Employee Engagement: Leadership Styles and Dysfunctional Management Practices
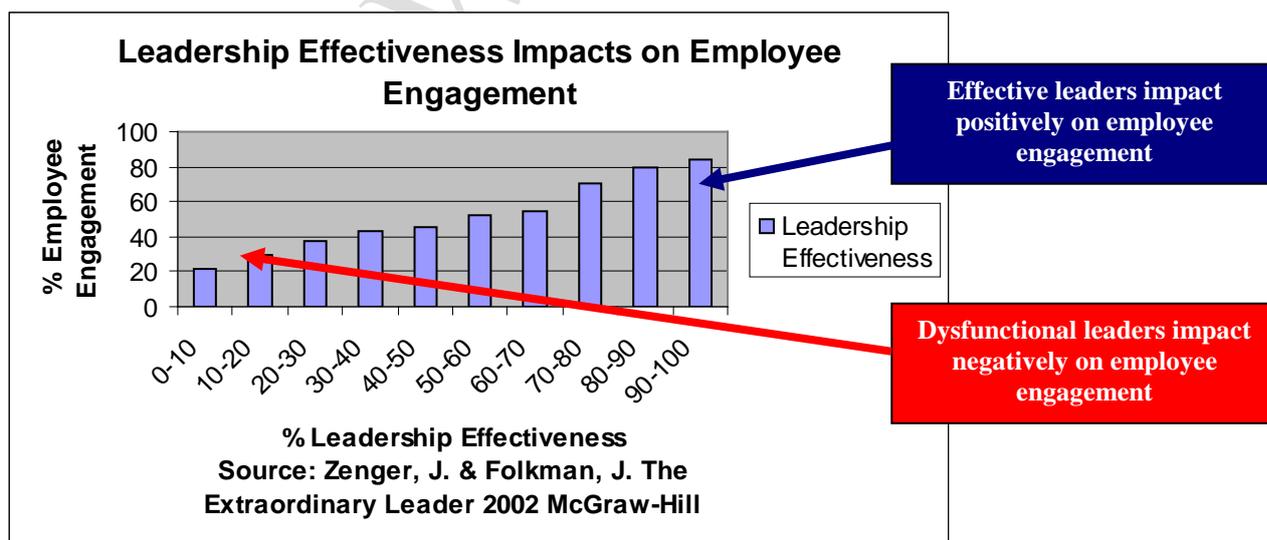
Introduction

Key findings of the 2005 Melcrum Research Report on Employee Engagement were that:

➔ **90%** of organisations surveyed agree that employee involvement schemes increase employee's awareness of the business and therefore have a positive impact on awareness

➔ **73%** report **business improvements** in employee retention as a result of engagement efforts

➔ **36%** of companies have a dedicated program or initiative around engagement,

➔ **16%** believe engagement levels are high within their organization, and

➔ **48%** feel that the actions of senior and frontline leadership are the **single most influential factor** in driving engagement.

Leadership and Employee Engagement

The following table demonstrates the vital role Leadership plays in influencing levels of employee engagement.

Leadership Effectiveness Impacts on Employee Engagement

% Employee Engagement (y-axis: 0, 20, 40, 60, 80, 100)

% Leadership Effectiveness (x-axis: 0-10, 10-20, 20-30, 30-40, 40-50, 50-60, 60-70, 70-80, 80-90, 90-100)

Legend: ▪ Leadership Effectiveness

Effective leaders impact positively on employee engagement

Dysfunctional leaders impact negatively on employee engagement

Source: Zenger, J. & Folkman, J. The Extraordinary Leader 2002 McGraw-Hill

Dysfunctional Leadership Practices

In 2003 the author conducted a study to identify leadership styles associated with positive and negative organisational outcomes. Two aspects of dysfunctional management/leadership practices were researched:

→ Workplace Stress, and

→ Workplace Bullying

Negative Workplace Stress

Negative stress has a very adverse impact on employee engagement. Management has both a legal (legislative & regulatory) and ethical (corporate governance) obligation to provide a safe workplace. This requires preventative measurers to be implemented and to ensure that the causes of stress to be eradicated or minimised once identified.

Causes of Workplace Fear

Negative stress can be feed by a culture fear which can be generated through aggression (both real and perceived) and through (un)subtle behaviours such as:

→ Poor human resource management practices

→ Ineffective problem-solving and decision making practices

→ Secretive decision making

→ Poor communication

→ Lack of response/support to input and suggestions

→ Inconsistency and/or mixed messages

→ Lack of social interaction, unfriendliness, condescension, lack of empathy and respect of individuality

→ Unethical behaviour such as lies, taking credit for other's ideas, unjustly suppressing sound ideas

→ Withholding information (Oestrich and Ryan 1991).

In October 1997 The Australian Council of Trade Unions (ACTU 1997) released its findings of a study of nearly 10,000 Australian workers entitled Stress at Work. The report found that one in four workers take time off because of stress. The cost of this must be enormous. These findings are set out in the following table.

Cause of Workplace Stress	% of Workers experiencing stress
Lack of communication and consultation	53%
Increased workloads	42%
Job insecurity and lack of career path	36%
Organisational change and restructuring	29%
Poor work organisation	18%
Lack of training, especially in new technologies	15%
Long, difficult and unpredictable hours	14%

The short-term symptoms of stress identified by the study are set out in the following table.

Short term symptoms of workplace stress	% of respondents experiencing symptoms
Headaches	73%
Continual tiredness	70%
Anger	66%
Insomnia	59%
Feelings of distrust	44%

Long-term effects included heart disease, psychological damage, disruption to family life, digestive disorders, lowered immunity to illness, and skin and muscular disorders.

The adverse impact of these short and long term symptoms and effects on employee engagement is obvious and expensive.

Costs of Bullying

Workplace bullying generates both tangible and intangible costs. Tangible costs include:

➜ Turnover costs such as increased downtime and recruitment, reduced proficiency, insurance premiums, training & retaining costs

➜ Litigation costs such as legal and court costs,

➜ Occupation Health & Safety costs such as increased WorkCover premiums, accidents, unscheduled absences.

Intangible costs can include:

➜ Public relations costs (both internal & external) in the form of lost reputation, loss of recruitment attractiveness,

➜ Industrial sabotage in the form of direct sabotage, materials and time wastage, resistance to change (Namie G &R 2000).

The following is a list shows actual and potential costs of unplanned absences associated with dysfunctional workplaces.

➜ Customer/client Relations

➜ Actual and potential adverse impacts on customer/client relations

➜ Labour Costs
  ✓ Direct Labour Costs
  ✓ replacement wages and salary costs
  ✓ Increased supervision costs
  ✓ Indirect Labour Costs
  ✓ Administration costs covering/replacing/investigating the absence

➜ Decreased Productivity and Wastage costs
  ✓ Reduced productive – labour efficiency
  ✓ Increased wastage - materials, time
  ✓ Adverse impact on customer relations

➜ Organisational Climate costs
  ✓ Potential adverse impacts on culture

➜ Potential Financial Costs

✓ Legal/representation costs

✓ Increased workers' compensation premiums

In Europe 5-10% of employees may be bullied. (Einarsen 2002). In the USA bullying is estimated to cost billions. (Neuman and Keashly 2003). As far back as 1990 the Bureau of National Affairs suggested a cost of 5 to 6 billion dollars. A more recent study estimated costs associated with bullying were *$789US per employee*. (CCH 2002.)

According to the Confederation of British Industry (CBI) British workers took a total of 176 million days off for illness –real or feigned) at a cost of £11.8 billion in 2001 (BBC News Online April 25th 2002) with the average employee costing a company £434 a year in "sickies" (BBC News Online May 2nd 2001)

In Australia, the per annum estimates vary considerably from:

✓ $6bn and $32b (Sheehan 2001),

✓ up to $12b (Utatao 2003),and,

✓ between $17b and $32b. (McCarthy 2002)

In 2002 the Victoria WorkCover Authority handled claims amounting to $57m - up from $51m in 2000-2001 (Workplace OHS 2003). In 1996 ComCare (the Commonwealth Government Workers Compensation and Occupational Health and Safety Agency) estimated the cost of its stress-related claims at $50m (MBF 2003).

The productivity foregone by the adverse impact of bullying on employee engagement would exceed these costs.

Bully Bosses: Who bullies?

A WorkCover survey (Herald Sun October 7th 2003 p.23) found that:

➔ One in seven Victorian workers were bullied in the six months to October 2003,

➔ A quarter were aware of a colleague being bullied, and that

➔ Two thirds of people who were bullied were victims of managers' and supervisors' actions i.e. bullied by their manager's/supervisor's bullying or failure to address/redress bullying.

According to the then Minister for the Victorian WorkCover Authority, Mr Rob Hulls, there were 1148 claims costing $57m in 2001-2002 up from 1107 claims in 2000-2001 costing $51m. The average WorkCover alone costs of these claims was $49,651 and $46, 070 respectively without considering all the other costs involved.

An English study reported that the perpetrators of the harassment were senior managers (63%), their bosses (29%), their colleagues (20%) and customers (18%). (Roffey Park 2003).

Stuart and Finlay (2001) have conducted a seminal study into workplace bullying in Australia. Their study showed that in some 60% of bullying cases the gender of the bully was the same as their target i.e. gender to gender bullying), with almost 70% of their respondents being female. Almost 75% of the targets were subordinate to the bully – usually their boss, with 10% being subordinates and 15% peers.

Their study also reported a very strong ripple effect of bullying – not only was the target effected but those who witnessed it and the targets' colleagues were also adversely effected, resulting in increased workplace stress. They reported that bullying is associated with management styles that:

➔ lack open communication,
➔ lack willingness to work through conflicts,
➔ and where there was an atmosphere of distrust.

Some 70% of respondents thought that the bully believed than an authoritarian leadership style was the best way to get things done - reflected in the description " this person had a strong belief in his capacity to make good decisions and had a strong preference for working autonomously, without giving or receiving advice or support from others". Further, they reported that 15% of respondents thought that the cause of the bullying was their bosses' inability to cope with the demands of the job.

Bullying and Leadership Styles

Glendinning (2001) suggests that employees reporting to more considerate bosses are more likely to experience work satisfaction than those reporting to less considerate bosses who are more likely to experience higher levels of anxiety, depression and even heart disease. Glendinning goes on to suggest that there is a big difference between being a tough or demanding boss where the motivation is to obtain the best performance by setting high expectations and being a bullying boss where the motivation is power.

Namie and Namie (2000) make a distinction between a challenging boss and an abusive one. Whilst a challenging boss will make employees stretch but within a support system (training, mentoring, tolerance of mistakes), whereas an abusive boss will make unreasonable goals with no support.

In April 2002 a major study was conducted in England into destructive conflict and bullying at work. (Hoel and Cooper 2002). Their report found that 75% of perpetrators were managers, suggesting that bullying is predominantly linked to managerial behaviour. Respondents were classified into four categories; currently bullied, previously bullied, witnessed bullying only, neither bullied nor witnessed bullying. Respondents were asked to rate positive and negative characteristics identified with different leadership styles:

- ✓ Positive characteristics: participative leadership, integrity of manager and individual consideration;
- ✓ Negative characteristics: autocratic, divisive, laissez-faire and non-contingent punishment.

The study found that negative management styles were associated with higher levels of bullying.

Setting the Environment for Leadership Dysfunction

Bullying has been found to be associated with negative work climate, high workload and unsatisfactory relationships at work. (Hoel and Cooper 2000). Yandrick (cited in Namie 2000) suggests that a typical recipe for workplace bullying includes cutthroat competition, scarce resources (including talent and time) along with a fear-laced culture.

Neuman and Keashly (2003) suggest that stress leads to aggression. He suggests that workplaces that have competitive reward structures where managers compete for promotions, salaries, benefits, recognition and office space tend to promote political behaviour and abuse. Neuman states that the higher you go in an organisation the competition becomes ferocious. That aggression is sometimes passed on to subordinates.

In England it was found that "bitching, back-stabbing and bullying at work are reaching epidemic proportions. A "pressure cooker of tension amongst overworked staff anxious about job security is triggering new levels of hostility across organisations. The report found that 60% of managers stated that office politics are on the increase with 79% stating that actual conflict in the workplace is becoming more of a problem (Roffey Park 2003).

Cooper (1999) suggests that management bullies are overloaded and unable to cope with their workloads. He suggests that their use of a bullying style reflects their inability to cope with the demands of their jobs.

It is incumbent on management to eliminate or minimise the impact of workplace stress and bullying irrespective of the source of its causes.

Summary: Dysfunctional Cultures

The cost of dysfunction in the form of workplace stress and bullying Australia wide has been estimated at $36b. At the lower end the estimate is $6b.

The size of this issue needs to be seen in context:

- ✓ total forecast revenue contained in the Victorian State Budget for 2003-2004 is $26.6b,
- ✓ Tourism contributes $8.5b (or 5.2% of Vic. Gross State Product) to rhe Victorian economy.

The work of International renown experts such Helge Hoel, Cary L Cooper, Stale Einarsen, Gary Namie and Tim Field conclude that it is predominantly people in managerial and supervisory positions who bully. This research is confirmed by in Australian by Stuart and Finlay (2001), Queensland Workforce Bullying Taskforce (2002) and the Victorian WorkCover Authority (2003).

Given these facts and data, it can be argued that dysfunctional leaders are the captains, coaches and key players of debilitating industry.

Further, review of the causes of workplace stress would suggest that they are well within the capacity of competent leadership to redress:

- → Lack of communication and consultation
- → Increased workloads
- → Job insecurity and lack of career path
- → Organisational change and restructuring
- → Poor work organisation
- → Lack of training, especially in new technologies
- → Long, difficult and unpredictable hours

Again, all of these have an adverse impact on employee engagement.

Bullying and Leadership Styles

The following is a short summary of a 2003 study by the author into effectiveness, potential dysfunctionality and frequency of practice of nine Leadership styles. HR practitioners were asked to rank the styles from 1 (most) to 9 (least).

RANKING Leadership style, and, (i) Total Positive Effect (ii) Potentia Dysfunction Effect (iii) Frequency of Practice of Leadership Style	Affiliative	Authoritative	Coaching	Coercive	Democratic	Pacesetting	Laissez-Faire	Transactional	Transformational
Total Positive Effect	4	5	2	8	3	7	9	6	1
Potential Dysfunctional Effect	9	3	8	1	6	2	4	5	6
Frequency of Practice	4	1	9	4	6	1	7	1	8

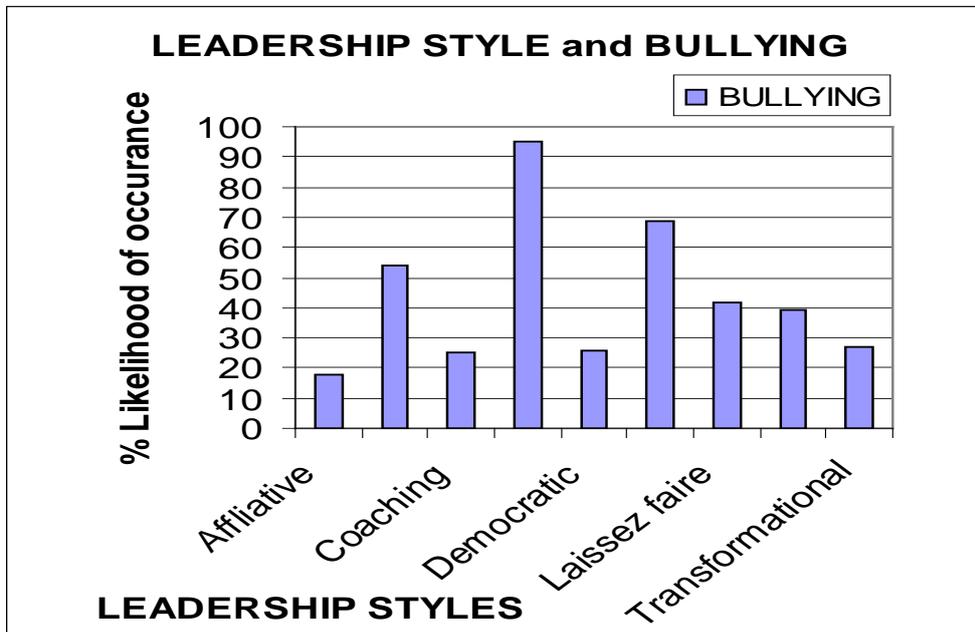The HR Practitioners were asked to nominate a % score for workplace stress and bullying under each of the nine leadership style.

The results are shown on the following two tables.

### Leadership Styles & Potential \ for Workplace Stress

Leadership Styles & Potential for Workplace Bullying

The survey results show the close relationship between the least effective leadership styles and the opportunity for workplace stress and bullying to occur.

The following table shows the 'closeness of fit' or overlay of the survey results for potential for workplace stress and bullying for each of the nine leadership style.

Comparison Leadership Styles and Workplace Stress and Bullying
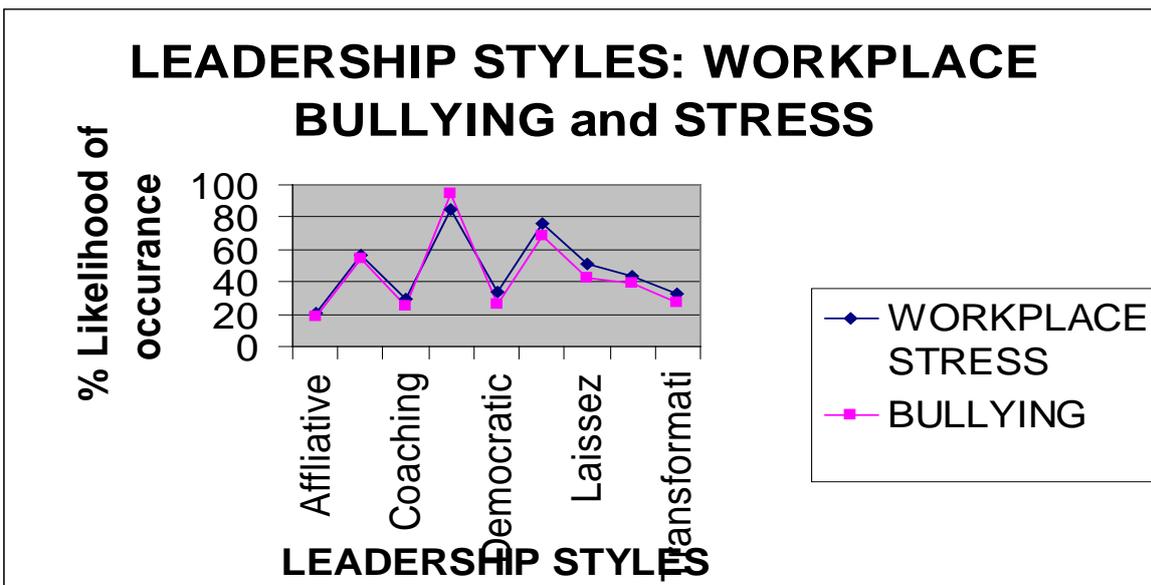
Conclusion

Given the significance of the 2005 Melcrum finding that 48% of organisations in the study felt that the actions of senior and frontline leadership are the single most influential factor in driving engagement, together with the, data from Zenger and Folkman on the negative impact of dysfunctional leaders on employee engagement, all organisations need to ensure that their senior and frontline leaders are optimising their leadership effectiveness, and actively implementing employee engagement initiatives.

The College for Adult Learning provides a suite of Human Resource Management and Leadership courses as well as individual coaching models that can help Managers and Supervisors enhance their people management skills.

Contact CAL for more information.

Phone: (03) 9733 0554
Email: admin@collegeforadultlearning.com.au
Web: www.collegeforadultlearning.com.au

About **Michael Meere**

Michael is a professional & academic in the field of human resources management (HRM). He is the CEO and founder of *Human Resources Business Partners HRBP* a worldwide business and HRM consultancy focusing on global human resources challenges and solutions. Michael is also a part-time prac-ademic (as he likes to refer to think of himself) supporting post graduate HR Masters students in their studies and research projects.

He is known in the field as a speaker and writer on global HR trends and issues and more recently has developed a comprehensive set of HR metrics and measures designed for ease of use by busy HR practitioners. He is the author of over 50 articles and columns and has developed a large range of tools for HR professionals.

Michael is working in partnership with the College for Adult Learning to provide a range of consultancy services and specialised training development options for HRM Practitioners.