

## **CHARISMATIC LEADERSHIP AND WORK ETHICS ON EMPLOYEE ENGAGEMENT**

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### **ABSTRACT**

*Every organization would like to have competent, loyal and engaged people, as engaged people are people who have high attachment and involvement to their organization. Without engaged people, high quality and productivity will not be achieved. The objective of this paper is to test the model about the role of charismatic leadership in employee engagement through work ethics. The study was conducted at two Insurance companies with 290 respondents, using questionnaires for data collection and SEM for data analysis. The results showed that charismatic leadership had a direct impact on employee engagement. The findings also showed that work ethics are partial mediators for the relationship between charismatic leadership and employee engagement. Moreover, the study also showed that Say dimension is the highest indicator of employee engagement, and unconventional behavior is the highest indicator of charismatic leadership. These results enhanced the role of leadership, especially charismatic leadership on employee engagement, and work ethics. As the research on work attitude, work ethics and employee engagement are still very limited, it is hoped that this finding can contribute to the organization and management about work ethics and its relationship with charismatic leadership and employee engagement*

**KEYWORDS** *Charismatic leadership, employee engagement, work ethics.*

**JEL CLASSIFICATION** *D23, L29.*

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### **1. INTRODUCTION**

Organizations should consist of diligent, competent, engaged, and loyal employees. In response to this demand, these recent years there has been a great deal of interest in the issue of employee engagement. Engaged people usually have high emotional attachment and involvement to their organization and will do their job with a great enthusiasm (Baumruk, 2004; Harter et al., 2002; Richman, 2006, Shamir et al., 1993). Engagement also needs to foster a positive mindset and a conducive and cooperative culture (Coulaty, 2016). While, leadership especially charismatic leadership was discussed to have the ability to inspire enthusiasm and action in their followers (Sosik et al., 2011). Previous research studies showed the importance and benefits of charismatic leaders such as a) unconditional acceptance of the leader, and b) unquestioning loyalty and obedience to the leader (Lussier & Achua, 2010). Although there are many studies about employee engagement, till to date no study has empirically or conceptually examined the dynamic relationship between charismatic leadership, engagement, and work ethics, neither about the impact of work ethics on employee engagement nor about what kind of effects the charismatic leadership on work ethics. Based on this phenomenon, the purpose of this study is to examine the dynamics of a relationship between charismatic leadership and employee engagement along with the mediating effects of work ethics in that relationship.

### **2. THEORETICAL REVIEW**

#### **2.1. Employee Engagement**

Employee engagement is defined as a positive attitude held by the employee towards the

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organization and its value (Robinson et al., 2004) Engagement is about passion, commitment and willingness to invest oneself and expand one's discretionary effort to help the success of the organization. (Macey and Schnieder, 2008). Employee engagement is also the degree to which a person commits to an organization and the impact that commitment has on how profoundly they perform and their length of tenure (Federman, 2009). Furthermore, Hewitt, (2010) said that employee engagement, consists of energy, and passion that posed by the employee to work according their roles and status, which has three dimensions, namely a) Stay, that is the willingness of the employee to continue as being part of the organization; b) Strive, the willingness of the employee to give maximum efforts to do things that increase the organization productivity; and c) Say, the willingness of the employee to express the pride of the organization. In this study, the concept of employee engagement had used the concept by Hewitt (2010).

## **2.2. Charismatic Leadership**

Shamir et al., (1993) stated that charismatic leadership has its effects by strongly engaging followers' self-concepts in the interest of the mission articulated by the leader. Moreover, Conger and Kanungo (1994) defined that Charismatic Leadership differs from other leaders by their ability to formulate and articulate an inspirational vision, and by behaviors and actions that foster an impression that they and their mission are extraordinary. In this regard, the charismatic leadership behaviors include vision and articulation, environmental sensitivity, unconventional behavior, taking personal risks, sensitivity to member needs, and does not maintain status quo (Conger and Kanungo, 1994). This study used the definition of charismatic leadership by Conger and Kanungo (1994).

## **2.3. Work Ethics**

Work ethics in the organization is the key to the ethical behavior of employees. Practicing work ethics is an effective means of improving the performance of an organization, especially when the organization uses different approaches in creating an ethical culture among the employees (Valentine et al., 2011). Work ethics is not about the success of a particular individual, rather it is about the collective mindset of a nation or a society manifested in the will to be in charge of controlling destiny, the quest for renewal and innovation, and a persistence in looking beyond current possibilities and toward imagined new opportunities.

## **2.4. Charismatic leadership, work ethics and their impact on employee engagement.**

Saks (2006) stated that employee's engagement demonstrates their feelings, attachment and relationship at the workplace, including their relationship with their leaders. Sarwar & Abugre (2013) also stated that when people feel that they were treated with dignity, respect, and value for their contributions, they will find pride from their interactions. In relation to this, Truffle (2012) stated that charisma is useful for persuading people to accept leader's ideas, and highly effective and engaged groups, who usually work for their leader who has got shared vision and clear envisioned future. There are antecedents of employee engagement both from intrinsic and extrinsic factors (Clark, 2012). In this regard, Babcock-Roberson and Strickland (2010) reported that there is a positive relationship between charismatic leadership and OCB, and the influence can be direct, or indirect influence via the mediating variable such as ethical climate (Zehir, 2014). Shamir et al., (1993) in their research also reported that charismatic leadership had a positive impact on their followers, especially in engaging with the mission articulated by the leader. Based on the above discussion, the researcher proposed the following hypothesis:

Hypothesis 1: Charismatic leadership has positive impact on employee engagement

Work ethics in the organization is the key to the ethical behavior of employees, as a result, organizations that focus on developing work ethics will lead to the employees behaving ethically (Valentine & Barnett, 2007). Practicing work ethics is an effective means of improving the performance of an organization (Valentine et al., 2011), and charismatic leadership effects change

in followers' behavior through making alignment of their values and identities. As a result, a charismatic leader can inspire people to act according to the ethical code in the work and organization. Based on the above discussion, therefore, the researchers proposed the following hypotheses:

Hypothesis 2: Charismatic leadership has positive impact on work ethics.

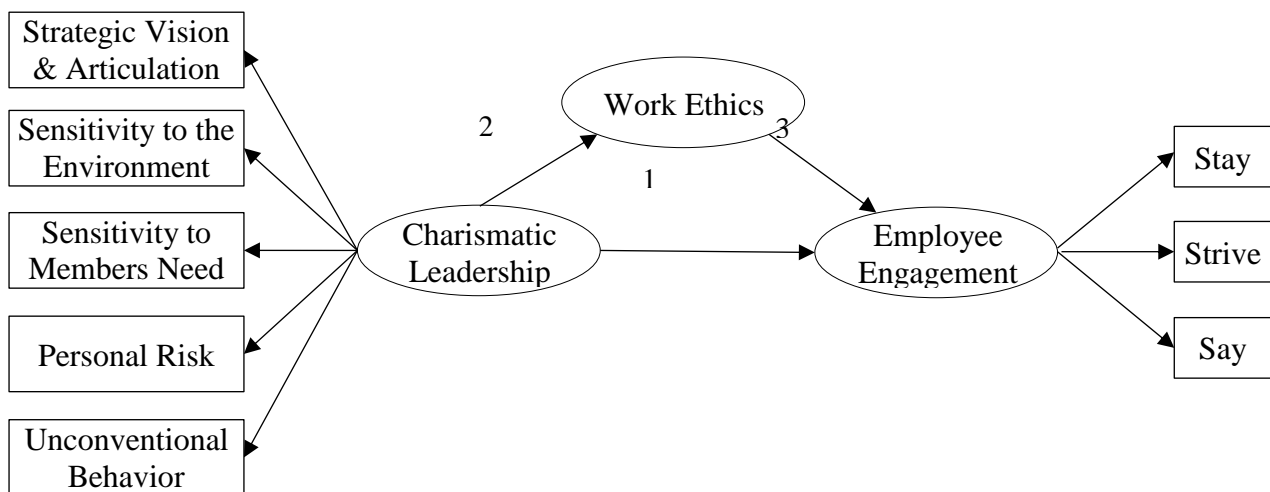
Research showed that work ethic has a significant and positive effect on organizational commitment (Komari & Djafar, 2013). Employees care about their organization, they also show concern and obey professional codes of ethics in terms of keeping any official business confidential; keeping the company's good image for the sustainability of the company; and working hard to achieve the performance target (Komari & Djafar, 2013). In addition to that, previous researchers had shown that organization with ethical environment might lead to higher employee engagement (Demirtas 2015; Den Hartog & Belschak 2012; Lin 2010; Sharif & Scandura 2014). Based on these arguments, the study proposes the following hypothesis:

Hypothesis 3: Work ethics has positive impact on employee engagement.

Charismatic leadership behaviors include vision and articulation, environmental sensitivity, unconventional behavior, taking personal risks, and sensitivity to member needs (Conger and Kanungo, 1994). With this kind of unconventional behavior and sensitive to member's need, leaders can influence and motivate their followers to work according to the ethical standards, as well as to be engaged in the organization. (Conger and Kanungo, 1994) Based on the discussion above, the following hypothesis is proposed:

Hypothesis 4: Charismatic leadership has positive impact on employee engagement through work ethics.

Based on those hypotheses, the following model will be tested:



**Figure 1. Research Model**

### 3. METHODS AND MEASURES

#### 3.1. Sampling

The respondents for this study are employees who worked at two insurance companies, which undertaken some organizational changes, e.g: changing in organizational structure; policies, system, and procedures. Respondents are chosen using Non-Probability sampling, convenience sampling, with 290 respondents. The characteristics of respondents are as follows: 1) has been working at least two years in the company in order to understand the situation and condition of the company 2) permanent employees, in order to know the level of engagement, and 3) at least senior high school graduates, in order they can understand the questionnaires.

### 3.2. Data Collection Methods

Data were collected using survey, with 3 Likert Style Questionnaires as follows: 1) Employee engagement, was measured using Hewitt's inventory which comprises 3 dimensions, namely a) Stay, b) Strive, and c) Say, consisted of 12 items with the score of Cronbach Alpha is 0.743, 2) Charismatic leadership or The C-K scale, was measured using the Conger and Kanungo questionnaire (the C-K Scale) based on their charismatic leadership theory (Conger & Kanungo, 1994, 1998; Conger, Kanungo, Menon, & Mathur, 1997), which measured five behavioral dimensions of charismatic leadership namely: a) strategic vision b) environment's sensitivity c) members' needs sensitivity d) personal risk, and e) unconventional behavior. The C-K scale was translated and modified into Bahasa Indonesia, and after tested and validated The C-K scale consisted of 30 items. Strong evidence for the reliability of the scale has been reported with the score of Cronbach Alfa is 0.979 and 3) Work Ethics, which is unidimensional variable consisted of 6 items with the score of Cronbach Alfa is 0.618.

### 3.3. Data Analysis

Data were analyzed using SEM and descriptive analysis.

## 4. RESULTS AND ANALYSIS

### 4.1. Descriptive Analysis

From the education descriptive data, it is shown that most of the respondents were bachelor degree (64.8%). The distribution of data also reflects the ideal condition of distribution data in Indonesia's organization, especially in an insurance company which is mostly dominated by undergraduate employees. From the work experience, it showed that the majority of the workers have been working more than 20 years (50.68%).

**Table 1. Descriptive Analysis**

Demographics Variable	N (%)	Employee Engagement		Charismatic Leadership		Work Ethics	
		Mean	SD	Mean	SD	Mean	SD
<b>Gender</b>							
Male	179 (61.7)	4.87	0.42	4.46	0.87	4.67	0.58
Female	111 (38.3)	4.78	0.39	4.43	0.85	4.60	0.59
<b>Age</b>							
<25 years old	13 (4.5)	4.85	0.33	4.43	0.86	4.55	0.44
25-44 years old	129 (44.5)	4.82	0.43	4.45	0.84	4.68	0.59
>44-56 years old	148 (51)	4.85	0.40	4.46	0.88	4.63	0.59
<b>Educational level</b>							
Sr. High School	17 (5.9)	4.68	0.37	4.44	0.83	4.44	0.64
Diploma	33 (11.4)	4.91	0.42	4.49	0.85	4.66	0.52
Bachelor Degree	188 (64.8)	4.85	0.41	4.46	0.87	4.66	0.59
Master Degree	52 (17.9)	4.79	0.39	4.41	0.89	4.46	0.57
<b>Lengths of Work</b>							
2-5 years	64 (22.1)	4.84	0.45	4.43	0.88	4.62	0.58
>5-10 years	37 (12.7)	4.74	0.31	4.46	0.85	4.64	0.48
>10-20 years	42 (14.5)	4.80	0.44	4.45	0.86	4.66	0.54
>20 years	147 (50.7)	4.85	0.40	4.44	0.84	4.66	0.58

From the table 2, it showed that there was a significant correlation between employee engagement and change leadership, and with work ethics. The results also showed that the highest correlation were found in the correlation between employee engagement and work ethics.

**Table 2: Mean, SD, Correlation, reliability among variables.**

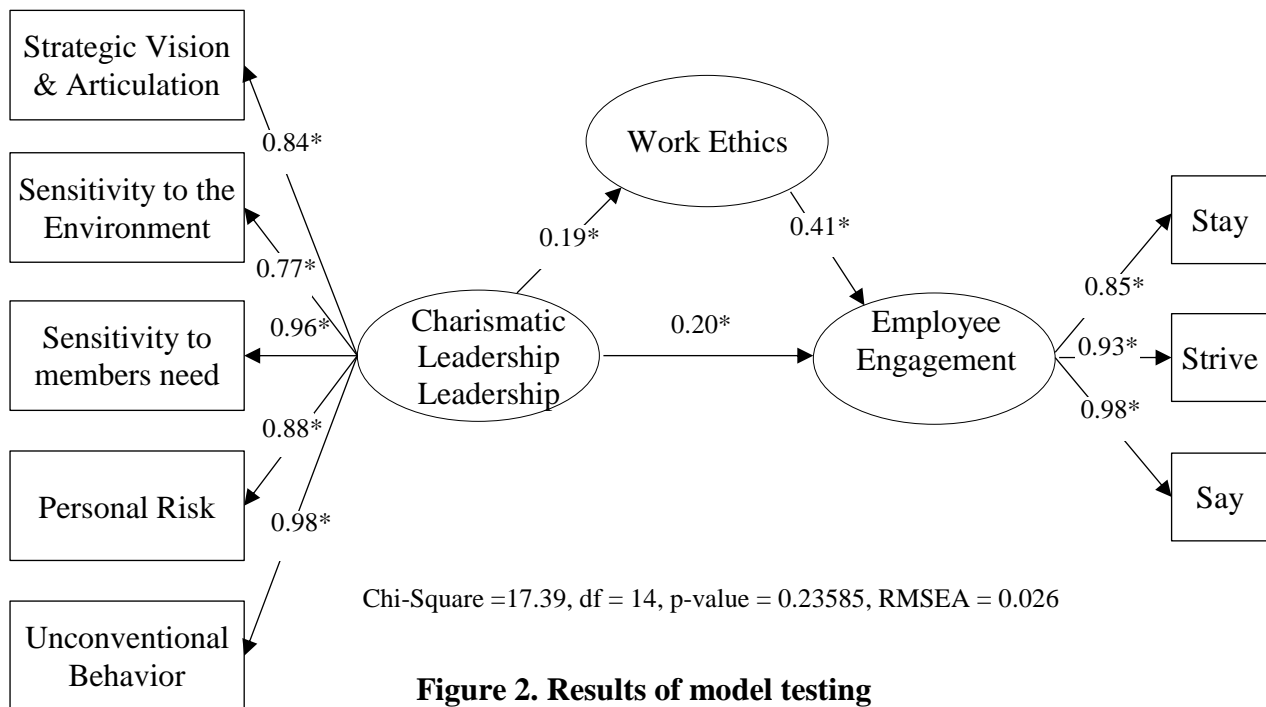
Variable	Mean	SD	EE	CL	WE
1. Employee Engagement (EE)	4.83	.41	1	.27**	.44**
2. Charismatic Leadership (CL)	4.45	.86	.27**	1	-
3. Work Ethics (WE)	4.65	.58	.44**	.16*	1

\* Pearson Sig. 2 tailed, significant at  $p < 0.05$ .

\*\* Pearson Sig. 2 tailed, significant at  $p < 0.01$

#### 4.2. Model testing

In order to test the model and to identify the impact of the dimensions of each variable, SEM was run.



**Figure 2. Results of model testing**

The results in Figure 2, showed that there was a positive impact of charismatic leadership on employee engagement, as well as there was a positive impact of charismatic leadership on employee engagement through work ethics as mediator. The summary of the results can be seen in table 3.

**Table 3: Path Analysis and Hypothesis Testing**

Path Analysis	Standardized	SE	t-Value	Significant (t-value>1.96)	Hypothesis testing
Charismatic Leadership to Employee Engagement	0.20	0.05	4.13	Significant	H1 Supported
Charismatic Leadership to Work Ethics	0.19	0.05	3.44	Significant	H2 Supported
Work Ethics To Employee Engagement	0.41	0.05	8.78	Significant	H3 Supported
<b>Mediation Effect of Work Ethics.</b>					
Charismatic Leadership to Employee Engagement Through Work Ethics.	0.078 (0.19x0.41)	0.05	5.79	Significant	H4 Supported

#### 4.3. Analysis of the results

##### (a) *Charismatic Leadership has a positive impact on Employee Engagement.*

The results showed that charismatic leadership had a positive impact on employee engagement (0.20), which can be concluded that hypothesis 1 (one) is supported. Based on this finding, it can be said that the strong charismatic leadership had a positive impact on employee engagement. To be more specific, the study also found that unconventional behavior of the charismatic leader has the highest loading factor (0.98) compares the other 4 dimensions, followed by sensitivity to member's need (0,96). In other words, unconventional behavior, and sensitivity to member's need were the high indicators for charismatic leadership, which can be said that leader who showed the characteristic of caring and sensitive with member's need, and willing to show unconventional behavior for their members, can influence his/her subordinates to show their engagement for the organization.

##### (b) *Charismatic Leadership has positive impact on work ethics.*

The study showed that charismatic leadership had a positive impact on work ethics (0.19), or hypothesis 2 is supported. This finding showed that when a leader can motivate their members, through their leadership style and behavior, consequently members are likely to follow their behavior, including their standard of ethical behavior, as the leaders are their role models. From the findings, it also can be concluded that, leader sensitivity to member's need as well as expressing attention and unconventional behavior (which is not only routine behavior as leader and follower) had a positive and significant impact on work ethics of their followers.

##### (c) *Work Ethics has a positive impact on employee engagement.*

The study showed that work ethics had a positive impact on employee engagement (0.41), or hypothesis 3 (three) is supported. Moreover, the results also showed that in comparison to charismatic leadership, work ethics had a higher impact on employee engagement, which can be concluded that work ethics will work more effectively in developing employee engagement than a leader. In addition to that, the study also revealed that Say has the highest loading factor (0,98) of Employee Engagement, followed by Strive (0.93), which can be concluded that these two dimensions were the best indicators of employee engagement. In other words, people can be categorized as having engagement, if he/she show their assertive behavior about the organization and working condition (Say), as well as their willingness to work hard for the organization (Strive).



***(d) Charismatic leadership has a positive impact on employee engagement through work ethics.***

The study showed that charismatic leadership had a positive impact on employee engagement through work ethics (0.078), or hypothesis 4 (four) is supported. The results showed that Charismatic leadership has a higher impact directly on Employee Engagement, rather than through work ethic, in other words, work ethics can be regarded as a partial mediator of the relationship between charismatic leadership on employee engagement. Results also showed that Charismatic Leadership had a positive impact on work ethics, however, compared to work ethics, charismatic leadership had a lower impact on employee engagement. As a result, work ethics will work more effectively in developing employee engagement than charismatic leadership. In addition to that, in relation to the direct impact, the results also showed that work ethics itself had the highest positive impact on employee engagement compared to the impact of charismatic leadership to employee engagement.

## **5. DISCUSSION**

The objective of this study is to identify the role of charismatic leadership in employee engagement with the mediating role of work ethics. This study showed that charismatic leadership had a positive impact both directly and indirectly through work ethics on employee engagement. Results showed that the dimension of charismatic leadership, comprising unconventional behavior, sensitivity to the member's need are the most powerful dimensions in representing transformational leadership. This finding is consistent with that of Leung (2008), who found that ethical work climate had significantly correlated with the extra role behavior of the employees.

Charismatic leadership is significantly affected the employee engagement, these findings are in line with Shamir et al., (1993) who stated that the behavior of charismatic leaders had a positive impact on their followers. Furthermore, the results of the study showed that work ethics have a higher impact on employee engagement compare to charismatic leadership. These phenomena can be explained as people with good work ethics will show their engagement with the organization, by working hard and expressing their opinion for the sake of organizational development. Research also found that work ethics had a mediating effect on the relationship between charismatic leadership and employee engagement. In this regard, although charismatic leadership had a positive impact on employee engagement through work ethic, the direct impact of charismatic leadership is higher compares to the indirect impact. It can be concluded that work ethic act as a partial mediator between charismatic leadership and employee engagement.

Some limitations of this study were as follows: .First, in this study all data were collected based on questionnaires which potential of common method biases can be found (Podsakoff et.al, 2003), Second, the sample was collected from 2 insurance companies, in which there might be differences in terms of the organizational culture that might have impacted the results. Third, this study only evaluated charismatic leadership, other different types of leadership styles such as transformational, servant, change and authentic might have different results. In this regard, future studies can be done in different types of organization, using different types of data collection methods and different types of leadership styles.

## **6. CONCLUSION AND IMPLICATIONS**

Study about employee engagement is important as based on the previous study by Mangundjaya (2012; and 2014), employee engagement has a positive impact on individual readiness for change and commitment to change. Moreover, Markos & Sridevi (2010) also stated that employee engagement is the key to develop organizational's performance, and as an engaged employee they usually have emotional attachment with their organization, which makes their follower willingly to

go extra miles in order to achieve the organization's objectives. Charismatic leaders, usually engage in behaviors that foster an image of extraordinary competence, in which will increase follower dependence (Yukl, 1999). As a charismatic leader, they usually influence processes that are primarily intended to align followers' vision with the leader. With this condition, charismatic leader, especially with their sensitivity to member's need and expressing unconventional behavior to their followers, have a positive impact in developing both work ethics and employee engagement. In this regard, people tend to stay in the organization, doing their jobs with high involvement and attachment and has the courage to speak out for the development and betterment of the organization.

The contribution of this study can be applied to develop employee engagement, and in terms of practical implications, this study will provide support for the organization, management, and HR professionals, to establish employee engagement, both directly with the influence of charismatic leader or through the mediator of work ethics. This study about engagement is important as according to Holbege and Matthews, (2012) when an employee is highly engaged they can and will contribute higher productivity. As a result, developing leaders to have charismatic leadership style is one of an alternative to enhance the productivity of the organization.

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