the future)	Confidence Promising future for one’s self
	Managers who recognize employees and mobilize their teams for peak performance	Recognition Co-workers give their very best
	Exciting work and opportunity for improving skills	Excited about one’s work Opportunity to improve one’s skills
	Organizations demonstrating a genuine responsibility to their employees and the communities in which they operate	Organization supports work/life balance Safety Pride in the organization
Bhuvanaiah and Raya (2015)	Decision-making authority	Employees feel involved and valued
	Opportunities for growth and development	Employees feel the sense of personal development
	Motivational and inspirational leadership via effective and honest communication	Employees feel a sense of purpose

Table 1: Summary of scanned articles where the drivers of Employee Engagement are investigated

2.3 Leadership & Employee Engagement – The role of the leader

Most of the drivers of employee engagement that we defined in the previous section, partially or solely, are related to the behaviour of leaders. Thus, the attitude and actions of the leaders, both in senior and at immediate supervisor levels, can enhance employee engagement or cause disengagement. From broader perceptions such as ‘the ability of senior leadership in leading the company in the right direction and openly communicate the state of the organization’ to more interpersonal factors such as to treat the employees with respect, recognize success can support potential increases of employee engagement in the organization.

Wallace and Trinkka (2009) have written the article with one of the most direct statements tying leadership to engagement, with the clear purpose of increasing the company’s results. Within this post-crisis article, the authors point the relation between leader’s behaviour towards their employees and efficiency increase caused by engagement, which is needed by struggling companies due to budgetary restraints. The main statement is the fact of engagement causing productivity and customer focus to increase. They further state the engagement can be increased by manager’s right support. Their most provocative argument is that they see “the leadership of the immediate manager as more important organizational variable than any other” (Wallace and Trinkka, 2009).

Kahn (1990), as being the pioneer scrutinizing the employee’s engagement and the drivers behind, claimed that leaders, in general, play an important role in creating the right context for employees to become engaged.

Bhuvanaiah and Raya divides employees to three statuses as engaged, ‘not engaged’ and disengaged where the ‘not engaged’ and disengaged employees are defined to be the major work area for the management. Taking this relation a step further the authors claims also governing the fluctuations in employee engagement will be the next task, again, for the management and leaders (Bhuvanaiah, Raya, 2015). Their conclusion is that engaging employees is not an easy, one-time task and engagement is continuum. The management tools here stated to govern the engagement are rewarding the employees via meaningful work, personal growth and competence, similar to what discussed by Wallace and Trinkka (2009).

“The question for management is how to ensure that the supervisors interact with individuals (in order) to generate an engaged workforce” (Carnegie, A., 2012).

Wiley (2010) states that a critical element to build confidence, motivate performance and increase employee engagement, is to have people at the top that can inspire belief in the organization’s future. When done effectively, organizations experience better business success and stronger bottom-line business performance. Respectively, leadership effectiveness is defined by Wiley (2010) via five characteristics:

- The ability to handle the organization’s challenges (*would cause trust in employees*)
- A genuine commitment to providing high-quality products and services (*trust*)
- The ability to give employees a clear picture of the direction the company is headed (*open communication causing trust and respect*)
- A demonstrated belief that employees are important to company success (*trust and respect*)
- The ability to inspire confidence in employees

Notably, three of five stated characteristics are related to employees directly.

Research has unequivocally demonstrated that the more leadership inspires trust and confidence in the future, and the more managers recognize and respect employees, ensure that people are growing and developing, and match employees to their work, the higher the employee engagement (Wiley, 2010).

Hansen, Byrne and Kiersch (2014) advance Kahn's model also, by promoting that leaders motivate their employees by transforming their attitudes, beliefs, and values into a common vision (Bass, 1985) which results in leadership traits, and styles in details, affect employee engagement negatively or positively at different scales.

"..... leadership in the workplace have been demonstrated as positively related to job performance, organizational citizenship behaviour, trust, effort, commitment, motivation, satisfaction, organizational effectiveness, and productivity and have been negatively correlated with work stress and employees' intentions to quit" (Barbuto & Burbach, 2006)

The following three leadership competencies are funnelled by Wallace and Trinka (2009), in order to have impact on employee engagement: efficient coaching, interest in developing follower's careers and capable communication on individual performances. What is emphasized related to coaching is that the leaders are to dedicate and spend part of their valuable time for the purpose and only by this employees will feel coached.

By working with employees to create a clear career path and set goals with a potential for growth, a manager can create positive esteem within each team member. By showing them that they are valued and have responsibility, and then to recognize and reward them for a job well done, a manager can create an "involved employee." It is then much easier to turn that sense of involvement into enthusiasm and a sense of pride in ownership that creates the highest levels of engagement with employees (Carnegie, 2012).

"Recent research shows that the leaders of high-performing teams give positive comments (approval, suggestions, praise, appreciation, compliments, and overall support) at a ratio of 5 to 1 compared with negative comments (pointing out faults, disparagement, criticism, or disapproval). In low-performing organizations, the ratio was roughly 1 positive to every 3 negative" (Wallace and Trinka, 2009)

Surely coaching involves discussions on career paths. How much the topic is in the interest of the leaders? How much time do leaders allocate to develop the careers of his followers, as well as his or her capabilities on the matter? There can be "sign-and-proceed" type processes in place but what is really appreciated by the employee is the genuine interest of the leader in his /her career. This interest has potential positive effect on the employee's engagement. Coaching also involves communication on performances. Pride is a motivator. The question is; do we, employees, know how important is our contribution to the company goals? Wallace and Trinka (2009) indicate leaders shall connect the individual efforts and contribution to the goals and communicates efficiently these to employees. Employees shall have a "clear sense of direction and purpose" and understand how their role fits into the organization.

The results indicated that when leaders demonstrate emotional support and provide recognition for follower contributions, followers feel securely attached and believe in a just world thus shifting their focus from potential losses to potential gains. It is important that leaders to be ideally influential, inspirationally motivational, intellectually stimulating, and considerate of individuals in leading followers. Shuck and Herd (2012) asserted that "... leadership might be an appropriate theory to conceptualize behavioural engagement, a result of cognitive and emotional engagement, in a leadership context". In fact, as presented thus far, it has been found in many studies that leadership has a positive relationship with employee engagement at the individual level. Employees become more engaged when leadership is demonstrated through boosting up employee's optimism, meaningfulness and innovative behaviour (Tims et al., 2011). Employee engagement became lower when the leaders perception of the followers characteristics is less favourable than the followers self-evaluation; followers get securely attached and confident in a just world when leaders demonstrate emotional support and provide recognition for follower contributions, leading employees to become more vigorous (Aryee and Walumbwa, 2012).

Strom, Sears and Kelly (2014) analysed the topic from another perspective and investigated the relation between social contextual variables of engagement with organizational justice and leadership styles. The authors first declared that effective leadership will positively affect the employee engagement. In the next step, they compared a leadership more based on autocracy where employees providing performance in return of economic benefits with leadership where interests aligned between company goals and the individual's interests. When interests aligned, leadership claimed to be more effective in supporting the engagement of the followers, as it will address to key drivers of engagement such as personal development, recognition and respect.

When leaders understand the pillars of engagement, they can then begin to leverage employee engagement for positive organizational outcomes such as higher employee retention, greater customer satisfaction, and improved financial performance. There are efforts aiming to increase the engagement of the employees by ameliorating the leadership.

As many organizations invest significant resources in retaining, developing, and engaging employees, human resource development (HRD) professionals are also tasked to develop and partner with leaders to deliver those strategies effectively (Wallace and Trinkka, 2009, p.12; Gerst, 2013; Ghadi, Fernando and Caputi, 2013; Carasco-Saul, Kim and Kim, 2015).

In their empirical study, Ghadi, Fernando, and Caputi (2013), examined the relationship between leadership and engagement through the mediating role of meaning at work. At the results of their work, the essayists reported the direct effect. They further suggest that human resource managers aiming to increase the employee engagement on the long term, offer training programmes and workshops in order to improve leadership behaviours. Such programmes can explicit employee's needs and interests in return and by that help to reduce the financial losses due to lack of engagement.

Thus, a comprehensive understanding on the relationship and mechanism between leadership and engagement is essential to HRD professionals informing leaders on how best to cultivate positive results in followers.

Our conclusion from the review of this section is; we can principally leverage employee's engagement by using the potential positive effect of the leaders on the engagement drivers.

2.4 Literature Review Conclusion

We answer our thesis question partially, by reviewing existing theory: leadership effective in addressing drivers of employee engagement leads to high employee engagement.

Having conducted the literature review, we could observe that authors either stated factors affecting employee engagement are to some extent related to leadership or directly connected to leadership, especially of the immediate supervisor. Employee engagement can be increased via increasing leadership competencies, especially in cases where budget is limited or economical results force companies to save resources. Even smaller efforts can increase the employee engagement, which will justify these investments by bringing more income and savings to the companies (Carasco-Saul, Kim and Kim, 2015). One implication defined for society is that leadership is positively associated with organizational identification and employee engagement, both constructs associated with low job tension – indicating a positive work climate (Hansen, Byrne and Kiersch, 2014).

The second part of our thesis question, to what degree these two organizational concepts correlate, will be answered in the following empirical findings section.

3 Method

3.1 General

For the purpose of investigating our thesis topic, first we reviewed the known theory and explored what is said over employee engagement, leadership relation. Secondly, we analysed the survey data for the proof of correlation in our example company. Since we had a keen interest in understanding the general and overall interaction between the two variables (Leadership and Employee Engagement), we decided to take the quantitative approach to enable us to analyse existing data and reports as well as literature published by various authors. This approach is defined as ‘a formal, objective, systematic process in which numerical data are used to obtain information about the world’ (Burns et al., 2005). In our case, it was related to obtaining information about Leadership and employee engagement within organisations. Following on from that, we took the qualitative approach and exploited selected number of articles to represent the known theory.

For the literature review and investigation over the known theory, our main source of information has been the online school library. We searched the school library for the related articles with the key words “leadership” and “employee engagement” which gave us around 87,000 results where 37,000 were journal articles. By considering the fact that the topic has taken increasing attention during recent years, we narrowed our vision to last five years, after 2010 and by that received 16,217 journal articles. At this point, we went through an elimination process; first took out articles pointing specific industrial sectors or companies offering limited samples. Secondly, we paid attention to choose peer-reviewed articles. Lastly, while maintaining high relevancy to our topic, we aimed to frame in the best setup our topic from different angles such as articles investigating multinational samples and opposing views. Subsequently, we gathered the first group of 13 articles that we believed will contribute to our thesis work, as the base structure for our analysis.

Our initial research led us towards the depth of the theory via their references such as “Psychological conditions of personal engagement and disengagement at work” of William A. Kahn published in 1990, an article largely referenced. Kahn (1990) investigated engagement of employees or in his words “varying degrees of their selves, physically, cognitively and emotionally in work related performances”.

From that point on, we focused on again to investigating the relation between employee engagement and leadership within our defined articles group. It is worth mentioning that Kahn mapped all drivers of employee engagement in a broader scale and clearly stated these in a table. We noticed that the other researchers also investigated the relation from different perspectives and partially stated the drivers relevant to their topic. Later on, the two reports from IBM (2014) also stated the drivers of employee engagement in a comprehensive map. Seven articles of our literature review that investigated the drivers of employee engagement are listed in Table 1.

In addition to the online library, we also utilised internet search engines and the companies own websites allowed us to get hold of information such as company’s employee engagement strategies and the world’s view. For example, IBM reports are reached via Volvo website.

For our empirical data collection phase, we utilised the existing data from the 2015 employee attitude survey of AB Volvo Penta. This data offered us the ability to isolate two index values measured for leadership and employee engagement, which are calculated by a subcontracted company. One benefit of having an outsourced company specialised on such surveys, is that it offers also the global norm for the indexes, comparing anonymously the results from different subcontracting companies. By that, we had a good number of samples from a large established global firm, with ability to isolate indexes related to our aim and present global norms to compare our values. The downside of our data source and survey results has been that even though we are granted access to raw data, indexes still processed on the background by an external company. Eventually, the information is secondary in that sense and we still lack a number of data such as demographics of the survey.

The survey itself is described in details at the next section. We used Pearson Correction analysis function of Excel in order to observe the strength of the relation between our variables. Naturally, two-tailed t-tests are conducted in order to measure the significance of the analysis.

Yin (2013) has recommended a linear but iterative process involving planning phases including Prepare, Design, Collect, Analyze and Share. We believed most phases of this technique to be very appropriate and suitable for our work, especially the Collect phase for which Yin (2013) defined six sources of evidence for collecting data, summarised below along with their strengths and weaknesses:

Source of Evidence	Strengths	Weaknesses
<u>Documentation</u>	<ul style="list-style-type: none"> • Stable – can be reviewed repeatedly • Unobtrusive • Specific • Broad 	<ul style="list-style-type: none"> • Retrievability • Biased selectivity • Reporting bias • Access
<u>Archival records</u>	<ul style="list-style-type: none"> • Same as those for documentation • Precise and usually quantitative 	<ul style="list-style-type: none"> • Same as those for documentation • Accessibility due to privacy reasons
<u>Interviews</u>	<ul style="list-style-type: none"> • Targeted-focuses directly on case study • Insightful- provides explanations as well as personal views 	<ul style="list-style-type: none"> • Bias due to poorly articulated questions • Response bias • Inaccuracies due to poor recall • Reflexivity
<u>Direct observations</u>	<ul style="list-style-type: none"> • Immediacy – covers actions in real time • Contextual – can cover the case’s context 	<ul style="list-style-type: none"> • Time consuming • Selectivity • Cost related • Reflexivity
<u>Participant observation</u>	<ul style="list-style-type: none"> • Insightful into interpersonal behaviour and motives 	<ul style="list-style-type: none"> • Bias due to participant-observer’s manipulation of events
<u>Physical artifacts</u>	<ul style="list-style-type: none"> • Insightful into cultural features • Insightful into technical operations 	<ul style="list-style-type: none"> • Selectivity • Availability

Table 2: Sources of evidence for collecting data

The sources of evidence underlined are what we used for our research, as we believed those to be the most appropriate sources of gathering the information that were of use to our objectives. Their strengths and weaknesses were a clear indication to why these were best placed for our research and ease of use for the time we had available to conduct this thesis work.

3.2 The Survey

AB Volvo Penta had a survey among employees consisted of seventy-nine questions and called Company Attitude Survey – CAS. We were granted access to the existing data in order to analyse the related part, for the strict purpose of this thesis only.

Employee Engagement Index (EEI):

In the introduction of the survey, 'employee engagement' is considered to be the extent to which 'employees are committed and enabled to go the extra mile for the long-term success of the organization and themselves'. In addition, engagement is defined as being a combination of perceptions, including satisfaction, commitment, pride, loyalty, a strong sense of personal responsibility, and a willingness to be an advocate of the organization.

The survey reports also state that engaged people will stay highly committed to their organization even during times of lower work satisfaction and engaged workforce tends to stay employed longer, miss work less often, provides higher levels of customer satisfaction and service quality and by that being more productive. In advance information provided to managers receiving the reports.

The Engagement Index is a subset of four survey items, specifically designed to measure the engagement of respondents. The engagement priority items, listed below in rank order of importance, identify the issues that are most likely to influence engagement in the work population.

1. *I am proud to work for my company.*
2. *Overall, I am extremely satisfied to work for my company.*
3. *I would recommend my company as a great place to work.*
4. *I rarely think about looking for a new job with another company outside of Volvo Group.*

The engagement priority items have been determined using a Pearson correlation analysis technique by a subcontracting company preparing the survey. This statistic measures the strength of the relationship between the Engagement Index and each of the remaining items. The subcontractor also provides managers access in their website to pre-constructed reports showing survey results.

The survey data is aimed to use in order to analyse how closely specific attitudes and opinions of the employees, measured by the survey items, are related to the engagement of the company's work population. The items defined can have a significant influence on engagement, and consequently expected to be prioritised to ameliorate in score before the next survey by defining corrective actions. An improvement in one of the priority item scores will have the greatest impact on engagement index.

Leadership Effectiveness Index (LEI):

The Leadership Effectiveness Index contains items measuring the key leadership needs for Volvo Group. By comparing the company results against global external benchmarks, evaluators can identify strengths and opportunities to the key components of effective leadership i.e. communicating, valuing diversity, giving feedback and promoting development, respecting and involving people. The LEI measures manager's and leader's successes in orchestrating, communicating and implementing a concise business strategy. In addition to measuring the implementation of the strategy, the LEI also monitors behaviour toward employees, with a focus on benevolence, feedback and involvement.

1. *I have a good understanding of my Business Entity's business direction and goals.*
2. *In my Business Entity, there is open and honest two-way communication.*
3. *My Business Entity has a climate in which diverse perspectives are valued.*
4. *The senior leadership team (Executive Management Team - EVP/BA President and Direct Reports) of my Business Entity has communicated a vision of the future that motivates me.*
5. *I have confidence in the senior leadership team (Executive Management Team - EVP/BA President and Direct Reports) to make the right decisions for my Business Entity.*
6. *The leaders/managers of my Business Entity are genuinely committed to attracting, developing and keeping a diverse workforce.*
7. *I am appropriately involved in decisions that affect my work.*
8. *I receive timely information relating to my work.*
9. *I receive timely and helpful feedback on my performance.*
10. *I have a clear understanding of the goals and objectives of my work group/team.*
11. *My Immediate Supervisor/Manager has made a personal time investment in my growth and development.*
12. *My Immediate Supervisor/Manager keeps me informed about the things I need to do my job effectively.*
13. *My Immediate Supervisor/Manager is an outstanding leader.*
14. *My Immediate Supervisor/Manager treats me with respect and dignity.*

Question	Measured behaviour	Captured macro drivers
Question 1	Common/aligned personal and organizational values Effective and honest communication	Pride Sense of purpose Confidence in future
Question 2	Effective and honest communication	Sense of purpose Confidence in future
Question 3	Fair organization Organizational norms reinforcing trust and respect Respect (as value)	Recognition and respect Being valued Confidence and trust Security Pride
Question 4	Motivational and inspirational leadership Effective and honest communication	Sense of purpose Confidence in future
Question 5	A direct question about leadership	Confidence and trust (in leaders and organization)
Question 6	Fair organization Opportunities for personal growth and development Supportive management Organizational norms reinforcing trust and respect Respect (as value)	Recognition and respect Being valued Personal development Confidence and trust Security Pride
Question 7	Decision-making authority	Recognition and respect Being valued
Question 8	Supportive management Effective and honest communication	Confidence and trust (in leaders and organization) Confidence (in future)
Question 9	Opportunities for personal growth and development Effective and honest communication	Personal development Confidence (in future)
Question 10	Effective and honest communication Alignment of personal and organizational goals	Sense of purpose Confidence (in future)
Question 11	Supportive management Opportunities for personal growth and development	Confidence and trust (in leaders and organization) Personal development Being valued
Question 12	Supportive management Effective and honest communication	Confidence and trust (in leaders and organization) Sense of purpose Confidence (in future)
Question 13	Motivational and inspirational leadership	Confidence and trust (in leaders and organization)
Question 14	Organizational norms reinforcing trust and respect Supportive management Respect (as value)	Confidence and trust (in leaders and organization) Security Predictability in behavioural consequences Pride

Table 3: List of Macro Drivers of Employee Engagement captured by survey questions

Questions of the survey in relation to the drivers of Employee Engagement:

The survey is made for AB Volvo and its entities for measuring Employee Engagement. The drivers captured via the survey questions are listed in the table 3 according to our observations.

Notably, questions are related to multiple drivers. The first question, as example, it is about understanding of one’s Business Entity’s (one’s company) business direction and goals. In order to understand such direction and goals, these should be communicated within the company as well. Thus, the survey measures the driver of ‘sense of – common - purpose’ thru the ‘effective and honest communication’ behaviour. At the same time, these direction and goals should be accepted by the employee and by that cause a ‘confidence in future’, otherwise the answer would be unfavourable. In the same way, question 11 is about the immediate Supervisor/Manager making time investment for one’s growth and development. This is related to ‘personal development’ and the feeling of ‘being valued’. However, the question also reaches to the driver ‘confidence in leaders’ as it is clearly stated that it is the immediate Supervisor/Manager who is making investment on the individual.

If we refer back to macro drivers of Employee Engagement that we defined in the theory section, we can state that they are mostly captured by the survey questions.

Macro driver	Measured by question(s)
Recognition and respect	3,6,7
Being valued	3,6,7,11
Personal development	6,9,11
Confidence and trust (in leaders and org.)	3,5,6,8,11,12,13,14
Security	3,6,14
Predictability in behavioural consequences	14
Healthy work/life balance	
Excitement and enthusiasm for work	
Feeling Supported	
Sense of purpose	1,2,4,10,12,
Confidence (in future)	1,2,4,9,10,12
Pride	1,3,6,14

Table 4: Survey questions capturing macro drivers of Employee Engagement

The questions heavily capture the drivers ‘trust’, ‘value’ and ‘respect’. This is not a surprise as these are among the core values of Volvo. Another point to consider is that the organization was into organizational changes before and during the time of the survey. As it is important to retain organizational values during time of changes, three groups of drivers are accordingly measured via the survey. The first group of drivers are related to the perception and psychological states of the employees; how much they feel valued, secured are measured as well as recognition and respect. The second group of drivers are related to the organization itself; trust in future, pride for the company and a common sense of purpose. However, among all drivers, the one that addressed the most is the ‘confidence and trust in leaders and organization’. More than half of the survey questions capture this driver.

The answers and measurement of indexes:

The participants are offered to answer the questions in a five-answer scale from ‘strongly agree’ to ‘strongly disagree’ plus an option for ‘don’t know’. The responses are grouped into three categories:

Percent Favourable which is the top two most favourable responses i.e. Strongly Agree & Agree
 Percent Neutral which is the neither favourable nor unfavourable response i.e. Neither Agree nor Disagree

Percent Unfavourable which is the bottom two least favourable responses i.e. Strongly Disagree & Disagree

In ‘Figure 1’, we can see an example of excel report showing the EEI belonging to department 01, as well as the answer rate to each question. Questions answered 70% favourable and above are considered score high and, in the same way, questions answered 50% favourable and lower are considered score low. The index for each question is the percentage of favourable answers, in other words, the percentage of respondents who selected the top two most positive responses. The EEI of the group 01 is the average of the four questions results forming the engagement dimension.

The reports also show the index value from the previous year as well as the ‘global external norm’ to the managers, in order to provide the two-year trend, if data exists, and comparison with the industry.

CXAS 2015											
Company X - 01 - Manager Name Workgroup/team Report											
Data Summary											
Report Grouping	Dimension	Item	Item	No. of Returns	2015 % Fav.	Global Ext. Norm % Fav.	Strongly Agree %	Agree %	Neither Agree nor Disagree %	Disagree %	Strongly Disagree %
Company X - 01 - Manager Name Direct Reports	Engagement		Engagement		98	71	75	23	3	0	0
Company X - 01 - Manager Name Direct Reports	Engagement	1.	I am proud to work for my Business Entity.	10	100	78	90	10	0	0	0
Company X - 01 - Manager Name Direct Reports	Engagement	2.	Overall, I am extremely satisfied to work for my Business Entity.	10	100	72	70	30	0	0	0
Company X - 01 - Manager Name Direct Reports	Engagement	3.	I would recommend my Business Entity as a great place to work.	10	100	74	90	10	0	0	0
Company X - 01 - Manager Name Direct Reports	Engagement	4.	I rarely think about looking for a new job with another company outside of Volvo Group.	10	90	58	50	40	10	0	0

Figure 4: CAS excel report example

Correspondingly, the index for the leadership effectiveness for each department is derived from the fourteen questions forming the index stated above and reported to the managers of the departments.

The evaluation of 2015 survey data

The survey was for all employees of the AB Volvo Penta and the total response rate in 2015 has been 95%. Reports for 338 departments were generated out of the survey. However, departments with less than 5 employees did not have the full report in order to protect anonymity. These were labelled as small reports which do not show the two index values of LEI and EEI that we are going to compare. As a result, we have data from 146 departments, showing the two indexes namely Leadership Effectiveness Index (LEI) and Employee Engagement Index (EEI) among other data. The isolated data showing the indexes is presented in Appendix 14.1.

An important note on the indexes is that the scores used in our analysis are the ones related to direct reports of immediate managers. In case there are middle managers and more layers in a multi-layer department, their results listed and evaluated respectively in their turn. In other words, 146 departments show index values between immediate managers and direct followers, at different levels of the organization.

3.3 Validity

In order to demonstrate the validity of our research and ensure that our findings truly represent the phenomenon we are claiming to measure, we took the following factors into account:

- Topic variability; while focus is kept on the topic, it is also aimed to choose the articles representing not the same views
- Size and characteristics of our sample audiences
- Amount of time we gave for the data collection; even though the foreseen time frame for this course is exceeded, in such a broad topic you can invest on time limitlessly
- History of our topic area; while focusing on the recent articles, the roots of the topic is not denied and vision is kept far-reaching
- Data collection methodology

Putting focus on the above factors ensured that our findings were meaningful as well as valid for the purpose of this thesis report.

4 The Results of the Survey

In this section, we partially present the 2015 employee attitude survey results of AB Volvo Penta and later analyse these where related to our chosen variables; employee engagement index and leadership effectiveness index.

4.1 Averages and Statistical Significance

Attitude survey 2015 results showed that LEI - leadership effectiveness index - values varied from a minimum score of 23% to maximum of 100% among the 146 departments measured. On the other hand, EEI - employee engagement index - values varied from minimum score of 20% to maximum score of 100%. Please note at this point: 'the index for each question is the percentage of favourable answers, in other words, the percentage of respondents who selected the top two most positive responses'. The average score of both indexes are the same: 83%. The Global External Norm (GEN) provided by the survey company is 70% for LEI and 71% for EEI. In order to facilitate reading, GEN is shown in the graphs 71% for both indexes. In this regard, AB Volvo Penta has 11.6% of the 146 departments below the EEI global external norm and 19.1% below the LEI global external norm.

As we have two quantitative, continuous variables in our data group, in order to define the correlation, we run a Pearson Correlation analysis in excel over the values. Pearson's product-moment correlation coefficient (PPMC) value will be the measure of the strength of the association between the two variables. The analysis for the whole range of data gives us a PPMC of 0,75. The positive sign of the coefficient indicates that both variables increase or decrease together. We calculate t value using the below formula where r is our PPMC value, n is number of samples and obtain 13,47.

$$t = \frac{r \sqrt{n-2}}{\sqrt{1-r^2}} = 13,47$$

Having all information needed to perform the two-tailed t-test for confidence level of 95%, our degrees of freedom 144 (146 - 2), we found critical threshold t_{crit} in the t-table which is 1.984. Therefore; our PPMC >0 and $t > 1.984$ we can claim the Pearson correlation coefficient is significantly positive.

Thus, we can conclude that according to the Pearson Correlation analysis from the examples, our variables LEI and EEI are correlated. Furthermore, they are positively related; they increase or decrease together.

4.2 Analysis of the Trends

After observing the positive correlation between the two variables, we can further look at the trends of the relation in order to detail our analysis. When we re-organised our data via sorting LEI in decreasing order, we can observe the behaviour of EEI around LEI on the graph (Figure 5).

Originated from our corporate experiences, we see employees or teams more dependant to leaders; as leaders are appointed, decided by the organization's management with a top-down approach. Additionally, it is not unusual that the leaders form their teams, tailor-made the existing resources before they start their tasks when appointed, which in return causes teams adopts themselves to leaders at the initial stage of the relationship. On the other hand, we also accept the fact that during the period of the relationship occasionally leaders also adopt themselves to the teams. As a result of these thoughts, we conducted our analysis EEI dependant to LEI but not vice versa. From graphical point of view, we experienced that the outcome does not change if we would do the other way around.

The result of this adjustment in sorting the data is shown in **Figure 9**, which is presented to the reader for the visualization of the two variables lines on a graphic. The x axle is random department numbers up to 146. The y axle is the index score from 20% to 100%. The GEN line is the blue line in the graphic and LEI is the green line. The dependant EEI of the same department is shown with a red line that is moving around the green line up and down however, following the trend due to correlation (a larger view is available in the appendices).

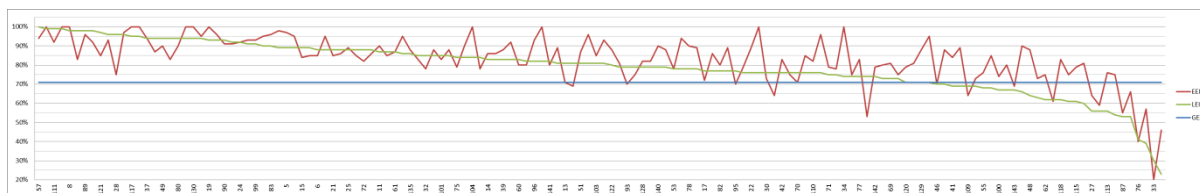


Figure 5: Correlation Graph

The correlation and positive relation is already proven for our sample group and presented in the previous section. Here in the graph, we can also witness the fact that EEI values are mostly close to the LEI values. If we would add the linear trend line of EEI to the graph, we would see that it would be slightly below the green line above ~94% values of LEI and always above the LEI line at the rest. Thus, we can state the tendency of EEI is to be above LEI.

On the left side of the graphic area where leaders are highly effective with index values higher than 96%, the EEI is also above the GEN but under the LEI values. With highly effective leaders, employees are either engaged or highly engaged in most of the cases (9 out of 12). Thus, we can state that with highly effective leaders the employee engagement is also high.

The highly efficient leader supports the employees and causes high Employee Engagement. This area is the one that companies are starving to reach in order to increase their competitive advantages and effective leaders are paving the road for this, according to our findings. The reasons behind the success can be investigated in order to expose these best practices of the organization: What are the good causes of the success in reaching high Employee Engagement level and how these can be imitated within the company to generalize. By that investigation, more departments from the mid-range LEI can be pulled to this area.

In the majority of the graphic, LEI is above the global norm (GEN) and EEI line floats up and down but always around LEI line. In the area where LEI is 70% and up, the two variables moves around each other; sometimes EEI has higher value, sometimes LEI. However, a linear trend line of EEI would always be located above the LEI line. On some cases, the leader supports the team and pushes the employees further to take the next step, on other cases the employees supports the leader with their high-level engagement. It is arguable at this point, whether LEI affects EEI or vice versa. A probable explanation for this irregular movement might be the effects of other variables or sub-variables which are discussed earlier in the theory section such as; belief in the future of the organization, employees loosing enthusiasm (Wiley, 2010), empowerment, psychological availability or interpersonal interactions with other team members (Kahn, 1990). We also reviewed at the theory section that one of the roles of the leader is to handle such fluctuations (Bhuvanaiah, Raya, 2015). In brief, within this big range where LEI is above the global norms, EEI drops under GEN only in 3 occasions: thus, we can strongly state that when LEI is above norm, employees are engaged or highly engaged in majority.

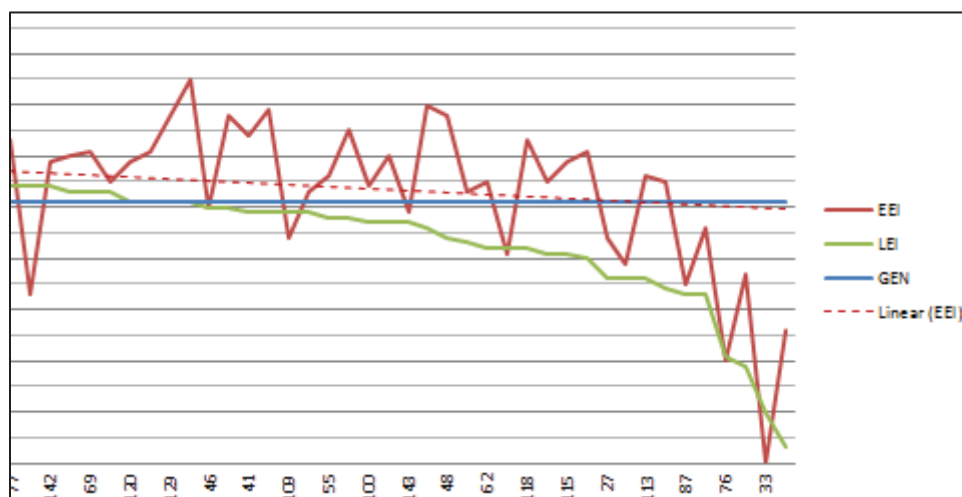


Figure 6: Correlation Graph – Magnified to LEI below norm area

On the left side of the graphic, LEI is below the global norm of 70%. The weak part of the organization is exposed in this part. Precisely stating, 28 department's leaders, representing 19,1% of the total leaders, has LEI below the global norm. In this area, with the exception of 4 occasions, LEI values are below EEI values. Indeed, employees in 11 departments out of 28, have EEI below the norm. The team engagement follows the leadership negative score towards the bottom of the scale. Bhuvanaiah and Raya (2015) define the employees in this group as disengaged and suggest these should be the major work area for the management. In this area, Leadership can be and should be improved in order to achieve high Employee Engagement. If the organization wants to ameliorate the Employee Engagement in these departments, a strategy towards improving to these leader's skills must be put in place.

On the opposite edge, these worst practices of the organization can be evaluated gauging the two indexes together. While scrutinizing the causes behind the low scores of Employee Engagement, the management can look also through the LEI values and evaluate their shares in low EEI. The departments falling into this score range forms the empty side of the glass where we can generate further investigation questions i.e. what are the demographics of these leaders: their age, experience in leading, educations, in order to expose any commonalities on the way to investigate the reasons behind failures. Another possible area of investigation could be the understanding of the company values: how much these leaders are aligned with the company culture and values?

Bhuvanaiah and Raya (2015, p.92) motivates a shift from financial supplements to psychological drivers, from organizations and leaders in order to arouse Employee Engagement. IBM report (2014) further emphasizes 'achieving Employee Engagement involves different practices and behaviours'. As leadership styles are adaptive to the situation (DuBrin, 2013, p.265), we can promote to monitor the best practices of Leadership within the same organization and adapt the successful cases to other low-EEI-value departments. In other words, the way to success, in our case achieve high level of Employee Engagement, can be measured and investigated. The successful patterns, including the leadership style, can be implemented in the departments that have lower index values.

5 Conclusions & Implications

The information collected must be analysed and interpreted with care to prevent exaggerated or misleading claims based on limited evidence (Gerst, 2013).

Our thesis question was 'is effective leadership leads to high employee engagement and if so, to what degree these two organizational concepts correlate'. With our findings from the survey results evaluation, we can confirm the close and positive correlation between two variables, namely Employee Engagement Index (EEI) and Leadership Excellence Index (LEI). In the theory section, we tied the employee engagement to organizational results and exposed the drivers of the employee engagement. Then defined that a number of drivers are related to leaders and leadership. Reviewed literature states 'effective leadership leads to high employee engagement' and our sample, survey results from AB Volvo Penta, shows these two concepts are closely correlate; the more efficient the leadership, the higher the employee engagement. Our explanation is that leaders in an organization are in a position where they have high potential to affect the drivers of the employee's engagement, thus the engagement itself by their attitude.

The survey questions related to employee engagement heavily measured the driver 'confidence and trust (in leaders and organization)'. This driver, related to senior leaders has been the most measured driver among others. One probable reason for this would be the fact that the organization is after a period of going thru organizational and leadership changes. Other drivers defined in the method section, listed in Table 4, are also measured via survey questions - with few exceptions. Intrinsic motivational driver, 'excitement and enthusiasm for work', is not directly addressed and measured in this survey, as well as 'healthy work/life balance' and 'feeling supported' drivers.

In the reviewed literature, a number of researchers partially (Kahn, 1990), most others to a greater extend (Bhuvanaiah and Raya, 2015; Carnegie, 2012; Wiley, 2010) tie engagement drivers to leaders and leadership traits. Other researchers further distinguish manager related drivers and tie the named drivers to the behaviour and the style of the leaders (Hansen, Byrne and Kiersch, 2014). Our findings from the survey are consistent with these researches and show the effect of the leaders over employee's engagement results.

Gerst (2013) sees the major challenge of a research as to identify what is, and is not, important. The importance of Employee Engagement is that it is tied to positive organizational results as reviewed in the theory section. Employee Engagement is important due to all positive outcomes that it generates in the organizations; both for the employees such as healthier individuals (Schaufeli et al., 2008), and for the companies such as higher customer satisfaction.

When employee engagement is desirable, organizational efforts to ameliorate it shall also consider working with leaders to adjust their style according to employee's requirements. In other words, leaders narrowing their vision to financial results and ignoring employee's needs is likely to fail, as he or she will not benefit all the extra positive effects of employee engagement.

We hope our work will contribute to the understanding of the relationship and the mechanism between leadership and employee engagement. The leaders effect (or lack of effect in certain cases) over employee engagement thru the stated drivers could be evaluated for proper mapping and defining of suitable actions to increase the employee engagement. One probable implication could be providing human resource managers with new insights leading to bind the works in the companies towards improving employee engagement and leadership; considering these elements of the organization are related to each other rather than conducting separate workshops. Another implication can be conducting more researches on different sample groups in order to understand differentiations or variations such as investigating cultural effects by examining at different geographical locations.

6 Recommendations for Future Research

The aim of conducting interviews with picked managers and their followers is dropped from the scope of this work in order to keep anonymity: it is difficult to interview a department manager with low scores and even more difficult to interview employees of these managers, unless such a work is demanded in a wide scope e.g. project or consultant work. A large-scale work can be conducted in order to have the outcome anonymous.

This work can be further expanded by investigating, maybe by conducting interviews, to understand the reasons of the correlations, as conflicts or rapport; why and where leaders are short or successful in creating engagement. What mechanisms are utilised by effective managers in successfully motivating subordinates?

From such a work, we can expect to increase validity of the existing theories, understand further the effect of the leaders over the dimensions of the engagement and reflecting the perspective of the employees and managers in cases of conflicts and rappings.

We witnessed the correlation of Employee Engagement and Leadership in our sample group where cross-sectional data is utilised. A further research on a longitudinal data, CAS results over several years, could unveil more of the causal relationship between the two discussed variables and thus answer the question; which of two has more (or less) effect on the other: employee engagement is affected by leadership, are leaders also affected by team member's engagement, and to what extent.

Moreover, the correlation of the two variables can be investigated thru the effect of each sub-variable i.e. the drivers of employee engagement, in order to explore which one has the effect on a various scale over the employee engagement.

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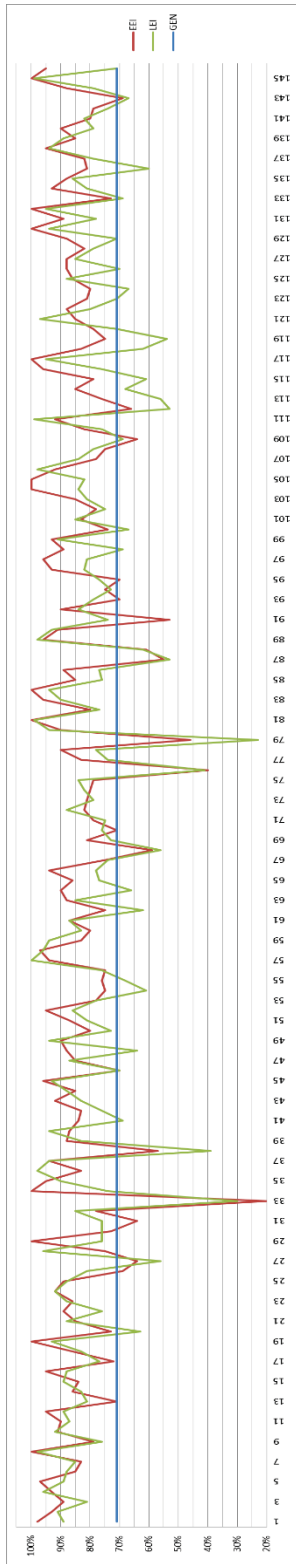
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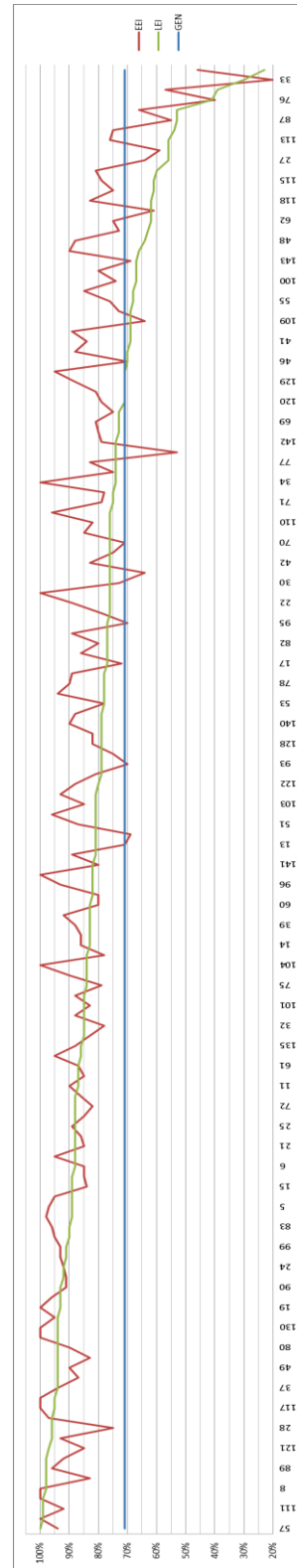
8 Appendices

8.1 Data Table 1: LEI & EEI values for AB Volvo Penta 2015 Survey

Department	EEI	LEI	Department	EEI	LEI	Department	EEI	LEI
1	98%	89%	51	87%	81%	101	83%	85%
2	93%	91%	52	95%	86%	102	78%	75%
3	89%	81%	53	78%	78%	103	85%	81%
4	93%	96%	54	75%	61%	104	100%	84%
5	97%	89%	55	76%	68%	105	100%	82%
6	85%	88%	56	75%	76%	106	92%	98%
7	83%	85%	57	94%	100%	107	78%	84%
8	100%	98%	58	97%	96%	108	75%	79%
9	79%	76%	59	83%	94%	109	64%	69%
10	91%	92%	60	80%	83%	110	82%	76%
11	90%	87%	61	87%	87%	111	92%	99%
12	95%	89%	62	75%	62%	112	66%	53%
13	71%	81%	63	88%	85%	113	76%	56%
14	86%	83%	64	90%	66%	114	85%	68%
15	84%	89%	65	86%	77%	115	79%	61%
16	95%	88%	66	94%	78%	116	96%	76%
17	72%	77%	67	75%	74%	117	100%	95%
18	86%	83%	68	59%	56%	118	83%	62%
19	100%	93%	69	81%	73%	119	75%	54%
20	73%	63%	70	71%	76%	120	79%	71%
21	85%	88%	71	79%	75%	121	85%	97%
22	89%	76%	72	82%	88%	122	88%	80%
23	86%	88%	73	81%	79%	123	81%	71%
24	92%	92%	74	80%	82%	124	80%	67%
25	89%	88%	75	79%	84%	125	86%	88%
26	69%	81%	76	40%	41%	126	88%	70%
27	64%	56%	77	83%	74%	127	88%	85%
28	75%	96%	78	90%	78%	128	82%	79%
29	100%	76%	79	46%	23%	129	88%	71%
30	73%	76%	80	90%	94%	130	100%	94%
31	64%	76%	81	100%	99%	131	89%	78%
32	78%	85%	82	80%	77%	132	100%	95%
33	20%	30%	83	96%	90%	133	73%	69%
34	100%	74%	84	100%	94%	134	93%	81%
35	95%	90%	85	85%	76%	135	88%	86%
36	83%	98%	86	89%	77%	136	81%	60%
37	94%	94%	87	55%	53%	137	82%	79%
38	57%	39%	88	61%	62%	138	95%	94%
39	88%	83%	89	96%	98%	139	85%	89%
40	87%	94%	90	91%	93%	140	90%	79%
41	84%	69%	91	53%	74%	141	80%	82%
42	83%	76%	92	90%	84%	142	79%	74%
43	92%	83%	93	70%	79%	143	69%	67%
44	85%	88%	94	75%	73%	144	88%	79%
45	96%	93%	95	70%	77%	145	100%	99%
46	70%	70%	96	93%	82%	146	95%	71%
47	85%	87%	97	96%	81%			
48	88%	64%	98	89%	69%			
49	90%	94%	99	93%	91%			
50	80%	73%	100	74%	67%			



Graph 1: Graphics of the "Data table 1"



Graph 2: Graphics of the "Data table 1"
LEI sorted decreasing

