


Revisiting the “Authoritarian Versus Participative” Leadership Style Legacy: A New Model of the Impact of Leadership Inclusiveness on Employee Engagement

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Ronald Busse^{1*}  and Sam Regenberg^{2*}

Abstract

The present quantitative research extends the large body of knowledge on the leader–follower relation. On the basis of Kahn’s (1990) engagement model, we develop a new framework featuring a curvilinear inverted U-shaped relationship between *leadership inclusiveness* and *employee engagement*. Our survey data ($N = 277$), collected in the Financial Services Sector in Europe and North America, reveals that three antecedents of engagement (psychological meaningfulness, safety, and availability) mediate the relationship between our main variables. To be more specific, engagement levels culminate at a moderately high level of leadership inclusiveness followed by a “progressive decline” as inclusiveness moves further along the continuum. Despite the presence of advantages on both ends of the leadership inclusiveness continuum, we advise practicing managers to avoid both extremes in light of unjustifiable compromises.

Keywords

employee engagement, leadership inclusiveness, psychological availability, psychological meaningfulness, psychological safety

Introduction

Research on leadership has continued to attract the attention of practicing managers and academics for several decades (see, e.g., Bass, 1985; Busse, Kwon, Kloep, Ghosh, & Warner, 2018; Evans, 1996; Hersey & Blanchard, 1969; House & Mitchell, 1974; Lewin et al., 1939; Maak, 2007; Stogdill, 1948; among others). Previous work has also explicitly highlighted the leader’s effect on desired outcomes such as employee and firm performance as well as his or her impact on relevant antecedents for the above, such as motivation, commitment, engagement, and so on (see, e.g., Bui, Zeng, & Higgs, 2017; Parry, Mumford, Bower, & Watts, 2014; van den Oord et al., 2017; van Knippenberg, Dahlander, Haas, & George, 2015).

Organizational effects of having an engaged workforce have recently gained significant attention by both scholars and practitioners (Garrad & Chamorro-Premuzic, 2016; Simmelink, 2012). Myriads of studies confirm that engaged employees are associated with (a) higher productivity (Jogi & Srivastava, 2015; Kahn, 1992; Langelaan, Bakker, Schaufeli, van Rhenen, & van Doornen, 2006); (b) increased loyalty (Macey & Schneider, 2008); (c) lower turnover rates (Avery, Bergsteiner, More, & Zhang, 2014); (d) enhanced creativity (Bakker & Demerouti, 2008); (e) lower absenteeism (Harter, Schmidt, & Hayes, 2002; Kim, 2002); and (f) higher levels of

satisfaction (Chen, 2004; Fredrickson, 2001; Maslach, Schaufeli, & Leiter, 2001), among others. It is reasonable that the aforementioned positive consequences effectively make employee engagement (EE) a viable source for competitive advantage (Bates, 2004; Baumruk, 2004), allowing companies to considerably outperform those with lower levels of EE (“Employee engagement insights,” 2013). However, organizations have experienced an intensifying disengagement of their workforce in recent years (Avery et al., 2014; Bates, 2004; Richman, 2006). According to much noticed “Employee engagement in U.S.” (2016) study, only 32% of employees in the United States feel engaged at their work and as little as 13% are engaged worldwide.

It has been demonstrated that leaders have the ability to influence the level of engagement of their subordinates (Lok & Crawford, 1999; Macey & Schneider, 2008; Simmelink, 2012; D. S. Wang & Hsieh, 2013; P. Wang & Walumbwa, 2007; Yahaya & Ebrahim, 2016). We argue that apart from the rather general notion of the above

¹FOM University of Applied Sciences, Essen, Germany

²Buckinghamshire New University, High Wycombe, Buckinghamshire, UK

*Both authors contributed equally to this work

Corresponding Author:

Ronald Busse, FOM University of Applied Sciences, Essen, Germany.

Email: ronaldbusse@gmx.de

investigations, more specific insights are needed to provide practicing managers with tangible recommendations about (a) how exactly, say, democratic leadership has to be applied; (b) under which conditions does it fall on more or less fruitful ground; (c) whether a generally advantageous leadership style might turn detrimental when pushed to its extreme ends; and (d) whether single components of a given leadership style exist which become overly dominant in terms of their impact on desired outcomes. When considering these arguments, the contextualized relationship between leadership inclusiveness (LI)—expressed as a way of leader interaction with subordinates which fosters democratic traits—and EE remains largely unexplored in the current academic literature. We therefore extend Tannenbaum's long surviving leadership legacy on the authoritarian-participative dichotomy (see Tannenbaum & Massarik, 1957; Tannenbaum & Schmidt, 1958) and aim to develop a new model which suggests that the LI-EE relation has a nonlinear, inverted U shape, exposing diverging levels of EE along an assumed LI continuum. The purpose of this model is to help practitioners and scholars alike to understand the proposed relationship and apprehend the importance of potential associated trade-offs.

Our research is conducted in the Financial Services Sector (FSS) in North America and Europe. The FSS is an industry which has a global presence and consists of institutions active in depositary services, money and asset management, commercial and investment banking, brokerage and accounting services, and financial advisory ("Threats to the Financial Services sector," 2014). Company sizes within the FSS range between large multinational corporations managing billions in assets and which employ thousands of employees, and small and medium-sized investment and accountancy firms focusing on a narrower target market (U.S. Department of Homeland Security, 2016). The FSS has experienced a substantial increase in competition in recent years (Knights & Willmott, 2007; World Trade Organization, 2016) coupled with high staff turnover rates (Jogi & Srivastava, 2015) and above average burnout percentages (Brinded, 2014). Research has explicitly linked high turnover rates to be at least partly the result of high levels of active disengagement in the FSS (Harter et al., 2002), while burnout has been described as the antithesis of EE (Bakker & Demerouti, 2008; Langelan et al., 2006; Macey & Schneider, 2008). Framework conditions such as a highly competitive job market in the FSS, which result in patterns of money-driven "firm hopping" further contribute to a general industry sector-related engagement problem. In addition, the FSS has experienced hard times since the financial crisis in 2008. Enduring periods of low interest rates, a considerable decrease of customer trust, branch closings, and job losses have all increased the competition in general and the amount of work and stress for FSS employees in specific (Dahl &

Franke, 2017; Jogi & Srivastava, 2015; Nam, Lee, & Lee, 2016). We speculate that the above contribute to undermining EE and thus constitute a call for managerial intervention.

Leadership Inclusiveness Theory

LI has been defined as a form of interaction (in terms of leader behavior) with subordinates which realizes the inclusion of all employees in discussions as well as decision-making processes (Mitchell et al., 2015). The leader promotes, values, and requires contributions by all members of the team, regardless of their professional status, to address problems and reach decisions (Nembhard & Edmondson, 2006). Hirak, Peng, Carmeli, and Schaubroeck (2012) have described high LI as a management style which demonstrates openness, accessibility, and availability to its members. The concept of LI is a well-established one, which several previous studies have investigated. Empirical evidence reveals that LI fosters learning from failures (Hirak et al., 2012), drives highly diverse teams to performance peaks (Mitchell et al., 2015), and facilitates team members' ability to adapt to change (Bowers, Robertson, & Parchman, 2012).

Managers who apply noteworthy levels of inclusiveness show democratic, supportive, and sensitive characteristics (Nembhard & Edmondson, 2006). High LI weakens the notion of authority (Nembhard & Edmondson, 2006) in the same way that democracy reduces power inequality. Accordingly, lower levels of LI show prevalent parallels to authoritarian leader behavior. Although LI has aspects of other well-established concepts, such as transformational leadership, LI more narrowly focuses on the practice of how much a leader invites and acknowledges the views of his or her subordinates. We extract this single praxis while ignoring other components entailed in "larger" managerial concepts.

As opposed to the enduringly *en vogue* transformational leadership, LI does not exhibit a multidimensional complexity, which has lead van Knippenberg and Sitkin (2013) to question the validity of transformational leadership and advocate the need to reevaluate this specific concept of transformational leadership. At the same time, we are aware that transformational leadership bears components that are related to LI, such as "individualized consideration," which constitutes that leadership style together with "inspirational motivation," "intellectual stimulation," and "idealized influence" (Bass, 1985). Hence, individualized consideration may affect the quality of leader-follower interaction and by that may help determining the degree of LI along the continuum according to the individual need of the respective follower's personality. Further studies could think of adding these as variables to a future investigation. Here, and in line with the leadership continuum of Tannenbaum and

Schmidt (1958), we equal the lowest level of LI to authoritarian leadership and the highest levels of LI to democratic leadership, respectively.

It has been argued that in today's global environment, rich in culturally diverse teams, the use of inclusiveness may have a greater importance than in the past, allowing teams to harness the benefits associated with team diversity (Maringe, 2012). Earley and Mosakowski (2000) correspondingly identified an upright U-shaped relationship between cultural heterogeneity and team performance, team identity as well as communication quality. Culturally diverse teams admittedly do need time to outperform homogeneous or moderately heterogeneous teams. In a more general sense, it has also been demonstrated that the participatory aspect of LI has a strong and positive effect on employees' satisfaction (Kim, 2002). However, when evaluating the usefulness of LI, it is imperative to consider organizational settings as suggested by the attribution theory, which is often overlooked in academic research (Davison & Smothers, 2015; Madison, Martinko, Crook, & Crook, 2014).

While Solansky (2008) was able to prove that inclusiveness leads to more *effective* problem solving and decision making, a clear trade-off can be identified between inclusiveness and decision-making *efficiency* (Maringe, 2012). This trade-off was labeled as "efficiency versus inclusion paradox" by Hoffberg and Korver (2006). The implications of this compromise suggest that being efficient at decision making implies the need to restrict the number of participants to a minimum in order to reach fast decisions (Maringe, 2012). Nemeth and Staw (1989) confirmed that "widely varying perspectives and opinions among members can also make reaching decision consensus difficult and time-consuming." Pfeffer's (1983) research found evidence for proposing that decision-making processes may be slowed down whenever managers try to make use of high levels of LI (here referred to as democratic leadership). Autocratic leadership on the other hand, or zero inclusiveness, may result in faster decision making as discussions are no longer permitted or exercised, thereby improving the decision-making efficiency. However, it is arguable that autocratic leadership prioritizes decision-making speed at the expense of decision-making quality (Tannenbaum & Schmidt, 1973). Sashkin (1984) claims that participatory decision making is a necessity as long as the loss in decision-making efficiency and productivity remains acceptable.

We argue that previous research has not offered a differentiated answer to the crucial question of where a leader should ideally be "positioned," except from framing recommendations in favor of the democratic end of the continuum. We will show that a rather general consensus about the positive impact of a participative leadership style on EE is not enough.

Employee Engagement Theory

EE is a fairly modern term (Macey & Schneider, 2008) that has gained significant attention in recent years (Saks, 2006). EE has even been named "one of the hottest topics in management" (Welbourne, 2007). Despite the concept's popularity, most of the focus and interest on EE has risen in the fields of practitioners, namely HR departments and external consulting firms (Macey & Schneider, 2008; Saks, 2006). A comparably low amount of academic research has been conducted on EE (Robinson, Perryman, & Hayday, 2004; Saks, 2006). EE has been defined in different ways across the literature (Macey & Schneider 2008; Saks, 2006). Bakker and Demerouti (2008) defined EE as a psychological state in which employees feel "vigor, dedication, and absorption" (p. 209, 211). Vigor is associated with high amounts of mental energy and strength; dedication is characterized as being involved in the job and feeling "a sense of significance, enthusiasm, and challenge" (p. 201); absorption is described as the focus one has in his job role and the joy that the job brings, to the extent that time appears to fly by (Bakker & Demerouti, 2008). Maslach et al. (2001) have defined EE as a work-related situation in which there is a presence of involvement, drive, and effectiveness. Remarkably, it was found that these three characteristics were also the exact opposites of the three dimensions related to burnout, namely "exhaustion, cynicism, and inefficacy" (Maslach et al., 2001, p. 397). This finding has led González-Romá, Schaufeli, Bakker, and Lloret (2006) and Maslach et al. (2001) to categorize EE as the antithesis of burnout. Kahn (1990) defined EE as a behavior in which employees contribute their personal selves to work-related tasks and by doing so "employ and express themselves physically, cognitively, and emotionally" (p. 694). Accordingly, Kahn (1990) also designates personal disengagement as the physical, cognitive, and emotional detachment of one's selves to work-related tasks. While there are many definitions, slightly deviating but similar in their nature, most center on the research conducted by Kahn (1990). What all definitions appear to have in common, that is, EE is a positive and rewarding work related state of mind that allows employees to be fully immersed and devoted to their work and to be intrinsically motivated and stimulated, thereby potentially benefitting both the employee as well as the employer.

The theoretical framework of this article is based on the EE model introduced by Kahn (1990). He was the first to conceptualize the notion of EE, a feeling that had previously only been vaguely described by concepts associated with motivation, productivity, effectiveness, employee frustration, and work ethics (Saks, 2006). Kahn's model of engagement has been used extensively throughout the literature and, to date, his model remains the modern intellectual basis for antecedents of EE (Langelaan et al., 2006; Saks, 2017).

Kahn (1990) conducted two large qualitative studies in which he interviewed members of different organizations about instances which led them feel either engaged or disengaged at their workplace. The objective of these studies was to identify and isolate conditions or “states of mind,” which contributed to either the engagement or disengagement of people at work. Kahn’s (1990) model concluded that there are three distinct psychological conditions which influence EE or disengagement, namely psychological meaningfulness, psychological safety, and psychological availability. Kahn (1990) argued that if these psychological conditions were met (or present) to some tolerable degree, employees would be able to personally engage in what they do. In line with that argument, disengagement emerges whenever the employee does not feel considerable amounts of meaningfulness, safety, and availability. Perrin (2008) confirms this by taking this concept one step further, labelling EE in itself, as a psychological *quid pro quo* relation between the firm and the workers. According to Perrin (2008), “when the organization does not fulfil its part of the contract, organizational justice is undermined and EE decreases.” The subconscious expectation for a return on effort, tangible, or nontangible, may be referred to as reciprocity (Macey & Schneider, 2008), which has its roots in the social exchange theory (SET; Corpanzano & Mitchell, 2005). The SET states that peoples’ contribution to the organization (e.g., EE) depends on “economic and socioemotional resources” provided by their employer (Corpanzano & Mitchell, 2005, p. 881). In other words, SET rationalizes Kahn’s model by explaining that interdependence in a sense of a bidirectional transaction which provides the missing theoretical foundation for Kahn’s model of EE (Saks, 2006, 2017).

The link that we establish between Kahn’s model of EE and the SET is largely based on arguments which might need further clarification, because the job characteristic theory (JCT; Hackman & Oldham, 1976; see also Fried & Ferris, 1987) also offers three psychological antecedents—namely experienced meaningfulness, responsibility, and knowledge of results (Hackman & Oldham, 1975)—leading to desired work-related effects. We here refrain from drawing on the JCT as it is an approach that investigates outcomes such as motivation, satisfaction, performance, and absenteeism rather than EE which our focus is on. Therefore, we argue that Kahn’s EE model and Hackman’s and Oldham’s JCT are related but focus on different characteristics. At the same time, both can be linked to SET, because both incorporate a necessary *quid pro quo* relation at the workplace.

Kahn (1990) revealed that workers appeared to intuitively ask themselves the following three questions for which they had positive expectations (“the invisible contract”): (a) “How meaningful is it for me to bring myself into this performance?” (b) “How safe is it to do so?” and (c) “How available am I to do so?”

As for Question (a), Kahn (1990) described psychological meaningfulness as a state of mind in which members feel genuinely valued, needed, and useful. Meaningfulness also embodies the notion of being able to contribute, that is, to make a difference, while not being taken advantage of (Kahn, 1990). Environments in which employees feel they have little opportunity to contribute, where expectations are low and where they feel as if taken for granted, are predictors for low levels of meaningfulness (Kahn, 1990). A more recent study conducted by Gilson, Harter, and May (2004) established that Kahn had accurately found meaningfulness to be the most important mediator of EE ($R = .83$). Frankl (1990), Austrian Jewish psychiatrist and neuroscientist, was the first to theorize that it is not Nietzsche’s doctrine of “will to power,” nor Freud’s “will to lust,” but rather the “will to meaning” which is the most important element of motivation for human beings. Kahn (1990) furthermore established three elements which influence psychological meaningfulness: task characteristics, role characteristics, and work interactions.

With regard to Question (b), feeling “psychologically safe” at the workspace implies being able to express and behave in a sincere manner, without having to fear undesirable consequences and potential retaliation (Kahn, 1990). In situations where psychological safety is absent, employees are inclined to avoid self-expression and abstain from change-related initiatives (Kahn, 1990). Kahn (1990) found that there are four distinct factors which influence the level of psychological safety, namely interpersonal relationships, group and intergroup dynamics, management style, and organizational norms.

Question (c) refers to psychological availability, which Kahn (1990) described as the availability of “physical, emotional, or psychological resources to personally engage at a particular moment” (p. 174). Kahn (1990) further defines psychological availability as the ability to cope with work and external private life demands in the given time and with the available amount of physical and emotional energy.

Hypotheses Development

It has been discussed that LI encourages individual contributions, regardless of the employees’ hierarchical position (Hirak et al., 2012). Inclusiveness gives employees more control, saying, and attention by valuing their contribution (Maringe, 2012). It has also been established that the opportunity to contribute is a key factor which stimulates the employees’ feeling of psychological meaningfulness (Kahn, 1990; Saks, 2006). Furthermore, and on the basis of the previously described antecedents of psychological meaningfulness, such as job control (Bakker et al., 2009), information (Bakker et al., 2009), autonomy (Avery et al., 2014; Saks, 2006), communication (Saks, 2006), social climate (Bakker

& Demerouti, 2008), and job complexity (Kahn, 1990) and given the fact that these are all direct products of LI (Hirak et al., 2012; Kim, 2002; Maringe, 2012), we assume that LI has a strong positive effect on the level of psychological meaningfulness felt by the employee.

Hypothesis 1: LI is significantly positively associated with psychological meaningfulness.

The more a leader includes his or her employees in decision-making processes, the more he or she demands from the employees. Participating in such processes is both complex and time- and energy-consuming (Gastil, 1994; Nembhard & Edmondson, 2006). While we know that the amount of physical and emotional energy as well as the time at the disposal of the employee are mediators of psychological availability (Kahn, 1990), we hypothesize that LI is negatively correlated with psychological availability. In other words, as a leader applies a more inclusive approach, the psychological availability of the subordinates decreases. When inclusiveness increases, one may argue that more is being required from the employees. The employees are now required to contribute more and are part of important decision making, that is, their level of responsibility is higher (Kim, 2002), the tasks and problems at hand may feel more complex (Hirak et al., 2012), and more time is being required on top of their "routine work." Gastil (1994) confirms that the appropriateness of inclusiveness is contingent on the availability of time and effort.

Hypothesis 2: LI is negatively correlated with psychological availability.

The SET rationalizes why employees may respond with lower levels of EE when inclusiveness is increased past a certain point. The SET implies that as employees receive more job resources from their organization, they feel a sense of obligation to respond with higher amounts of engagement (Corpanzano & Mitchell, 2005). However, certain job resources such as more control, involvement, and responsibility, as stimulated by LI, may in fact require more effort and time from the employee. Employees may associate high levels of LI with increased job requirements, setting their implicit social exchange expectations off balance. Past a certain point of inclusiveness, the employee may feel overwhelmed as a result of increased time pressure and a lack of physical and mental energy, leading to critically low levels of psychological availability. Exhaustion is a strong mediator of burnout (Bakker et al., 2009; Maslach et al., 2001) and predictor of active disengagement (González-Romá et al., 2006). Under such high levels of inclusiveness, the lack of psychological availability may outweigh the positive effects that psychological meaningfulness and safety may have on EE. In reference to Kahn's (1990) three "invisible questions," the

employee may answer that it is very meaningful to bring himself or herself into this performance (Question [a]), that it is very safe to do so (Question [b]), that he or she is simply unavailable to do so (Question [c]).

Hypothesis 3: Past a certain point of LI, psychological availability outweighs the feeling of meaningfulness and safety, causing a decline in EE.

On the basis of Kahn's (1990) theoretical framework and in consideration of the established relationship, developed by Nembhard and Edmondson (2006) between LI and psychological safety, and in combination with Hypothesis 1, we argue that when LI is absent employees face critically low levels of psychological meaningfulness and psychological safety. Under such conditions, employees are neither required nor encouraged to contribute beyond their assigned work. They experience low amounts of control and trust. Job complexity may also be compromised, leaving them to do tasks that are highly manual which require little cognitive reflection. The members feel marginalized, untrustworthy, and suppressed. Moreover, due to a prevailing fear of speaking up and the fear of managerial sanctions, the feeling of psychological safety is practically nonexistent (Nembhard & Edmondson, 2006). Psychological availability is expected to be high, as described by the negative relationship proposed in Hypothesis 2. However, Hypothesis 4 implies that the effects of low psychological meaningfulness and safety are so detrimental to the employees' overall state of mind with regard to engagement, that they may not utilize their availability to personally engage at work. With regard to Kahn's three "invisible questions," the employee may recognize that he is available to engage (Question [c]); however, it is not meaningful to do so (Question [a]), neither is it safe to do so (Question [a]; Nembhard & Edmondson, 2006). That said, we are aware that LI is not the only factor influencing engagement. We can here draw on the theory of substitutes of leadership (Kerr & Jermier, 1978) which has delivered several aspects that might make the role of leadership less relevant. An example which can mitigate the impact of LI on EE is the perception of a tasks that provide intrinsic rewards for the employee. This might occur when the values which the employee personally holds in high esteem are congruent with those values which he or she can realize while performing his or her task. And yet, low levels of inclusiveness might impede perceived congruence between personal and organizational values, whereas high levels of inclusiveness rather rope in the whole personality of the employee which in turn helps looking beyond the mere operational side of the task.

Hypothesis 4: Authoritarian leadership, that is, zero inclusiveness, predicts active disengagement.

The next hypothesis is based on the combination of previously established relationships along with newly proposed relationships that have been described from Hypothesis 1 to Hypothesis 4. First, given the assumption of a positive correlation between LI and psychological safety (Nembhard & Edmondson, 2006), it is assumed that moderate amounts of LI will result in adequate levels of EE. Second, with reference to the proposed Hypothesis 1, we further argue that moderate levels of inclusiveness should have positive results on EE. Third, as described by Hypothesis 2, it is assumed that the feeling of psychological availability culminates at zero LI and is at its lowest level at the LI maximum, implying that sufficient psychological availability should be present at a moderate level, say 50%, of LI. At this level of inclusiveness, it is assumed that the employee is available and ready to utilize the positive psychological states of feeling meaningful and safe. In other words, all of the required elements are present, amplifying the likelihood of seeing high levels of EE (Figure 1).

Hypothesis 5: Moderate levels of LI maximize EE by allowing all three of Kahn's (1990) psychological elements to be reasonably present.

Methodology

Our research is descriptive to the extent that it analyses the current situation in the FSS regarding levels of EE and the amount of perceived LI by employees. It is explanatory to the extent that it intends to establish and rationalize the theorized relationships. The applied data collection method is a *mono method quantitative approach*, which involves the use of a single standardized questionnaire with 66 Likert-type scale items that will provide the entirety of data to employ quantitative analytics (graphical and statistical). The overall target population, which this study focuses on, is "employees active in the FSS" who do not have managerial positions. The reason why managers are not considered is to avoid any response bias and predisposed interference with the results. This work's focus is on assessing subordinates' perception of their management's inclusiveness and to evaluate how this may influence their behavior. Allowing managers to evaluate their own inclusion toward their subordinates is likely to be less valid than that of their followers (Nembhard & Edmondson, 2006). As confirmed by Somech (2006), "the study of subordinates' perceptions of the leader's behaviour may be most useful in examining linkages between organisational variables and leadership styles" (p. 137).

The survey was distributed online and all data were processed anonymously. The sample size was $N = 277$. EE was measured independently using the "12 questions EE scale" developed and validated by the Institute for Employment Studies (see Robinson et al., 2004). This questionnaire has

been used extensively throughout the literature and by practitioners as it provides a quick and compressed assessment, contrarily to other lengthy engagement questionnaires, such as the Utrecht Work Engagement Scale model, without any noticeable compromise on accuracy (Chartered Institute of Public Relations, 2008). The scale that has been selected to measure the level of perceived LI was validated by Carmeli, Reiter-Palmon, and Ziv (2010) and consists of nine items. While this measurement scale provides a good overview of how much inclusiveness the leader exhibits, the authors added a total of six further questions to incorporate under-emphasized inclusiveness components such as decision making and personal contribution. These questions stem from Bhatti, Maitlo, Shaikh, Hashmi, and Shaikh (2012) and Gilson et al. (2004) and are explicitly focusing on LI.

The LI construct was subject to the chi-square goodness-of-fit-test (GFI) and resulted in a total chi-square of 6978.338 with 387 aggregated degrees of freedom (df). Since the p value of the chi-square GFI is lower than the significance level of .05, the hypothesis that all item scores are evenly distributed can be rejected. The root mean square error of approximation scores also turned out to be lower than .05, and thus indicated a good model fit. Besides and flanking the GFI, a confirmatory factor analysis was conducted to support the assumption that the six new items which were supposed to examine LI are in fact associated with this factor. The reason why we have to assess whether our new items are in line with the LI construct is that no objective unit of measurement exists. LI is not directly observable. To measure the magnitude of association between these six new items and the overall construct, we computed the factor loadings (ranging from .71 to .84) through confirmatory factor analysis and found sufficiently high levels of construct validity. Last, the applied questionnaire includes a series of questions intended to measure Kahn's (1990) three psychological states of EE. The questions measuring these psychological states derive directly from the scale survey introduced by Gilson et al. (2004), which is based on Kahn's model and research. All included constructs have satisfactory *Cronbach's alpha* coefficients, that is, showing high internal consistency (LI $\alpha = .94$; EE $\alpha = .86$; psychological meaningfulness $\alpha = .9$; psychological safety $\alpha = .71$; psychological availability $\alpha = .85$).

Sociodemographic Results

We first deliver some descriptive statistics regarding the sociodemographic variables. Despite the fact that men hold far more positions in the FSS than women (Ritholtz, 2016), this study's sample frame was relatively equally distributed between males and females (148 males and 129 females). Several Mann-Whitney U tests revealed that the gender variable does not show any statistically significant difference to any of the observed nondemographic variables.

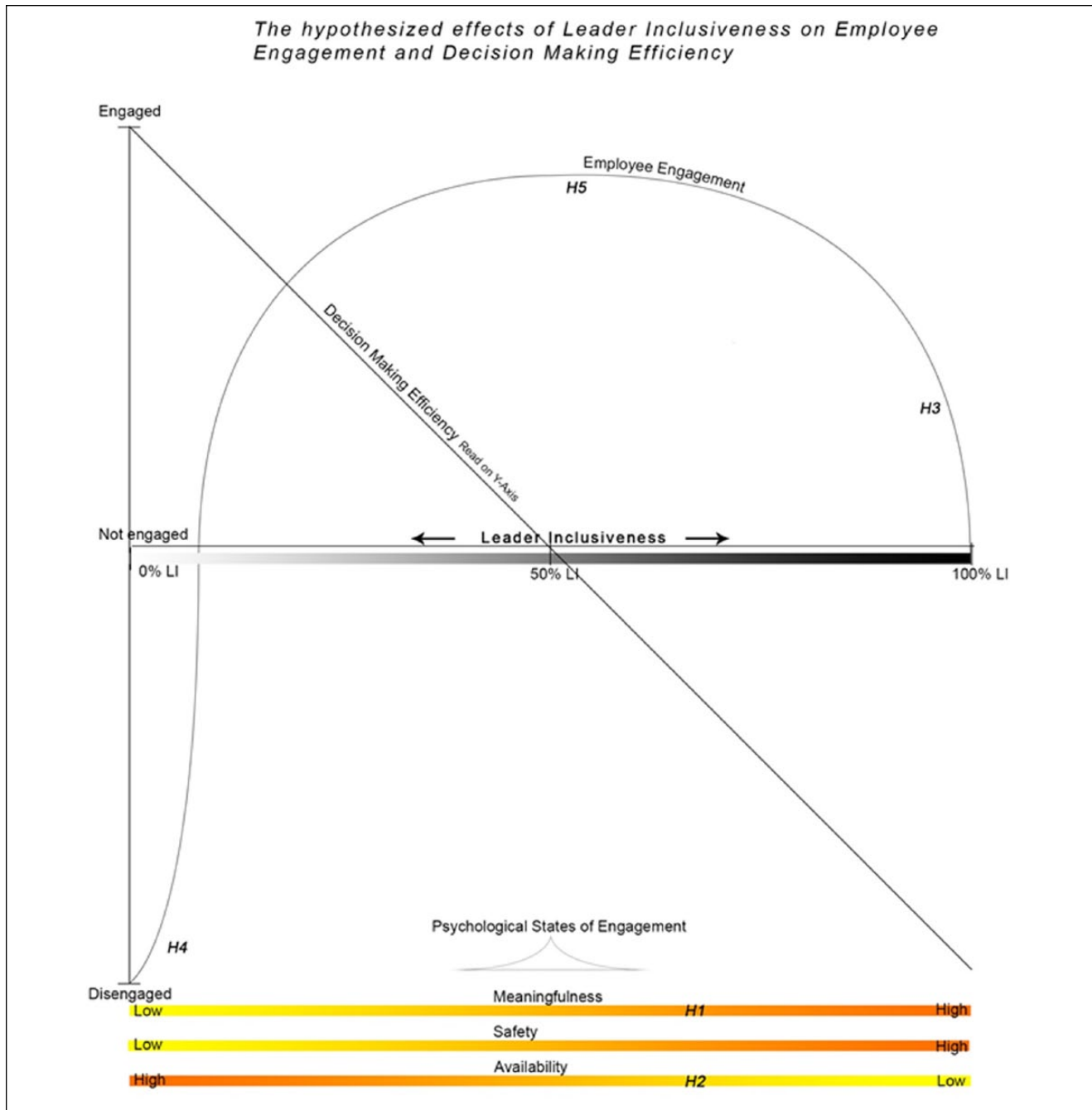


Figure 1. Visualization of hypotheses.
 Note. LI = leadership inclusiveness.

A one sample chi-square test demonstrated that the age group distribution of the data sample was not distributed equally ($\chi^2 = 51.76, p < .001, df = 5$). The average age of the sample population is 36 years and the standard deviation is 6.97 years. As for the educational level, the results show that the biggest cluster of respondents (mode) have bachelor degrees ($n = 116$), followed by master degrees ($n = 109$), professional degrees ($n = 45$), and doctorate degrees

($n = 7$). A one sample chi-square test confirmed that the measured level of education within the sample is not evenly distributed. The average tenure (years of working experience) is 11.32 years. The distribution is positively skewed, that is, there is more dispersion to the right of the mode.

The average level of *perceived LI* (independent variable) from the sample frame is 4.5 on the scale between 0 and 10, where 0 represents a total lack of inclusiveness (authoritarian/

directive leadership) and 10, for total inclusiveness (democratic leadership). The skewness of .158 reflects a marginal positive skewness to the right, which along with the z value of 1.092 may still be regarded as a rather symmetrical distribution ($z > -1.96 < -1.96$; Keller, 2009). The average score for *EE* the sample frame felt (dependent variable) is 5.02. The skewness value of $-.065$ along with the z value of -0.46 reflects a normal symmetry of the distribution curve (Keller, 2009). The average level of *psychological meaningfulness* felt by the respondents was 4.77. The skewness value of $-.006$ along with the z value of -0.41 reflects a highly symmetrical bell curve (Doane & Seward, 2011). The average for the level of *psychological safety* felt by the respondents is 5.00, which is equal to the median and the mode. Given these equal results, it may be concluded that the distribution is highly symmetrical (Doane & Seward, 2011). The average for the level of *psychological safety* felt by the respondents is 5.15, which is in line with the median (5) and the mode (5). Given the resemblance of the mean, mode, and median, it may be concluded that the distribution is highly symmetrical (Doane & Seward, 2011).

Turning toward degrees of relatedness between demographic variables and LI as well as EE, we only detected a significant impact of education. A Kruskal–Wallis test, the nonparametric Levene’s test (“Kruskal–Wallis H Test,” 2016), was performed to determine if there are any statistically significant differences between the four groups of “highest education achieved” and the continuous variables of inclusiveness and engagement. This test was necessary as the Mann–Whitney U Test is limited to analyzing only two groups of the independent variable (e.g., with gender; Keller, 2009). The test revealed that there is a statistical significance in variance between the ordinal variable of education and the measured level of LI ($\chi^2 = 10.779$, $df = 3$, $p = .013$) as well as the level of EE ($\chi^2 = 13.451$, $df = 3$, $p = .04$). In other words, we may reject the null hypothesis ($p < .05$) that there is an equality of variance between these variables. In fact, this allows to confirm that the differences in the assigned mean ranks that we are observing differ beyond chance alone. A further eta square (effect size) calculation was performed between these four groups ($\eta^2 = \chi^2/[n - 1]$), demonstrating that 3.9% of the variability in the rank scores of inclusiveness and 4.87% for the EE variability is accounted for by the education variable.

Hypotheses-Related Results

The data revealed a Pearson’s coefficient of correlation of .501 (R) between LI and EE ($n = 277$, $p < .001$). This result is indicative of a moderate positive relationship (Keller, 2009). A line of best fit analysis revealed that a quadratic polynomial regression is the best fit. The coefficient of determination is higher with the polynomial regression ($R^2 = .346$) than it is with a linear regression ($R^2 = .251$) or

the logarithmic regression line ($R^2 = .299$). In other words, the trend line is closer to the polynomial model (second order) than it is to a linear. This relationship may, hence, be considered as a nonlinear relationship. The polynomial regression line reveals an inversed U-shaped curve, where there is a positive upward trend in engagement as inclusiveness rises from 0 to 7 followed by a moderate downward contraction in engagement as inclusiveness further climbs from 7 to 10. The highest point of the polynomial engagement function is 6.62/6.44. In other words, the highest average level of engagement (scale value = 6.44) was found where inclusiveness reaches the scale value of 6.62. After that, we see a decline, which leads to supporting Hypothesis 3. At the same time, Hypothesis 5 is rejected. As very low levels of LI coincide with very low levels of EE (i.e., active disengagement), we find support for Hypothesis 4.

The Pearson’s correlation of coefficient for the relation between LI and *psychological meaningfulness* is significantly high ($R = .733$, $n = 277$, $p < .001$), which leads to supporting Hypothesis 1. The relation between LI and *psychological safety*, it is strongly positive ($R = .765$, $n = 277$, $p < .001$) and the correlation between LI and *psychological availability* is moderately negative ($R = -.386$, $n = 277$, $p < .001$), which leads to supporting Hypothesis 2. Our model shows that the decay in the level of psychological availability as a result of increased amounts of LI is most accurately described as being exponential. Table 1 contains the corresponding correlation matrix. Figure 2 shows the scatter plot for the LI–EE relation and Figure 3 for the relatedness between LI and meaningfulness, safety as well as availability.

To clarify the relation between meaningfulness, safety as well as availability and EE, we run a multiple linear regression analysis. The adjusted R^2 of Model 3 (see Table 2) that includes all three independent variables is .479. This observation leads to the conclusion that 47.9% of the variability in Engagement is explained by the model, that is, by Meaningfulness, Safety, and Availability. The adjusted R^2 values (Keller, 2009) also help explain that Model 3, which includes all of Kahn’s (1990) predictors of EE, is the best and most accurate linear regression model ($R^2 = .479$) for predicting EE.

An F test (analysis of variance) was performed for this model, revealing that Model 3 has explanatory power for predicting the level of “Engagement” (mean square = 265.822, $F = 85.556$, $p < .01$). In other words, all of the independent variables (Meaningfulness, Safety, and Availability) help predict EE. A t test was also performed which concludes a statistical significance for finding that the independent variables of “Meaningfulness,” “Safety,” and “Availability” (Model 3) help predict the dependent variable “Engagement.” The residuals are more or less equally distributed (i.e., distributed with equal probability)

Table I. Correlation Matrix.

	Inclusiveness average	Engagement average	Meaningfulness average	Safety average	Availability average
Inclusiveness average					
Pearson correlation	I	.501**	.733**	.765**	-.386**
Sig. (two-tailed)		.000	.000	.000	.000
N	277	277	277	277	277
Engagement average					
Pearson correlation	.501**	I	.654**	.650**	-.175**
Sig. (two-tailed)	.000		.000	.000	.004
N	277	277	277	277	277
Meaningfulness average					
Pearson correlation	.733**	.654**	I	.888**	-.525**
Sig. (two-tailed)	.000	.000		.000	.000
N	277	277	277	277	277
Safety average					
Pearson correlation	.765**	.650**	.888**	I	-.434**
Sig. (two-tailed)	.000	.000	.000		.000
N	277	277	277	277	277
Availability average					
Pearson correlation	-.386**	-.175**	-.525**	-.434**	I
Sig. (two-tailed)	.000	.004	.000	.000	
N	277	277	277	277	277

Note. Sig = significant.
 **Correlation is significant at the .01 level (two-tailed).

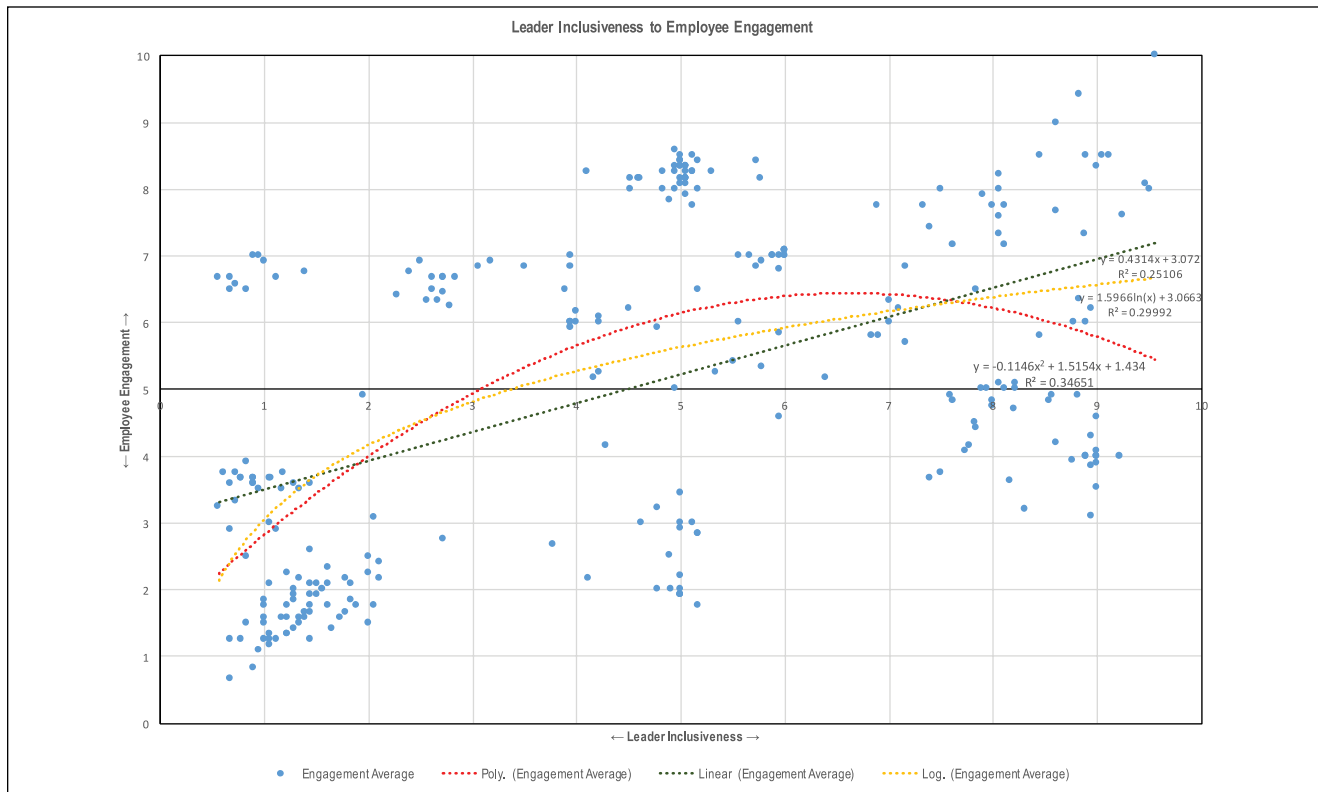


Figure 2. Leadership inclusiveness to employee engagement scatter plot.

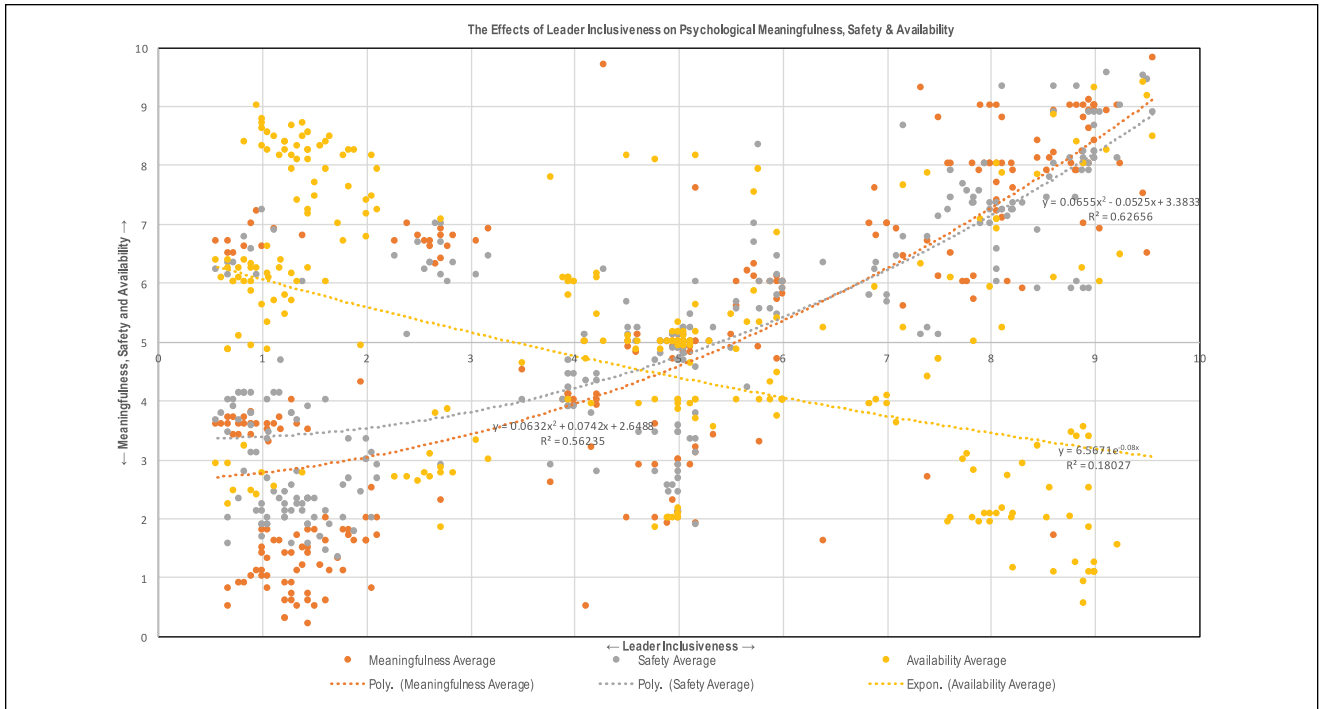


Figure 3. Leadership inclusiveness meaningfulness, safety, and availability scatter plot.

Table 2. Linear Regression Analysis.

Model	R	R ²	Adjusted R ²	SE of the estimate	Durbin–Watson
1	.654 ^a	.427	.425	1.85159	
2	.683 ^b	.466	.462	1.79043	
3	.696 ^c	.485	.479	1.76266	1.049

Note. SE = standard error.

^aPredictors: (Constant), meaningfulness average. ^bPredictors: (Constant), meaningfulness average, and availability average. ^cPredictors: (Constant), meaningfulness average, availability average, and safety average. ^dDependent variable: Engagement average.

around the model’s prediction. This observation, hence, allows to trust the results of this regression analysis, as we are able to satisfy the assumption of normally distributed residuals (Keller, 2009).

As for the hypotheses, the following can be summarized:

Hypothesis 1: Supported

The statistical findings of this study were consistent with this article’s first hypothesis, namely that a strong positive relationship exists between the amount of perceived LI and the level of psychological meaningfulness felt by the employees ($R = .733$). Employees who scored extremely low on the inclusiveness scale, were averaging scores of meaningfulness far below those employees who were exposed to more inclusiveness. In other words, the level of psychological meaningfulness rises when employees are exposed to higher amounts of inclusiveness by their managers.

Hypothesis 2: Supported

The statistical findings confirm the second hypothesis. Indeed, a moderate negative correlation was identified ($R = -.386$) between LI and psychological availability. The relationship shows an exponential decline in the amount of psychological availability as the perceived amount of inclusiveness is augmented. As seen, the most important decline in availability occurs between extremely low (0-2) and low levels (2-4) of inclusiveness.

Hypothesis 3: Supported

Despite the two steadily rising predictors of EE, as inclusiveness increases namely psychological meaningfulness and safety, the trend line of engagement reaches its tipping point (vertex) at an inclusiveness level of 6.62. The decline in engagement following the inclusiveness point of 6.62 is consistent with Hypothesis 3 as seen by the ever-rising gap

between psychological availability, meaningfulness, and safety. Given that the decline in engagement may only be explained by the falling level of psychological availability in the context of Kahn's (1990) engagement model, and given that a multiple regression analysis confirmed the combination of all three predictors of engagement (meaningfulness, safety, and availability) to have the highest predicting power of engagement levels, this hypothesis is confirmed.

Hypothesis 4: Supported

The EE trend line confirms that extremely low levels of LI (0-2 scale) predict extremely low levels of EE (0-2 scale). Low values (0-2) of engagement on the applied Institute for Employment Studies' engagement scale are representative for active disengagement (Robinson et al., 2004). The average score of inclusiveness from respondents who were categorized as actively disengaged was 1.30. This score reveals that employees within the group of respondents who were actively disengaged, perceived extremely low amounts of inclusiveness in their professional positions. These findings are consistent with the proposed hypothesis, namely that directive leadership predicts active disengagement.

Hypothesis 5: Rejected

While all three predictors of engagement are at their combined highest levels at around 50% of LI, this finding does not translate to representing the highest level of EE. As discussed earlier, the highest level of EE (6.44) is achieved (vertex of the quadratic regression function) at an inclusiveness level of 6.62. This score is representative for high levels of inclusiveness (6-8). This finding does not support Hypothesis 5. However, it may be recognized that the level of engagement is already in the "high zone" (Scale 6-8) at 50% of inclusiveness and that the growth in the level of engagement following 50% of inclusiveness declines.

Discussion

The global FSS has justifiably been labelled a very conservative, risk-averse, and inherently bureaucratic industry (Vermeulen, 2005). The fact that innovation has almost entirely been ignored in the FSS along the past few decades, as seen by aging technology systems and unchanged offered services ("How finance is being taken," 2017), has led some experts to furthermore frame this industry as innovation-averse ("2018 Technology industry," 2018). This statement becomes especially apparent when this industry is compared with other sectors, for example, the tech industry, where product life cycles are shorter, demand is more seasonal and sales more volatile. A recent study directed at the FSS revealed that 90% of leaders in the FSS admitted to not

being focused on innovation ("The challenge of innovation," 2015). While high barriers to entry, extensive cross-border regulations and strict compliance burdens have certainly contributed to the FSS's abstinence in innovation ("The challenge of innovation," 2015), it is also widely accepted that firms in the FSS primarily compete on the quality and speed of their existing services rather than on creative innovations and industry breakthroughs (Claessens, 2009). Companies competing in the FSS are said to be looking inward when looking for solutions and changes, rather than coming up with new ideas or looking outward ("The challenge of innovation," 2015). In this regard, it is safe to say that the FSS is principally focused on perfecting its operational productivity and functionalities.

The "inclusion versus efficiency paradox" represents a clear trade-off that has to be made by any manager with regard to the speed or quality of decision making. If the circumstances dictate, in this case the overall FSS's competition strategy, that efficiency is the priority and time is of essence for the delivery of the service/good, one would expect to see lower results of LI than in the contrary scenario. Firms that value and seek innovation require rich levels of creativity, a broad selection of desired alternatives during the decision-making process and the need to consider diversity of thought above all. For organizations seeking innovation, a high overall LI is a fundamental requirement. Not only does LI encourage the usage of several viewpoints during decision making, thereby vastly increasing the decision-making quality (Watson, Kumar, & Michaelsen, 1993), but it also promotes EE as reflected in this study's result.

EE has been described to have many positive attributes. While all industries may benefit from increased engagement levels among their employees, some of these attributes may have a greater necessity in certain industries or sectors than in others; for example, such as augmented creativity levels (as achieved by higher engagement) in industries competing on differentiation. Companies that primarily pursue a competitive advantage in the field of operational efficiency, such as in the FSS, may find that their priority does not lie in stimulating participation, differentiation, creativity, and engagement, but rather on addressing day-to-day issues in the fastest possible way so that employees may stay focused on the core business, which is to deliver existing services/products to their clients. The measured average level of LI score of 4.5 in the FSS, portrays an industry that may not be as poor in inclusiveness as this study initially predicted, but low enough to demonstrate that leaders in the FSS are ready to compromise higher levels of inclusiveness and engagement from their employees in exchange for a greater decision-making efficiency. The average inclusiveness score of 4.5 sits almost exactly at the intersection between the level of engagement and the decision-making efficiency function. At approximately this score, both decision-making efficiency and

engagement are mutually maximized, where inclusiveness is on the low to moderate end, employees are neither engaged nor disengaged, while decision making remains relatively efficient. It may be suggested, given the described competitive strategy, that this level of LI represents an appropriate amount for the FSS. As reflected, slightly higher amounts of LI would predict a moderate rise in engagement accepting a drop of decision-making efficiency. However, this average score easily overshadows a highly concerning reality in the FSS, namely that almost one in three employees in the FSS (31.8%) is exposed to a work environment in which he or she perceives almost no inclusiveness from his or her executives (i.e., extremely low LI/authoritarian leadership). In accordance with this study's findings, very low inclusiveness levels are prone to active disengagement which has not only been linked to burnout (Bakker & Demerouti, 2008) but is also highly detrimental to employee's productivity (Avery et al., 2014), performance (Bates, 2004), motivation (Macey & Schneider, 2008), creativity (Bakker & Demerouti, 2008), satisfaction (Fredrickson, 2001), and attendance (Kim, 2002).

According to our model, the highest degree of engagement may be achieved, contrarily to what previous research suggested (highest inclusiveness), at a moderately high inclusiveness level (Scale 6.62). Averaging this level of inclusiveness may be more suitable for sectors and industries that are less operational and in which there is ample time for decision making. This finding is in line with Gastil's (1994) assertion, namely that democratic leadership might be far from optimal for organizational setting in which decisions have to be made quickly.

The inverted U-shaped relationship between LI and EE as reflected in Figure 2, illustrates that the average employee does not like to be directed in an authoritarian manner as reflected toward the left of the inclusiveness continuum. This can be directly interpreted by looking at the level of EE. The average employee in the FSS who experiences low levels of LI scored very poorly on the engagement scale, which implies active disengagement. Active disengagement is a state of mind in which employees experiences poor amounts of enthusiasm, motivation, mental, and physical energy (Bakker & Demerouti, 2008), as well as a sense of personal insignificance and insecurity (Kahn, 1990). This negative state of mind certainly translates to a strong dislike of the employees' work. Ironically, MacGregor's (1960) "Theory X" managers would perceive this behavior as natural and would respond to this type of behavior by applying more directive/authoritarian leadership. "Theory Y" managers on the other hand may never experience such strong disengagement (frustration) from their employees as their approach is consistent with a more democratic leadership, that is, high LI. However, this study's results are most consistent with Davison and Smothers (2015) analysis. They have linked Theory X and Y's underlying assumptions to an attribution error, declaring that employees are not naturally

inclined to behave in any particular way, but rather that the observed employee behavior is a direct result of the organizational and managerial circumstances which employees are exposed to.

This point of view is in line with our results, as seen by the rising and falling level of EE as a result of varying amounts of LI. The findings are also consistent with Corpanzano and Mitchell's (2005) SET, which stipulates that the employer does not only have expectations about the employee's behavior (performance, attitude, etc.) but that the employee also has expectations about the employer's conduct and resources provided. The SET rationalizes employees' contribution to the firm as a result of what the employer offers in terms of economic and socio-emotional resources in return to the employee, in the same way that Davison and Smothers (2015) disproved behavioral prejudices seen in Theory X and Theory Y. In this respect, one may argue that as inclusiveness rises, giving employees trust, control, the opportunity to contribute, autonomy, a sense of meaningfulness and safety, the employee's expectations may be more closely met, leading to higher levels of EE.

The results of this study revitalize the conceptual notion that leaders have the ability to influence the level of engagement of their subordinates. Not only can the amount of inclusiveness excelled by leaders make the difference between an actively disengaged workforce and a fully engaged one, but leaders may knowingly trigger and achieve this fruitful state of mind in their subordinates by reducing their own workload. As stated by Straub and Kirby (2017), "many minds make lighter work." By empowering and encouraging the employees to take part in tasks related to "the bigger picture," such as the identification of strategically relevant issues and the actual decision-making process, managers do not only end up with better decision-making quality (Solansky, 2008; Straub & Kirby, 2017) but this approach also leaves a long-lasting positive effect on the state of mind of the employee, namely EE.

This study has indirectly demonstrated that Kahn's (1990) model of engagement may be used as a very effective recipe and code of conduct for managers wishing to engage their employees, and therefore maximize their employees' potential. All three of Kahn's components were found to contribute to EE. However, LI was found to significantly and positively affect only two of Kahn's components, namely psychological meaningfulness and safety. This leads over to our main contribution.

The negative relationship that has been established in this study between LI and psychological availability unveils a new face behind LI, disproving the notion of a simple linear relationship between LI and EE as proposed by Nembhard and Edmondson (2006). In fact, this relationship reveals an important compromise that is made when managers apply high levels of inclusiveness. While LI may be

perceived as enriching one's job, it requires a certain amount of discretionary implication and contribution. Employees working in a high-inclusiveness environment may find that their workload is no longer as sustainable as it was or would be if they were not asked to participate beyond their daily work obligations. Past a certain amount of LI, employees may no longer have the psychological, physical, or emotional resources necessary to engage themselves in their work occupation. As recognized by Tannenbaum and Schmidt (1973), "to provide the individual or the group with greater freedom than they are ready for at any given time may very well tend to generate anxieties and therefore inhibit rather than facilitate." In accordance with Kahn's (1990) model of engagement, this article concludes that the reasoning behind the decline in EE past a certain amount of LI is predominantly linked to decreased amounts of availability. Managers wishing to extend their inclusiveness need to consider a right balance between their subordinate's daily workload and the added involvement as accompanied by LI. Ignoring this fact and rushing into very high inclusiveness territory may result in a work environment in which employees cannot fully engage, and may also to a considerable loss in decision-making efficiency.

As for our minor contribution, we state the following: In accordance with Wilson's (2003) conclusion, who found that gender differences do not cause any predispositions with regard to skills and organizational attitude, this article established that gender did not exhibit any statistically significant variances in all measured variables. However, three unanticipated demographic-related relationships were discovered. First, the level of education affects the amount of perceived LI. Professional degree holders are almost three times more likely to experience very low levels of LI than employees who have master degrees. University degrees in general were found to significantly outclass professional degrees in terms of how much LI their holders experienced. Second, and relatedly, higher educational levels, that is, university degrees, also translate to greater levels of EE. We therefore conclude that the diminished engagement levels are a direct result of lower LI levels, where leaders excel less inclusiveness toward employees with lesser education and employees react with reduced engagement levels. Irrespectively of whether there is a justification for restraining lower degree holders from inclusiveness (e.g., lower skills or expertise), practitioners and scholars need to understand and may want to rethink the associated consequences (i.e., active disengagement). Last, and in agreement with Robinson et al.'s (2004) results, EE was found to fall as the age of employees increases. Under Kahn's (1990) model of engagement, this decline is best explained by a diminishing amount of psychological availability as age increases. Managers who are inclined to dismiss younger job candidates for a lack of professional experience should consider the likely compromise in engagement levels.

Limitations and Future Research Directions

While this study has focused exclusively on employees active in the FSS, allowing to greatly improve the validity of generalization for this population in light of situational circumstances, we can only speculate that our findings are applicable to other business sectors and industries. On the one hand, this approach has diminished the likelihood of making an attribution error, as suggested in the attribution theory (Ross, 1977). On the other hand, it weakens the argument of generalization for other sectors and industries. The authors, hence, encourage other scholars to replicate our research in other industries in order to compare their findings with this study's model.

Further research could investigate the following three areas that were outside of the scope of our work: Future scholars could (a) shed light on the importance of employees' perceptions of organizational justice and fairness in the context of LI, and its influence on Kahn's (1990) model of engagement. Does LI discrimination within a team amplify or alter the evaluated relationships as shown in this study's model? Future work could (b) ask whether there are ways to improve employees' perceptions of LI and minimize compromises. Last, further studies may want to identify (c) how resilient actively disengages employees are to becoming engaged again through the application of more inclusiveness.

Conclusions

We conclude that despite the many promising attributes of LI on employees, there are also serious compromises which need to be considered, especially in light of the firm's competitive strategy, the type of work (operational or project work), the employee's workload and the availability of resources. The developed model of this study illustrates the predicted outcome in EE levels and decision-making efficiency along an LI continuum. Our framework demonstrates, as theorized in this study, that the relationship between LI and EE is nonlinear as exposed by a decline in EE levels in the upper range of the applied LI scale. The decline in EE is supported by extremely low levels of employee availability within the higher range of LI, in accordance with Kahn's (1990) model of engagement. Indeed, this study was able to reveal an exponential decline in psychological availability as LI increases. In this regard, managers and policy makers are advised to find the appropriate balance of LI.


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ORCID iD

Ronald Busse  <https://orcid.org/0000-0002-3292-5652>

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Author Biographies

Ronald Busse is a researcher, lecturer and consultant in the field of Human Resource Management. He holds a doctoral degree from the School of Management at Xi'an Jiaoting University, China.

Sam Regenberg is a professional in the financial sector and holds an MBA degree from Buckinghamshire New University.