

Leadership, Emotional Intelligence and Employee Engagement: Creating a Psychologically Healthy Workplace

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What is Emotional Intelligence?

The most widely accepted model of emotional intelligence (EI) has been influenced by several scientists and researchers. Sternberg's (2003) theory of multiple intelligences suggests that interpersonal and intrapersonal intelligence are unique and different from the mathematical and logical type recognized today as "IQ" or general intelligence. Peter Salovey and John Mayer first proposed their own theory of EI in 1990 and Reuven Bar-On (1988) has placed EI in the context of personality, health and well-being.

Daniel Goleman (1998) reformulated EI in terms of a theory of organizational and job performance. All these models, however, share a common core of basic concepts including Self-Awareness, Self-Management, Social Awareness, and Relationship Management. The Consortium for Research on Emotional Intelligence in Organizations (www.eiconsortium.org) is a useful website that serves as a resource portal on the topic of emotional intelligence including information on measures, current findings and EI resources.

Research on EI and Performance

A growing research literature suggests that EI may play a far more important role in career success and job performance than general intelligence (cognitive ability). A recent meta-analysis of 69 independent studies explored the predictive validity of emotional intelligence with diverse job performance outcomes (Van Rooy & Viswesvaran, 2004). Results suggested diverse measures of EI correlated .23 with job performance ($k=19$, $N=4158$) and .22 with general mental ability.

These correlations suggest that EI can be considered a moderate predictor of job performance and success, relative to other types of personnel selection techniques including interviews, personality inventories and assessment centers. Other recent EI research studies suggest that:

- Highly conscientious employees who lack social and emotional intelligence perform more poorly than those high in conscientiousness and emotional intelligence.
- On average, strengths in purely cognitive capacities are approximately 27 percent more frequent in high performers than in the average performers,

whereas strengths in social and emotional competencies are 53 percent more frequent.

- The highest performing managers and leaders have significantly more "emotional competence" than other managers.
- Poor social and emotional intelligence are strong predictors of executive and management "derailment" and failure in one's career.

Leadership and relationships play a key role in organizational success. Recent research on the association between employee satisfaction and job performance suggests that the single most important contributor to the feelings of employee engagement, empowerment and satisfaction is based on the relationship they have with the leaders of the organization (Sheridan & Vrendenburgh, 1978; Ribelin, 2003; Eisenberger, Stinglhamber, Vandenberghe, Sucharski, Ivan & Rhoades, 2002; Rhoades, L., Eisenberger, R., & Armeli, S. (2001). A recent meta-analysis of over 7,939 business units in 38 companies explored the relationship at the business-unit level between employee satisfaction-engagement and the business-unit outcomes of customer satisfaction, productivity, profit, employee turnover, and accidents (Harter & Schmidt, 2002). Generalizable relationships, large enough to have substantial practical value, were found between unit-level employee satisfaction-engagement and these business-unit outcomes suggesting that management practices that affect satisfaction can have bottom line results on productivity and profit.

One of the most salient career paradigm shifts has been the change from job security to employability security. Today, the engagement and retention of high potential talent is a competitive advantage to all organizations. What do we know about engagement and its relationship to productivity and retention? Several recent studies provide some answers to this question.

For example, Aon Consulting reported in a recent research study of about 1,800 workers that employee commitment is declining in every industry, age group, income group and job classification. The Gallup organization also recently reported evidence of declining employee engagement in a major survey that found only 26 percent of employees consider themselves "actively engaged" in their work.

A change in the psychological contract with employees over the last few years has contributed to a set of critical paradigms shifts about careering in the US. The old sense of job security has given way to the concept of "employability security" where developing "just in time competencies" results in the ability to be competitive in a global market place. In the "old" paradigm employees expected to be with companies for long periods of time (job jumping was typically seen as a sign of instability, immaturity or loyalty) and an expectation of rising responsibilities and salary/benefits. Today's "IPOD generation" employees have typically experienced mergers, acquisitions, bankruptcy,

extensive downsizing and failures resulting in a focus on continuous relearning, development and work/family balance.

Perceptions of stress at work are quite high with several studies suggesting 40 % to 60% of all employees rate their jobs as being stress or extremely stressful with impact on family balance and health. In a recent poll by US based TrueCareers, more than 70% of workers do not think there is a healthy balance between work and family lives. More than 50% of the 1,626 were exploring new career opportunities because of the inability to manage both work and family stressors.

No doubt, this helps to explain why some professional women have chosen to “stop out” from professional careers after a large investment in formal education and training much to the display of their employers. Employers of choice today understand these changing career paradigm shifts and have developed programs, benefits and cultural change to enhance the commitment and retention of its talent.

Workforce 2010: Changing Career Paradigms

OLD PARADIGMS

- Job Security
- Longitudinal Career Paths
- Job/Person Fit
- Organizational Loyalty
- Career Success
- Academic Degree
- Position/Title
- Full-Time Employment
- Retirement
- Single Jobs/Careers
- Change in jobs based on fear
- Promotion tenure based

NEW PARADIGMS

- Employability Security
- Alternate Career Paths
- Person/Organization Fit
- Job/Task Loyalty
- Work/Family Balance
- Continuous Relearning
- Competencies/Development
- Contract Employment
- Career Sabbaticals
- Multiple Jobs/Careers
- Change in jobs based on growth
- Promotion performance based

consultingtools

Some evidence of the changing career paradigms comes from a recent study by Career Systems International in 2005. They surveyed over 7,500 employees in diverse industries about retention factors—things available in organizations that engendered commitment and a willingness to stay.

The top five retention factors included: 1) Exciting Work/Challenge (48.4%); 2) Career growth/learning (42.6%); 3) Relationships/working with great people (41.8%); 4) Fair pay (31.8%); and 5) Supportive management/great boss (25.1%). These findings

suggest that engagement can be enhanced in organizations that emphasize development, leadership effectiveness and collaborative cultures.

Finally, a recent meta-analysis of over 7,939 business units in 38 companies explored the relationship at the business-unit level between employee satisfaction-engagement and the business-unit outcomes of customer satisfaction, productivity, profit, employee turnover, and accidents (Harter & Schmidt, 2002). Generalizable relationships, large enough to have substantial practical value, were found between unit-level employee satisfaction-engagement and these business-unit outcomes suggesting that management practices that affect satisfaction can have bottom line results on productivity and profit.

In the old economy, it was virtually a “buyer’s market” where companies had their pick of top talent. In today’s global economy where outsourcing, downsizing and acquisitions are common place, companies must compete to find, attract, develop and retain the best talent. Given estimates that the costs of replacement of highly skilled workers and those in leadership roles can run up to 200% of the employee’s salary, plus the cost of losing valued employees—sometimes even to competitors—the incentive for selecting and retaining talent is of enormous importance to employers. Furthermore, turnover is now a principal concern of CEOs because it can directly affect the bottom line.

In a recent study sponsored by both Unifi Network (a division of Pricewaterhouse Coopers) and Roper Starch Worldwide Network, Inc., turnover has a direct and negative impact on both customer service and satisfaction. Their survey results suggest that employee turnover has a direct effect on customer retention, loyalty and defection. More than 80% of those responding perceived employee retention as a problem. As a result, many companies are taking a more serious look at the principles of talent management and the impact of leadership effectiveness on retention.

This study explored the relationship between leadership effectiveness (measured as a composite set of nine specific management practices) and several specific organizational outcomes including employee retention, job satisfaction, employee engagement and perceived stress in a large food service company as part of their annual employee satisfaction surveys over a two year period. The employee surveys were distributed to all corporate and field employees in both 2002 and 2004. Single item measures were used to assess perceptions of stress, job satisfaction, engagement, perceived sensitivity to work and family issues, and retention (likeliness of leaving within the next 12 months).

Leadership Makes a Difference

- After 20 years of research and 60,000 exit interviews, the Saratoga Institute reports that 80% of turnover is directly related to unsatisfactory relationships with one's boss.
- According to a recent Gallup Organization study of approximately 1 million workers, the number one reason people leave their jobs is because of “bad bosses.”
- Another recent Gallup study found poorly managed workgroups are an average of 50 percent less productive and 44 percent less profitable than well-managed groups.
- A conclusion reached by Roger Herman is that 3/4 of people voluntarily leaving jobs don't quit their jobs; they quit their bosses. (Herman, Roger. Winning the War for Talent. The ASTD Trends Watch: The Forces That Shape Workplace Performance and Improvement. American Society for Training And Development, pp. 23-32, 1999, p. 28)
- Workplace bullying is more prevalent than most of us suspect. The most notorious and illegal varieties - sexual harassment and racial discrimination - get the most press, but bullying can take many forms. Bullies can be accidental, chronic, opportunistic, or substance-abuse related. The U.S. Hostile Workplace Survey 2000 of 1335 (Campaign Against Workplace Bullying) provided prevalence estimates of bullying in the U.S. to be approximately 1 in 6 (16.8%) workers who has experienced severe disruptive mistreatment in the past 12 months.
- Being the victim of a brutal boss leads to clinical depression in 41 percent of victims, according to a survey by Bullybusters.org, an online nonprofit in Benicia, CA, that advises victims of workplace abuse. Bullying eats away at self-confidence and leaves victims feeling inadequate and isolated. The victimization also can lead to sleep disorders, ulcers, high blood pressure, loss of creativity and even post-traumatic stress disorder.

Method

Procedure

All corporate employees in a leading food service company were asked to complete a comprehensive climate/engagement survey that is administered every other year. A total of 153 out of 191 completed surveys were returned for a response rate of 80.1%. A total of 14.9% of the respondents represented management, 48.6% were exempt employees and 36.5% were non-exempt representing 11 different departments.

The corporate culture survey was designed by an outside consulting firm, Consulting Tools Inc. and utilized several bench marketing questions utilized in other companies as a point of reference and comparison. The current survey consisted of 59 questions along with a personal information section and several open ended questions. The data were analyzed statistically by SPSS. Employees were asked to complete the questionnaire on work time at a scheduled set of meetings. Those employees unable to attend were given questionnaires to be confidentially completed and mailed back directly to the outside consulting firm for data analysis.

Culture Survey Category (# Items)

- A. Company and It's Future (2)
- B. Customer Focus (2)
- C. Pay and Benefits (2)
- D. Rewards and Recognition (3)
- E. Communications (6)
- F. Diversity/Work Climate (5)
- G. Employee Development (3)
- H. Teamwork (3)
- I. Innovation (4)
- J. Performance Management (6)
- K. Management Practices (8)
- L. Managing Change (3)
- M. Company as a Place to Work (12)
- N. Comments Section
- O. Demographic Information Section

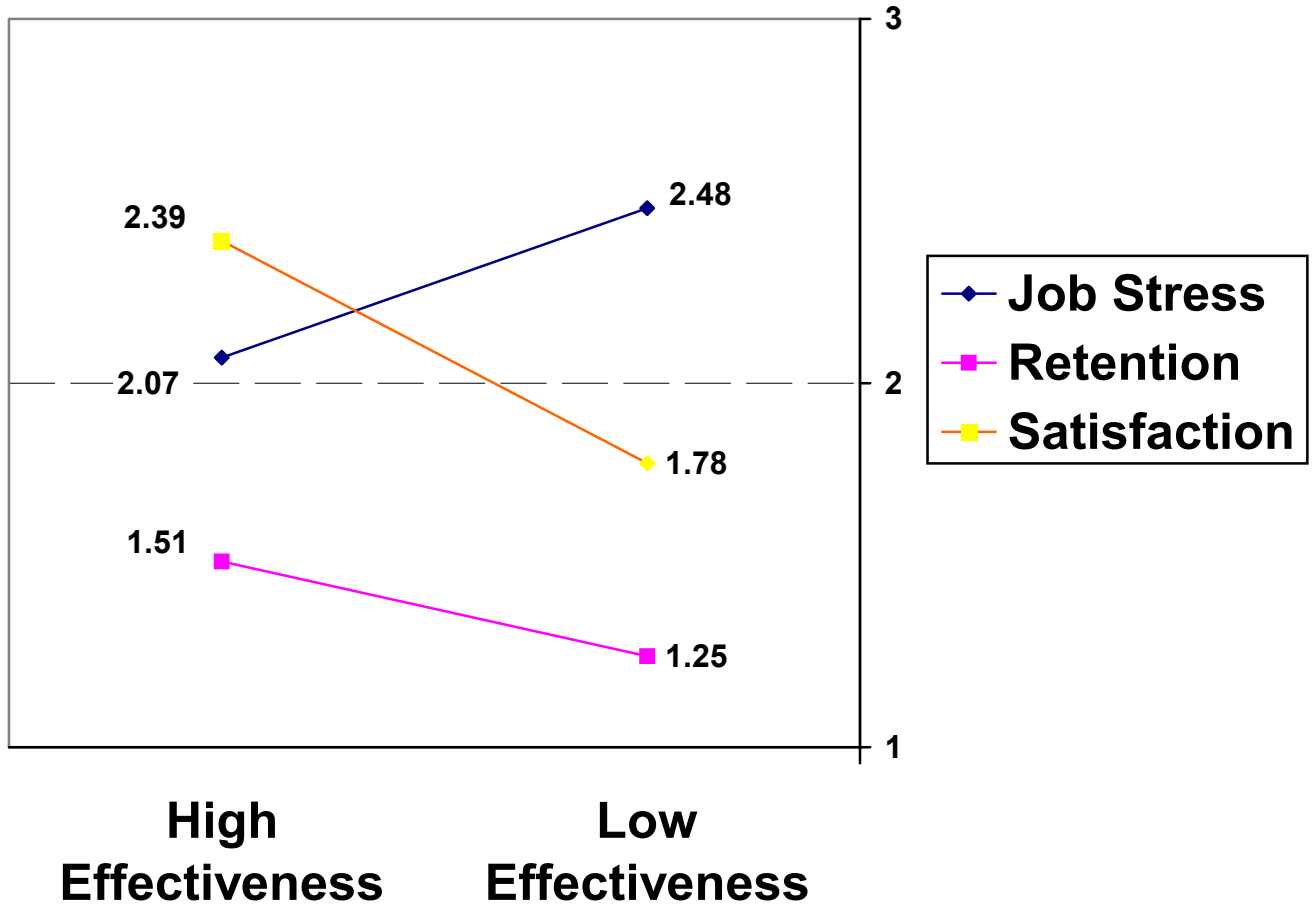
The comments section asked one open-ended question (“If you could change one thing within the company it would be...?”). Separate analyses were conducted for each of the personal information categories (department, tenure, gender, and job level).

Leadership Effectiveness Index

A total of 8 specific questions were developed to assess leadership and management practices. These questions are summarized in the Appendix of this study. These 8 questions were combined into a single scale which demonstrated strong internal consistency reliability (Cronbach's alpha .91). High scores on this scale represent an overall measure of strong leadership practices and effectiveness.

Figure 1

Leadership Effectiveness and Climate (N=153)
Significant Differences (all p's < .01)



Results

Figure 1 summarizes the results of the analyses of variance (ANOVAs) used to test the hypotheses that leadership practices and effectiveness was associated with perceived stress, job satisfaction, employee engagement and retention. Leadership effectiveness was characterized as being either low or high based on a median split of the scores on this scale. Measures of job satisfaction, perceived stress and retention were single items that have been used in prior research.

Despite some possible criticisms, these single item measures can be considered both practical and valid. For example, a meta-analysis by Wanous, Reichers, & Hudy (1997) has shown that single-item measures of job satisfaction are highly correlated with multi-item job satisfaction scales. A global indicator of job satisfaction, retention and engagement would appear to be valid and economic measures (see also Dolbier, Webster, McCalister, Mallon & Stenhardt, 2004).

Retention Question

How likely are you to leave the organization in the next 12 months?
(Not at all, Somewhat likely, Very likely)

Stress Question

The amount of pressure and stress on my job is reasonable and rarely excessive. (1 to 5 scale from Strongly agree to Strongly disagree)

Job Satisfaction Question

Overall, I am satisfied with my current job.
(1 to 5 scale from Strongly agree to Strongly disagree)

Employee Engagement Question

My work gives me a feeling of personal accomplishment.
(1 to 5 scale from Strongly agree to Strongly disagree)

Results from the statistical analyses revealed that employees who perceived that leaders in his/her organization were practicing poor management practices reported significantly higher intentions to leave the organization within 12 months, greater levels of work stress and lower overall job satisfaction and engagement (all p 's < .01). These results were also cross validated with a separate employee sample 2 years later using the same leadership effectiveness scale questions and stress, retention, satisfaction and engagement questions. Results of these subsequent analyses were also significant for each of the independent measures in the ANOVAs.

Discussion

This study provides support for the hypothesis that leadership effectiveness, defined as involvement oriented and sensitive management practices can have a significant impact on employee's commitment, perceptions of stress and retention. Employees who rated leaders in the organization as effective were less likely to consider leaving within 12 months, were more engaged and satisfied with work and reported significantly less stress compared to those who rated leadership practices as less effective overall.

Considerable evidence suggests that leaders and organizations that understand and respond to both the complexities of the business environment and to the basic needs of their people consistently outperform their less wise competitors by 30% to 40% (Pfeffer, 1998). This appears to be true for all industries, regardless of their size, age or type. For example, Fortune's "100 Best" companies to work for are more likely to have cultures in which employee's grow and have half the turnover rate (12.6% vs. 26%) and nearly twice the applications for employment of companies not on the list (Work and Family Newsbrief, 1999).

Despite single-item outcome measures, a limited focus on one particular industry sector (food service) and reliance on self-report, these findings support the relationship between leadership effectiveness and aspects of a psychologically healthy workplace. Leadership and management practices appear to be critical to a psychologically healthy workplace and directly lead to measurable and meaningful outcomes in terms of retention, satisfaction, perceptions of stress/workload and employee engagement (Levinson, 1965; Gilbreath & Benson, 2004; Sy; Côté, & Saavedra, 2005). The findings of this study support the continued development and coaching of leaders in critical interpersonal, administrative and team related competencies to ensure a psychologically healthy workplace.

Developing a Psychologically Healthy Workplace: What Emotionally Intelligence Leaders Can Do

Leadership appears to be one key contributor to the development of a psychologically healthy workplace. Leaders can directly influence morale, retention, commitment, satisfaction and perceptions of stress. A variety of approaches exist for leaders to consider employing in the development of a healthy workplace. These include:

- Gather feedback about strengths/development areas from other senior team leaders, direct reports and internal/external stakeholders by using a multi-rater feedback instrument
- Conduct a senior leadership team analysis of strengths/development areas using interviews or team based multi-rater feedback tools

- Conduct annual employee engagement surveys to better understand how leaders can change policies, procedures, processes, systems and management practices to enhance satisfaction
- Employ a department wide “balanced scorecard” to measure and monitor internal customer satisfaction of talent within your department
- Constructively and consistently manage the performance of underperforming talent
- Create and utilize employee teams to increase participation of employees in problem solving, decision making and planning processes
- Analyze exit interviews for trends and develop strategies to increase retention of high potential talent
- Support and implement work balance and family friendly policies, procedures and programs to enhance engagement (e.g., telecommuting, child care, flex time, wellness/health promotion programs)

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Appendix A

Leadership Effectiveness Index Questions

(1=Strongly Agree, 2=Agree, 3= Neither Agree nor Disagree, 4=Disagree, 5=Strongly Disagree)

1. My manager/supervisor demonstrates competence in his or her job.
2. My manager/supervisor treats everyone fairly (i.e., plays no favorites).
3. My manager/supervisor creates a motivating and supportive work climate.
4. My manager/supervisor represents my needs, ideas and suggestions to his/her manager.
5. My manager/supervisor takes an interest in my professional growth and development.
6. My manager/supervisor involves me in decision making, problem solving and planning processes.
7. My manager/supervisor creates a high performance and collaborative work team.
8. I have the opportunity to interact with Management above my immediate supervisor.

¹Internal Consistency Reliability (alpha) = .91)