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### A Conceptual study on “Leadership Behavior of Managers in Employee Engagement with ESOP practices”: A Study of Selected Enterprises

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#### A B S T R A C T

Leadership, as we all know, plays a very crucial role for the success of any organization. This is probably the most widely researched area of organizational behaviour. Leadership is defined as the art of influencing people to achieve organizational goals. No matter, what type of organization it is, a good leader is always an asset for an organization and plays a very important role in the success/failure of the organization. According to Warren G. Bennis, the founding chairman of the Leadership Institute at the University of Southern California, “*Failing organizations are usually over-managed and under-led.*” Today the business environment has become highly competitive and volatile. To grow/flourish in this competitive environment, one needs to take new initiatives and find innovative ways to solve a problem. These tasks are performed by a leader by engaging the employees with ESOP practices.

#### Introduction

“Being engaged at work is essential for revenues, profits, market share, growth.....”

Employee engagement, as we all know plays a very crucial role for the success of organization. This is probably the most widely researched area of human resource management. The term “engagement” is rooted in the role theory, in particular the work of Erving Goffman (1960). Role theory studies the various roles individuals occupy in society, as well as the social

expectations and behavioural boundaries attributed to such roles (Bailey and Yost, 2007). Goffman (1961) defined engagement as the “spontaneous involvement in the role” and a “visible investment of attention and muscular effort” (p.90).

Any fast growing industry has its own flip side, and engaging the best talent is one of them. The same is true for service as well as manufacturing firms. The critical assets for organizations are people’s knowledge, skills and their relationship capabilities. In

this context, for organizations, in nearly every industry, strong employee engagement policies have long been a competitive necessity. Many organizations are realizing that employee engagement is an incessant and key process for any industry which has an impact on motivation level of employees, performance, profits, sales, customer loyalty, and productivity and hence organization as a whole and this is possible only if there exist a real leader. Employee engagement is only possible when we good ESOP practices. An Employee Stock Option Plan is when the company offers its shares to the employees. An ESOP is nothing but an option to buy the company's share at a certain price. This could either be at the market price (price of the share currently listed on the stock exchange), or at a preferential price (price lower than the current market price). An Employee Stock Option Plan is when the company offers its shares to the employees. Companies offer their employee's shares because it is considered that having a stake in the company would increase loyalty and motivation substantially. We can acquire the shares after completion of a particular period of employment. If we quit the job before the completion of period, the stock options lapse.

**ESOP helps to increase production and profitability, and improve employees' dedication and sense of ownership**

Some of the characteristics of engaged employees are:

- Assume more responsibility.
- Feel happy about what they do.
- Typically recognize connections.
- Respect other employee's engagement.
- Engage positively with customers (both external and internal customers).
- Cares about the future of the organization.

Makes more money for the organization by putting 100percent efforts.

Thus, employee engagement is a barometer that determines the association of a person with the organization. Fully engaged employees tend to work in offices that achieve better program results, call in sick less often and stay with their organizations, according to a report by Merit Systems Protection Board.

**A good leader helps the organization in the following ways**

Leaders can motivate their subordinates very well.

Leaders set high standards for others to follow.

Good leaders lead by example.

Leaders are highly innovative in thinking and approach and this is very beneficial for the organization.

A leader can be a very good guide, coach or mentor. Leaders are motivators, persuaders, relation builders, designers, teachers, stewards and change agents.

Considering the importance of leadership and different roles played by leaders in the business organizations for engaging the employees, it is being realized that this is the right topic for a research study. Good leaders can single handedly change the fortunes of an organization. A very good example to prove it is the case of IBM. In 1970s and 1980s, IBM was a great organization which dominated the computer industry. But, by 1993, the company started struggling and suffered a net loss of \$8.1 billion in this year. But, after eight years in 2001, the company

recorded a net income of \$7.7 billion. The remarkable turnaround was possible due to exceptional leadership provided by Louis V. Gerstner Jr., the CEO of the company during this period.

This example clearly demonstrates the role of leadership in employee engagement in an organization. A great leader can bring such a great turnaround for a company. It is really surprising to see how one person can bring such a big turnaround to the fortunes of a company. This incident makes it clear that how important it is for an organization to have a good leader. Though a number of studies have been conducted for different aspects of employee engagement, however it is important to see how levels of engagement strategies have changed in unpredictable and competitive environment today.

### **Review of existing literature**

One of the simplest ways of economizing effect in an enquiry is to review and build upon the work already done by others. A comprehensive review of literature is must in any research endeavour and requires a thorough consideration and efforts on the part of investigator to select review to arrange it systematically and report it. An in depth review of literature facilitates knowing the trend of research already done in specific area. Leadership as well as employee engagement are very important and hot topics in today's competitive environment. Some of the works done on employee engagement related to my context of study are as presented below:

Engagement in Organizational Behavior is the notion of flow advanced by Csikszentmihalyi (1975, 1990). Csikszentmihalyi (1975) defines Flow as the 'holistic sensation' that, people feel

when they act with total involvement. Flow is the state in which there is little distinction between the self and the environment. When individuals are in flow State little conscious control is necessary for their actions.

Engagement at work was conceptualized by Kahn, (1990) as the "harnessing of organizational members' selves to their work roles" (p.694). The more of ourselves we give to a role, Kahn claimed, the more exciting and comfortable is our performance. In engagement, people employ and express themselves physically, cognitively and emotionally during role performances.

The word engagement has lately become the focus of considerable enthusiasm. For instance, Welbourne (2007) said that engagement is one of the "hottest topic in the management" (p.45) and Frank et al. (2004) suggested that engaging employees is "one of the greatest challenges facing organizations in this decade and beyond" (p.15).

The Tower Perrin Global Workforce Study (2007), the largest of its kind, showed that just 21 percent of employees surveyed around the world are engaged in their work, while 38 percent are either disenchanted and the remaining 41 percent are only partly engaged.

According to a recent *Gallup Management Journal (GMJ)* survey of U.S. workers (2006), there are 3 different types of employee:-

### **Actively engaged (30%)**

They need less focus and attention from managers as they know their duties and perform their tasks efficiently. They set

their aim and meet the expectations. But sometimes, due to some reasons, it hardly takes time for engaged employee to turn into disengaged employees.

#### **Moderately engaged (Less Engaged-55%)**

They are “Fence Sitters”. They tend to concentrate on tasks rather than the goals and outcomes they are expected to accomplish. They want to be told what to do just so they can do it and say they have finished. Organizations can benefit tremendously by converting the large chunk of fence sitters into committed employees.

#### **Actively disengaged (15%)**

They are ‘cave dwellers’. They are not just unhappy at work; they are busy acting out their unhappiness. They sow seeds of negativity at every opportunity.

Lala’s study (1986) of Indian leaders has proposed 13 qualities of leadership that are a pre-requisite to achieve success in a cut-throat competition in business. These are: communication; compassion; competence; courage; decision-making; humility and love; integrity; man-management; stamina; team work; training; and vision.

Pandit (2001) made a study of 22 Indian leaders from various fields. They included entrepreneurs like Bhavarlal Jain, Deepak Kanegaonkar, Ravi Khanna, Kiran Mazumdar, and Ronnie Screwala and entrepreneur managers like H. Dhanrajgir, V. Kurien, Deepak Parekh, Manager Entrepreneurs like Naryana Murthy, Ashok Soota, Pramod Chaudhuri family entrepreneurs like B. Kelkar, and R. Chitale and exceptional Managers like Anu Agha, R. Mashelkar etc. The common traits he found in them include the following:

1. Commitment (drive, dedication, passion, obsession and zeal)
2. Persistence (doggedness, determination, hard work and insistence and tenacity)
3. Difference (distinctness, differentiation, innovativeness, and talent)
4. Curiosity (creativity, clarity of thought, and intelligence)
5. Persuasiveness (negotiation, influencing and presentation skills)
6. Risk-taking or entrepreneurship
7. Focus (concentration, goal orientation, and centering)
8. Values (honesty, integrity, honoring commitment, truthfulness, etc.)
9. Learning
10. Humility (modesty and unpretentiousness)

#### **Leadership by Dhirubhai Ambani**

“Our dreams have to be bigger, our ambition higher, our commitment deeper and our efforts greater. This is my dream for Reliance and for India.”

Dhirubhai Ambani

“Dhirubhai built an empire that is rock solid and he will always remain an icon.”

Kumaramanglam

Birla, Chairman, Aditya Vikram Birla Group

Dhirubhai Ambani, the Founder and Chairman of the Reliance group of industries, was a perfect combination of entrepreneurship and leadership. He started his business from a small textile mill and through his leadership skills he helped Reliance Industries to reach new heights. He had all the qualities of a good leader. Though he was not highly qualified, but the leadership skills for engaging employees were inbuilt in him. He was a natural leader. He had a great vision, mission, ambition, zeal and commitment. His sons, Mukesh Ambani and Anil Ambani, also exhibit the same qualities.

## **Leadership at GE**

Jack Welch is considered to be one of the most successful corporate leaders ever in corporate history. He was a change agent throughout his tenure as CEO at GE. He knew all the people who worked for the company. He devoted more than half of his time to people issues. One unique thing that he created at the company was informality. He had a coaching style of leadership. He actually worked as a teacher in GE. He very frequently interacted with new employees, middle managers and senior managers.

The study entitled “Leadership Behavior of Managers in Employee Engagement with ESOP practices: A Study of Selected Enterprises” is exploratory study which may spread over a period of two years. Objectives of this research are:

1. To find out the encouraging factors adopted by leaders for employee engagement.
2. To find out the factors that creates hurdles in front of leaders in employee engagement
3. How to convert disengaged into engaged employees and how to incorporate different leadership styles in the employee engagement strategies of business houses.
4. To determine if different employee engagement strategies could be developed for different level employees by a leader.
5. To verify effect of leadership and employee engagement on company’s performance.
6. To design a comprehensive framework which can be adopted by Leaders for employee engagement?

This Study gives the ample scope to know about various aspects of HR especially regarding leadership and employee engagement.

The scope of the project is applicable to all the employees working in the organization at the different levels of hierarchy in the organization. The project allows the researchers to learn the various aspects related to leadership and to learn the various aspects, tools and policies which can be applied by leaders for making the employee more engaged with the organization.

## **Research Methodology**

Research Methods are categories of terminologies, strategies and techniques that are used to conduct research.

These are the methods of data collection, focus groups, interviews, postal surveys, secondary analysis of document, observation and participant observation etc.

## **Anticipated contribution to the concerned body of knowledge**

Leaders in firms should use an appropriate combination of employee engagement tools and techniques along with the knowledge of their motivation level in order to improve business performance. Study may help develop new model or may attempt to testify or identify limitations in existing model that will help organizations to take better informed decisions & actions to improve their competitiveness. This research identifies the match / congruency between, leadership and employee engagement when they are used in combination effectively and performance and offers practical help to a firm.

Thus the ability of company to select appropriate strategy and match it with appropriate structure is an important characteristic of effective leadership, firm's performance and competitive position in its industry.

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