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Enhancing Employee Engagement by Transformational Leadership and Empowerment with Job Satisfaction as Mediator

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Abstract: This research seeks to prove the positive and significant effect of transformational leadership and empowerment on employee engagement, with job satisfaction as a mediator. The research used quantitative methods and the data was processed using SmartPLS 4. Involving 56 respondents from one of the joint venture companies in Indonesia that produces flour, the following research results were obtained: transformational leadership has a positive but not significant effect on employee engagement; empowerment has a positive and significant effect on employee engagement; transformational leadership has a positive but not significant effect on job satisfaction; empowerment has a positive and significant effect on job satisfaction; job satisfaction has a positive and significant effect on employee engagement; job satisfaction is able to mediate transformational leadership with employee engagement positively, but not significantly; job satisfaction is able to mediate empowerment with employee engagement positively, but not significantly.

Keywords: *transformational leadership, empowerment, job satisfaction, employee engagement*

INTRODUCTION

Employee engagement is a prominent concept in human resource management that has garnered substantial interest. It is viewed as a strategic asset for companies, as engaged employees consistently deliver productivity levels that surpass the norm and make substantial contributions to team effectiveness. Moreover, they represent a potential driver of organizational competitiveness. Engaged employees exhibit a high level of enthusiasm for their work, a deep commitment to the organization's vision and mission, and a readiness to go above and beyond their job requirements (Turner, 2020).

In the contemporary workplace, employee engagement has surfaced as a significant and persistent challenge. Given the increasing intricacies and rigorous regulations within numerous organizations, it is expected that employee engagement will remain a formidable challenge for these organizations in the years to come.. This aspect challenges management because engagement is a critical element in maintaining the organization's vitality, survival, and profitability (Osborne & Hammoud, 2017).

Kahn (Balwant et al., 2020) provided earliest definition of employee engagement, which refers to the way in which employees harness themselves in the performance of their work roles. Employee engagement viewed by Schaufeli and Bakker (Turner, 2020) as a positive work-related state characterized by vigour, dedication, and absorption; where vigour relates to energy and resilience; dedication to feeling enthusiasm and being inspired by one's work. Absorption is the intense concentration in the work being undertaken. Cha (Sun & Bunchapattanasakda, 2019) defined employee engagement as the employee's active involvement in work and the state of full physiology, cognition, and emotion that accompanies the work engagement, including three dimensions: work engagement, organizational recognition, and sense of work value. Macey and Schneider (Sun & Bunchapattanasakda, 2019) viewed employee engagement as a wide-ranging term which contains different types of engagement (traits engagement, psychological state engagement, behavioral engagement), and each one needs different conceptualizations, such as proactive personality (traits engagement), involvement (psychological state engagement) and organizational citizenship behavior (behavioral engagement).

Many studies attempt to find factors that can enhance employee engagement. Finding factors that significantly enhance employee engagement will be valuable for human resource management scientists and human resource management practitioners. One of the factors that is assumed to be related to employee engagement is leadership. One leadership style that is believed to increase employee engagement is transformational leadership. Several previous studies found that transformational leadership has a positive and significant influence on employee engagement (Balwant et al., 2020; Chin et al., 2018; Herminingsih, 2020; Islam et al., 2021; Singh, 2019)

Bass and Riggio (Hai et al., 2020) explained transformational leadership as a leadership style where leaders work with teams or followers beyond their immediate self-interests to identify needed change, creating a vision to guide the change through influence, inspiration, and executing the change in tandem with committed members of a group. Transformational leadership attends to followers' personal needs, provides support to them and coaches or mentors them in an individualized way. Yukl (Dung & Hai, 2020) defines transformational leadership as a process that to a significant extent effects changes in attitudes and behaviour among employees and strengthens their commitment to the mission and goals. Daft (Herminingsih, 2020) stated that transformational leadership is not only for leaders to inspire followers to believe in them, but to believe in their potential to imagine and create a better future for the organization. Bass and Avolio (Dung & Hai, 2020) explained that transformational leadership can be measured by four dimensions, including idealized influence, inspirational motivation, intellectual stimulation and individualized consideration.

Another factor that is assumed to have an influence on employee engagement is employee empowerment. As in previous research from (Meng & Sun, 2019; Monje-Amor et al., 2021; Yuliandi & Tahir, 2019) which found a positive influence from empowerment on employee engagement. Empowerment is defined as the opportunity an individual has for autonomy, choice, responsibility, and participation in decision making in organizations (Meng & Sun, 2019). Empowerment explained by Meyerson & Dewettinck (Hanaysha, 2016) as motivational strategy focused on enhancing performance through the expansion of participation and engagement in the decision-making process. It primarily revolves around fostering trust, motivation, active involvement in decision-making, and eliminating any barriers between employees and top management

Dimensions of empowerment according to (Hasani & Sheikhesmaeili, 2016) : meaningfulness (refers to the intrinsic value of an individual's career goals and their interest in their job, involves the alignment of job requirements with personal opinions, values, and behaviors); competence (refers to a person's ability to perform job responsibilities with skill); autonomy (reflects an individual's perception of having the choice to lead a set of actions,

indicating the emergence of independence and the continuity of practices and processes); effectiveness (measures the extent to which an individual can impact the final outcomes of strategic, administrative, and functional tasks); trust (signifies an individual's confidence that those in positions of power will not harm or disadvantage them and that they will be treated impartially).

Another factor known to have a positive influence on employee engagement is job satisfaction as found in research (Hossen et al., 2020; Tepayakul & Rinthaisong, 2018; Vorina et al., 2017). Job satisfaction refers to employees' attitudes toward or feelings about their work, based on the comparison of job expectation and perception in the organization (Dung & Hai, 2020). Job satisfaction also viewed as the degree to which employees attain favorable work-related outcomes through a constructive mindset and efficient approach (Lan et al., 2019)

As outlined by Bruck, Allen, and Spector (Dung & Hai, 2020), job satisfaction encompasses various elements, including compensation, career advancement opportunities, fringe benefits, supervisory support, colleague relationships, working conditions, the inherent characteristics of the job, effective communication, and different forms of rewards (which include pay, promotions, and fringe benefits as components of reward structures). Specific satisfaction is gauged through sub-scales, which include job security, compensation and salary, social support, supervisory guidance, and personal growth.

Job satisfaction is also known to be influenced by leadership (Dappa et al., 2019; Lan et al., 2019; Moin et al., 2021) and empowerment (Ahrari et al., 2021; Orgambidez & Almeida, 2020; Yuliandi & Tahir, 2019). Based on the relationship between the factors above, this research attempts to prove the influence of transformational leadership and empowerment on employee engagement with job satisfaction as a mediator.

- Based on the explanation above, the research hypotheses proposed in this study are:
- H1: transformational leadership has a positive and significant effect on employee engagement
 - H2: empowerment has a positive and significant effect on employee engagement
 - H3: transformational leadership has a positive and significant effect on job satisfaction
 - H4: empowerment has a positive and significant effect on job satisfaction
 - H5: job satisfaction has a positive and significant effect on employee engagement
 - H6: job satisfaction can mediate transformational leadership with employee engagement
 - H7: job satisfaction can mediate empowerment with employee engagement.

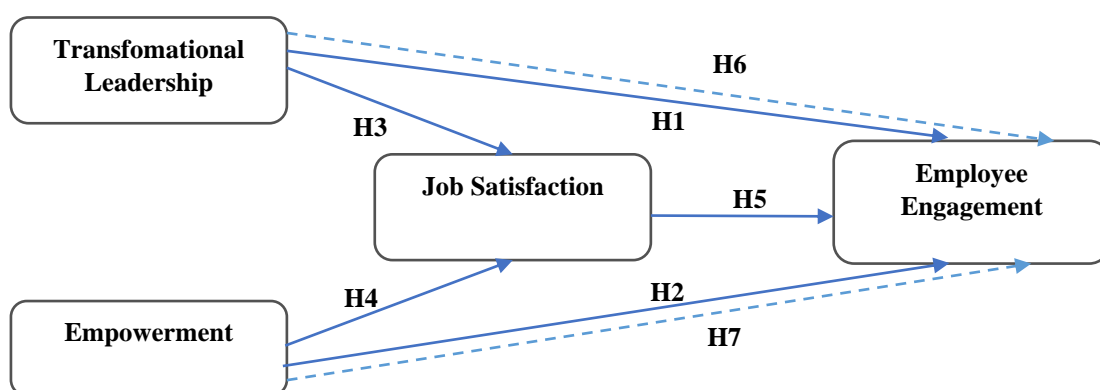


Figure 1. Conceptual Framework

RESEARCH METHODS

This research was conducted using a quantitative field study method with a research population of employees of a flour producing joint venture company whose center operates in Jakarta, Indonesia. The research sample was selected using cluster sampling technique and the number was 56 people.

Research data in the form of primary data was taken using an instrument/measuring tool in the form of a questionnaire in the form of a Likert scale which measures transformational leadership, empowerment, job satisfaction and employee engagement. Data collection was carried out in the first week of November 2023. Next, the data was processed using the SmartPLS4 application. The design used in this research is Outer Model testing, Inner Model testing, hypothesis testing using the Structural Equation Model (SEM). In this research, transformational leadership and empowerment act as exogenous variables, employee engagement as an endogenous variable, and job satisfaction as a mediator.

RESULT AND DISCUSSION

Description of Respondents

Table 1 below shows an overview of the research respondents who participated in this study:

Table 1. Respondents' Description

No.	Characteristic	Frequency (people)	Percentage (%)
1.	Gender		
	Male	47	83.9
	Female	9	16.1
2.	Last education		
	High school	8	14.3
	D3	3	5.3
	S1/D4	41	73.2
	S2	4	7.2
3.	Age		
	21-40 years old	27	48.2
	41-60 years old	29	51.8
5.	Position		
	Manager	15	26.8
	Assistant Manager	13	23.2
	Supervisor	20	35.7
	Staff	8	14.3
Total		56	100

Source: Research data, 2023

Reliability and Validity

The results of reliability and validity tests for measuring each variable can be seen in table 2 and table 3 below:

Table 2. Reliability

	Cronbach's alpha	Reliability
Employee Engagement	0.812	Very reliable
Empowerment	0.897	Very reliable
Job Satisfaction	0.873	Very reliable
Transformational Leadership	0.936	Very reliable

Source: Research results, 2023

Table 3. Validity

	Average variance extracted (AVE)	Convergent Validity
Employee Engagement	0.728	Valid
Empowerment	0.707	Valid
Job Satisfaction	0.570	Valid
Transformational Leadership	0.840	Valid

Source: Research results, 2023

Multicollinearity

Multicollinearity indicates the existence of intercorrelation or the existence of a strong correlation between indicators. If the results of the Variance Inflation Factor (VIF) < 5, it can be said that there is no multicollinearity problem so hypothesis testing can be carried out. The following table 4 shows the VIF of transformational leadership, empowerment, job satisfaction, and employee engagement

Table 4. Collinearity Test

	Employee Engagement	Empowerment	Job Satisfaction	Transformational Leadership
Employee Engagement				
Empowerment	3.428		2.281	
Job Satisfaction	2.665			
Transformational Leadership	2.354		2.281	

Source: Research results, 2023

From the table 4 above it is known that VIF < 5 thus there is no multicollinearity problem so that hypotheses testing can be carried out.

Outer Loading

The outer model test aims to specify the relationship between latent variables and their indicators. Outer loading values below 0.6 are discarded because they indicate that the measurement of this indicator does not have good validity. The following is table 5 which contains loading factors to show the magnitude of the correlation between indicators and latent variables.

Table 5. Outer Loading

	Employee Engagement	Empowerment	Job Satisfaction	Transformational Leadership
EE1	0.903			
EE2	0.854			
EE3	0.800			
E1		0.862		
E2		0.848		
E3		0.856		
E4		0.825		
E5		0.811		
JS1			0.718	
JS2			0.802	
JS4			0.721	
JS5			0.781	
JS6			0.695	
JS7			0.688	
JS8			0.862	
TL1				0.922
TL2				0.955
TL3				0.909
TL4				0.879

Source: Research results, 2023

Structural Model

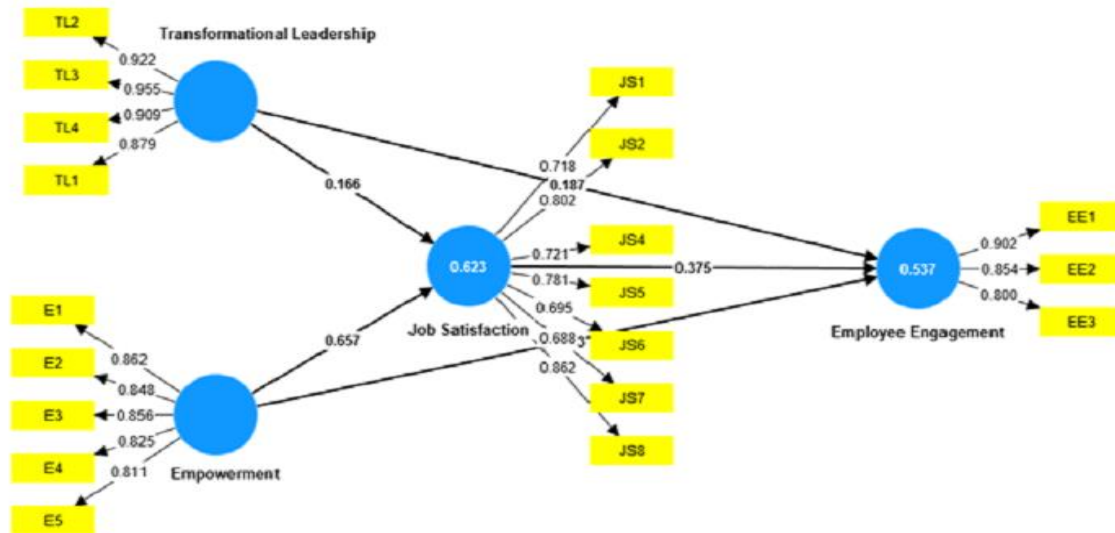


Figure 2. Structural Model
Source: Research results, 2023

R Square

The coefficient of determination (R^2) is a way to assess how large an endogenous construct can be explained by exogenous constructs. Table 6 shows R^2 from transformational leadership, empowerment and job satisfaction to employee engagement.

Table 6. R^2

	R^2
Employee Engagement	0.537
Job Satisfaction	0.623

Source: Research results, 2023

Based on the results listed in table 6, it can be said that 62.3% of job satisfaction can be explained by transformational leadership and empowerment, 37.7% is explained by other factors outside the exogenous variables in this research. Then 53.7% of employee engagement can be explained by transformational leadership, empowerment and job satisfaction, while 46.3% of employee engagement is explained by other factors that not examined in this research.

F Square

Effect size (f^2) shows the strength of influence that exogenous variables have on endogenous variables. Table 7 shows f^2 from transformational leadership, empowerment and job satisfaction to employee engagement.

Table 7. f^2

	Employee Engagement	Empowerment	Job Satisfaction	Transformational Leadership
Employee Engagement				
Empowerment	0.037		0.503	
Job Satisfaction	0.114			
Transformational Leadership	0.032		0.032	

Source: Research results, 2023

Based on the data processing results listed in table 7, it is known that the effect of empowerment on employee engagement is weak ($f^2 = 0.037, <0.15$). The effect of job

satisfaction on employee engagement is also weak ($f^2 = 0.114, <0.15$). The effect of transformational leadership on employee engagement is weak ($f^2 = 0.032, <0.15$). Another result is that the influence of empowerment on job satisfaction is strong ($f^2 = 0.503, >0.35$). The influence of transformational leadership on job satisfaction is weak ($f^2 = 0.032, <0.15$).

Hypotheses Testing

We can see the direct influence of each exogenous variable on the endogenous variable in table 8 below:

Table 8. Direct Effect

	Original Sample (O)	P Values
Empowerment ► Job Satisfaction	0.657	0.000
Empowerment ► Employee Engagement	0.490	0.002
Job Satisfaction ► Employee Engagement	0.375	0.029
Transformational Leadership ► Job Satisfaction	0.166	0.225
Transformational Leadership ► Employee Engagement	0.249	0.121

Source: Research results, 2023

Based on the results in table 8 it can be concluded that:

H1 is rejected, transformational leadership has a positive effect (path coefficient = 0.249) but not significant (p-value = 0.121, >0.05) on employee engagement

H2 is accepted, empowerment has a positive (path coefficient = 0.490) and significant (p-value = 0.002, <0.05) effect on employee engagement;

H3 is rejected, transformational leadership has a positive effect (path coefficient = 0.166) but not significant (p-value = 0.225, >0.05) on job satisfaction;

H4 is accepted, empowerment has a positive (path coefficient = 0.657) and significant (p-value = 0.000, <0.05) effect on job satisfaction;

H5 is accepted, job satisfaction has a positive (path coefficient = 0.375) and significant (p-value = 0.029, <0.05) effect on employee engagement.

Whether job satisfaction can mediate transformational and empowerment with employee engagement, it can be concluded from the indirect effect results in table 9 below:

Table 9. Indirect Effect

	Original Sample (O)	P Values
Transformational Leadership ► Job Satisfaction ► Employee Engagement	0.062	0.298
Empowerment ► Job Satisfaction ► Employee Engagement	0.246	0.065

Source: Research results, 2023

H6 is not accepted, positively (path coefficient = 0.062) job satisfaction is able to mediate transformational leadership with employee engagement, but not significantly (p-value = 0.298, >0.05);

H7 is not accepted, positively (path coefficient = 0.246) job satisfaction is able to mediate empowerment with employee engagement, but not significantly (p-value = 0.065, >0.05).

Discussion

The Effect of Transformational Leadership on Employee Engagement

The results obtained from this research show that transformational leadership has a positive effect (path coefficient = 0.249) but not significant (p-value = 0.121, >0.05) on employee engagement. This could be because employee engagement in the sample group of respondents was more influenced by other factors outside transformational leadership.

Another possibility is that employee engagement in the sample group is significantly influenced by leadership styles other than transformational style.

The Effect of Empowerment on Employee Engagement

In this research, empowerment has a positive (path coefficient = 0.490) and significant (p-value = 0.002, <0.05) effect on employee engagement. These results are in line with research's result from (Meng & Sun, 2019; Monje-Amor et al., 2021; Yuliandi & Tahir, 2019). In this way, the company from which this research data is collected can utilize this information by increasing empowerment so that employee engagement can continue to enhance.

The Effect of Job Satisfaction on Employee Engagement

In this research, it was found that job satisfaction has a positive (path coefficient = 0.375) and significant (p-value = 0.029, <0.05) effect on employee engagement. Thus, these results are also the same as the results of research (Hossen et al., 2020; Tepayakul & Rinthaisong, 2018; Vorina et al., 2017). Thus, efforts to increase employee satisfaction are important for companies to carry out so that they can continue to enhance employee engagement.

Job Satisfaction As Mediator

This research found that job satisfaction can mediate between transformational leadership and employee engagement, it can also mediate empowerment and employee engagement but not significant. In fact, empowerment can have a significant direct effect on employee engagement. Thus, job satisfaction should not act as a mediator but as an exogenous variable.

CONCLUSION

The conclusion of this research are: 1) Transformational leadership has a positive effect but not significant on employee engagement; 2) Empowerment has a positive and significant effect on employee engagement; 3) Transformational leadership has a positive effect but not significant on job satisfaction; 4) Empowerment has a positive and significant effect on job satisfaction; 5) Job satisfaction has a positive and significant effect on employee engagement; 6) Job satisfaction is able to mediate transformational leadership with employee engagement positively, but not significant; and 7) Job satisfaction is able to mediate empowerment with employee engagement positively, but not significant.

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