



## THE IMPACT OF *EMPLOYEE ENGAGEMENT* ON ORGANIZATIONAL CULTURE AND *LEADERSHIP STYLE* ON *EMPLOYEE PERFORMANCE*

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### **Abstract**

*The Research aims are to measure performance by the achievement or success of employees in carrying out their duties and the parameters of the success of achieving targets. Finally, this paradigm can build organizational progress if the organization has cultivated a standard order, values, and commitment. This research method uses analysis of the measurement method (outer model) to determine whether the measurement can use to show valid and reliable information. Convergent validity, discriminant validity, and composite reliability are indicators of the outer model analysis in this study. The study results explain that almost all positive hypotheses are significant, except for the third hypothesis, with a p-value of  $0.263 > 0.05$ , and the sixth hypothesis, P values of  $0.0275 > 0.05$ .*

**Keywords:** *Employee Engagement, Organizational Culture, Style Transformational Leadership, Employee Performance*

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### **INTRODUCTION**

Changes in bureaucratic reform build high public expectations and demands on the Government (both Central and Regional Governments) to run the wheels of Government and provide services to the community. It also applies to the performance standards of government officials (State Civil Apparatus/ASN) at the provincial and regional levels. Law Number 5 of 2014 concerning State Civil Apparatus (ASN) states that the performance appraisal of ASN employees must carry out in an objective, measurable, accountable, participatory, and transparent manner, which can do by considering the opinions of superiors, colleagues, and subordinates.

Evaluation (*performance*) This ASN employee performance aims to ensure the objectivity of ASN employee development based on achievement and career systems. Law Number 5 of 2014 (especially Article 55, paragraph 1 point h) states that performance appraisal is part of the performance aspect and is one of the main requirements of an ASN employee.

Performance can interpret by the achievement or success of employees in carrying out their duties and the parameters of the success of achieving targets. Finally, this paradigm can build organizational progress if the organization has cultivated a standard order, values, and commitment. Cultural order can manifest organizational behavior, and their shared commitment to these values and the stronger the culture is Wibowo (2010:363). Employees who already understand the organization's overall values will make these values a personality of the organization.

*Employee engagement* (employee engagement) is now essential in seeing the extent to which employees in organizations and organizations feel that they are a necessary part of the organization and organization so that enthusiasm and concern for the organization form. It may achieve if organizational leaders actively build involvement in every employee. In line with the opinion expressed by

Rachmawati (2013) that to measure the level of organizational *employee engagement*, commitment, concern, level of satisfaction, and understanding of the work and organization of each employee, the participation of local leaders must consistently be increased.

## **Literature review**

### **Employee performance**

Performance appraisal plays an essential role in human resource management. However, there are many evident and unclear issues, such as bias and the tendency for supervisors to rate everyone on average distort the process (Dessler, 2013). The implementation of this assessment is to create achievement or performance for employees as the primary source of strength for each organization.

Performance is a person's success in accomplishing tasks and work results that a person or group can achieve in an organization following their respective authorities and responsibilities.

How a person expects to function and behave is based on the tasks assigned to him and the work's quantity, quality, and duration (Sutrisno, 2011). Then, Robbins (2007) defines performance as the outcome of an employee's work by the job's requisite criteria.

Sutrisno (2016) explains that performance results from an employee's work in terms of quality, quantity, working time, and cooperation to achieve the organization's goals. Then, Robbins (2007) defines performance as the outcome of workers in their jobs by specific criteria relevant to those roles.

As defined by Sutrisno (2016), performance results from an employee's efforts to meet organizational objectives through a combination of high-quality output, sufficient work hours, and effective teamwork. Then, according to Robbins (2007), performance is defined as the result that employees achieve in their work by specific criteria that apply to a job.

According to Sutrisno (2016), performance is the result of an employee's work in terms of quality, quantity, working time, and cooperation to achieve the goals set by the organization. According to Mangkunegara (2017), performance is the result of work in quality and quantity completed by an employee in carrying out his duties by the responsibilities given to him. Fahmi (2017) states that performance results from a process that refers to and measure over a specific time based on pre-determined provisions or agreements. According to Torang (2014), performance is the quantity or quality of the work of individuals or groups within the organization in carrying out primary tasks and functions that guide by norms, standard operating procedures, criteria, and measures established or applicable in the organization.

### **Employee Performance with Organizational Culture**

Organizational culture is a set of basic assumptions and beliefs held by members of the organization, then developed and inherited to overcome the problems of external adaptation and internal integral issues. Pabundu (2010). Organizational culture is the values and norms adopted and carried out

by an organization related to the environment in which it carries out its activities (Erni, 2006). A solid organizational culture shows high agreement among its members about what the organization stands for. Such determination and unity will build cohesiveness and loyalty and ultimately maintain a commitment to the organization.

Culture is a significant factor in increasing organizational productivity. According to Deal and Kennedy et al. in Filsa (2007), corporate culture can be the main instrument of competitive advantage when organizational culture supports organizational strategies and can respond to or overcome environmental challenges quickly and appropriately. The success of an organization will significantly depend on the performance of employees. If there is a culture that is not conducive, it will result in employees not being motivated to carry out their duties.

### **Transformational Leadership**

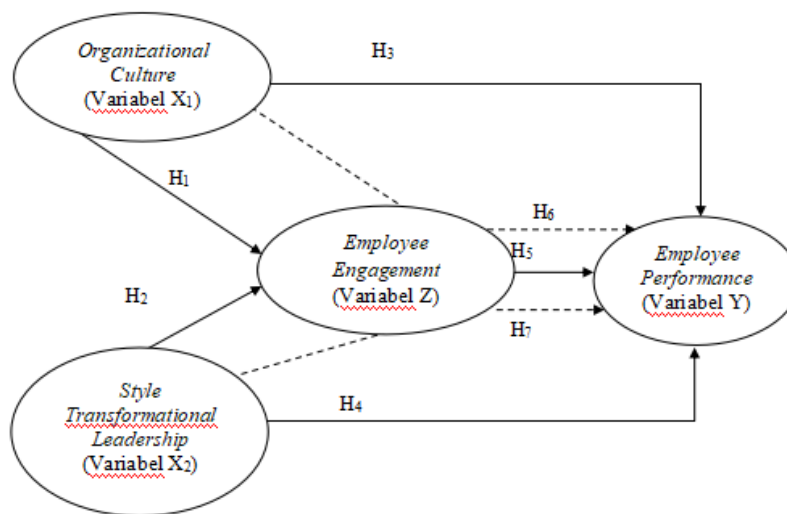
Suwatno and Priansa (2013) a transformational leader is a transformational leader who has a clear vision and a holistic picture of the organization in the future when all its goals and objectives get achieved. Transformational leaders pay attention to the concerns and developmental needs of each follower, transformational leaders change followers' awareness of problems by helping them look at old problems in new ways, and they can excite, excite, and inspire followers. To expend extra effort to achieve group goals (Awaludin, 2017).

According to Bass's theory in Yukl (2015), transformational leadership is a condition in which followers feel trust, admiration, loyalty, and respect for the leader and are motivated to do more than initially expected of them. Leaders change and encourage followers by making them more aware of the importance of task outcomes, persuading them to put the interests of their team or organization above their interests, and activating their higher-order needs. Transformational leadership is a leadership perspective that explains how leaders change a group or organization by creating, communicating, and modeling a vision for the organization or work unit and inspiring employees to strive to achieve that vision (Wibowo, 2017).

### ***Employee engagement***

Wilmar Schaufeli (2013: 6) explains that *employee engagement* is a state of mind characterized by *vigor*/ strength (high energy levels and investing effort in work), *dedication* (work involvement experiences a sense of pride and enthusiasm in position), and *absorption*. (Entirely concentrated and enjoy work). Other than that, *employee engagement* is an intense emotion. Employees have intellectual relationships with their work, organization, manager, or co-workers, which in turn will influence them to give more effort to their work (Vibrayani, 2012) and be committed to goals, using all their abilities. To complete the task, maintain his behavior while working, ensure that he has completed the job well

by the objectives, and is willing to take corrective or evaluation steps if necessary (Paul L Marciano, 2010:42).



### Research Hypothesis

The hypothesis in the form of a question sentence, then the theory that the author proposes is as follows:

- H 1: There is a correlation between the *organizational culture of Regional Apparatus in Serang City and the performance* of its employees.
- H 2: At Regional Apparatus in Serang City, there is a *correlation between the transformational leadership style and the employee's level of performance*.
- H 3: On Regional Devices in Serang City, the *organizational culture* affects the degree to which *employees are engaged* in their work.
- H 4: Within Regional Apparatus in Serang City, there is an *effect that the transformational leadership style has on the organizational culture*.
- H 5: At Regional Apparatus in Serang City, there is a correlation between the level of *employee engagement* and the level of *employee performance*.
- H 6: In Regional Apparatuses in Serang City, *organizational culture* can influence *employee performance*; however, *employee engagement* can act as a mediator between the two.
- H 7: The effect of a *transformational leadership style* on *employee performance* in Regional Apparatus in Serang City can moderate by *employee engagement* in the organization.

## Research methods

The analysis technique uses *Partial Least Squares (PLS)* as a variance-based structural equation that allows the simultaneous testing of measurements and structural models.

### Measurement Method (Outer Model)

Analysis of the measurement method (*outer model*) used to determine whether the measurement can be used as a measurement to show valid and reliable information. Convergent validity, discriminant validity, and composite reliability are indicators of the *outer model analysis* in this study.

The analysis of the measurement method (*outer model*) explains the relationship between latent variables and their indicators. In other words, the measurement method (*external model*) can determine the relationship between each hand and its latent variables. The following tests the measurement method (*external model*):

#### 1. *Convergent Validity.*

Convergent validity defines as the correlation between item scores/component scores calculated using PLS and *loading factor* on latent variables and their indicators and the correlation between item scores/component scores calculated using PLS and *loading element*. A reflexive measure considers high if it has a correlation coefficient greater than 0.70 with the constructed effort. Ghozali (2015) states that a *loading value* of 0.5 to 0.6 is considered adequate for research in the early stages of developing a measurement scale.

#### 2. *Discriminant Validity.*

*Discriminant validity* is the value of the cross-loading factor that can use to determine whether a construction has sufficient discriminatory power, especially by comparing the loading value of the structure concerned with the loading value of other systems.

If the loading value on the corresponding construct is greater than the loading value on the other constructs, this indicates that the latent construct predicts its block size accurately. Excellent compared to different block sizes. Another way to assess discriminant validity is to compare the root value of the *average variance extract (AVE)* for each construct with the correlation value between that construct and other constructs in the model. Assume that the root of the *intermediate variance extract (AVE)* is greater than the correlation coefficient between the construct and other constructs in the model. The construct is said to have a high discriminant validity value in this case (Ghozali, 2015)

#### 3. *Composite Reliability*

*Composite reliability* is a construct that can evaluate using two different measures, namely internal consistency, developed by Wert *et al.* (1979). Data that is considered reliable has a composite reliability greater than 0.7. The following formula can use to calculate composite reliability based on PL S output.

### **Structural Model (Inner Model)**

The structural model test (*inner model*) uses to determine the correlation between the measured constructs, similar to the t-test used for partial least squares. The structural model (*inner model*) can quantify by examining the value of the R-square model, which indicates the level of influence of the model variables. The R-squared test for the dependent construct, the Stone-Geisser Q-square test for predictive relevance, and the t-test and significance of the coefficients of structural path parameters use to evaluate the structural model. The R-squared for each latent variable calculates when considering the PLS model, with the dependent interpretation identical to the regression interpretation.

Changes in the R-square value can use to determine whether certain independent latent variables have a significant effect on the latent dependent variable. Along with the R-square model, the PLS model evaluates to establish model relevance using the Q-square-predictive model. Q-square shows how well the model generates the observed values and estimated parameters. Ghazali and Latan (2012).

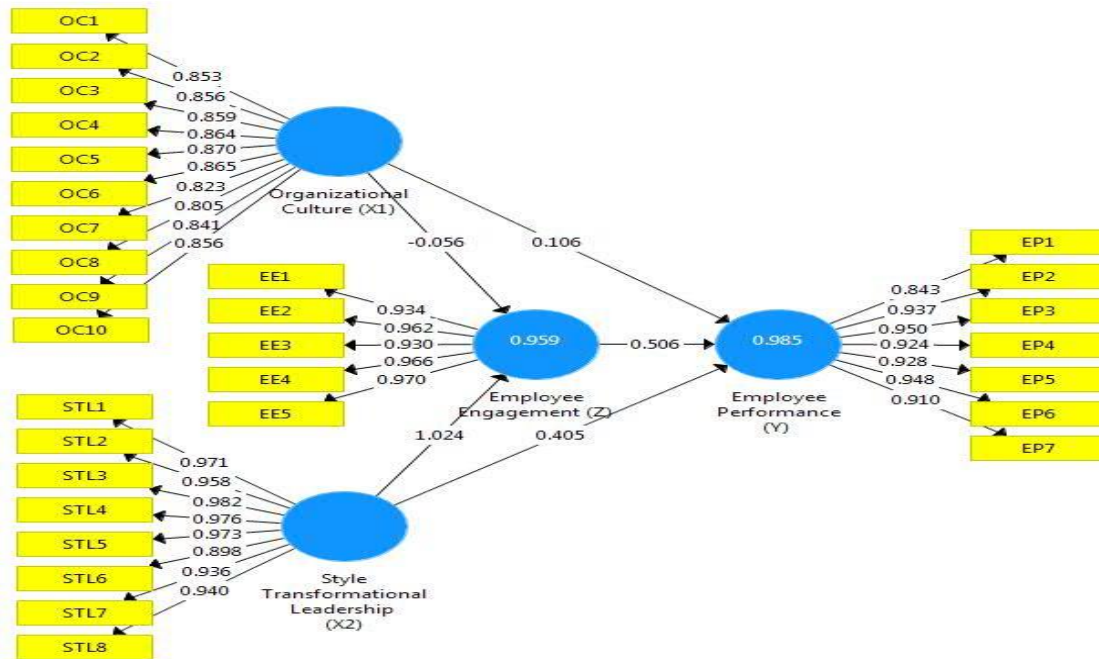
## **Result**

### **Evaluation of the Measurement Model (*Outer Model*)**

*outer model* test or commonly known as the *loading factor test*, is used to show the weight of each indicator as a measure of each construct. An arrow with a significant *loading factor* indicates that the needle is a measure of the strongest (dominant) variable and vice versa. The results of this testing research measure the research model's validity and reliability, which can show the relationship between measurement indicators and latent variables in the study. This validity measurement consists of *convergent* and *discriminant validity*, while the reliability measurement uses *composite reliability* and *Cronbach's alpha*. Based on the evaluation of the research model, the following results follow:

### **Testing the Validity of Research Results**

The Structural Equation Model with the *Partial Least Square (PLS) approach* was first tested or analyzed for the empirical model of the research. The results analysis of the practical model research will present in the following figure:



### Convergent Validity Test

The results of the outer analysis of the convergent validity parameter using the PLS Algorithm and the results used as parameter interpretations were the loading factor values. The research of the built model shows that the loading factor indicator value of *organizational culture*, *transformational leadership style*, *employee engagement*, and *Employee Performance variables*. Because using the 2nd order analysis, the results of the study of all dimensions of *organizational culture* indicators, *transformational leadership style* indicators, *employee engagement* indicators, and *Employee Performance indicators*. Suppose the loading factor value is valid if it is more significant than 0.7. The loading factor limit used in this research is 0.7.

### Average Variance Extracted (AVE)

In addition to observing the value of cross-loading, discriminant validity can also know through other methods, namely by looking at the average variant extracted (AVE) value for each indicator. It requires that the matter be > 0.5 for a good model (Ghozali & Latan, 2012). The value of *discriminant validity* in the results of this study is in the following table.

*Average Variance Extracted (AVE)*

	<i>Average Variance Extracted (AVE)</i>
<i>Organizational culture (X<sub>1</sub>)</i>	0.722

<i>Transformational leadership style (X<sub>2</sub>)</i>	0.912
<i>Employee engagement (Z)</i>	0.907
<i>Employee Performance (Y)</i>	0.847

*Processed primary data (2022)*

### ***Cronbach's Alpha Reliability and Composite Reliability***

To test the outer model, the researcher uses convergent and discriminatory validity. The researcher also uses the composite reliability value to measure construct reliability or latent variables. If the value on composite reliability shows a number above 0.7, it can be said to be reliable. The following are the results of the tests carried out through SmartPLS:

### ***Cronbach 's Alpha and Composite Reliability***

<i>Construct Reliability and Validity</i>		
<b>Variable</b>	<b><i>Cronbach's alpha</i></b>	<b><i>Composite Reliability</i></b>
<i>Organizational Culture (X1)</i>	0.957	0.963
<i>Transformational Leadership Style (X2)</i>	0.986	0.988
<i>Employee Engagement (Z)</i>	0.974	0.980
<i>Employee Performance (Y)</i>	0.970	0.975

### **Path Coefficient**

This test uses a structural model (*inner model*) to see the relationship between the construct and the *R-square* of the research model. The structural model evaluates using *R-square* for the dependent construct (Ghozali, 2011). The limit for rejecting and accepting the proposed hypothesis is  $\pm 1.98$ , where if the T-statistic value is more significant than T-table (1.98), then the theory is accepted; otherwise, if the T-statistic value is smaller than T-table (1, 98), then the idea is rejected. The *inner model* in this study is as follows:

### **The Influence of Organizational Culture on Employee Performance**

Testing hypothesis 1 (H1) shows that the direct influence of *organizational culture* on *employee performance* obtain by the path coefficient value of 0.106 (positive) with a t-statistic value of 3.618 and a t-table value of 1.98 ( $3.618 > 1.98$ ) and a p-value of  $0.00 < 0.05$ . These results prove that



*organizational culture* has a positive and significant effect on *Employee Performance*. Then hypothesis 1 (H1) states that the higher the *corporate culture*, the higher the *Employee Performance*, so the hypothesis is accepted.

### **The Effect of Transformational Leadership Style on Employee Performance**

Testing hypothesis 2 (H2) shows that the direct influence of the *transformational leadership style variable* on *Employee Performance* obtained a path coefficient value of 0.405 (positive) with a t-statistic value of  $4.047 > t\text{-table } 1.98$  and a p-value of  $0.00 < 0.05$ . These results prove that *the transformational leadership style* positively and significantly affects *Employee Performance*. Then hypothesis 2 (H2) states that the higher *the transformational leadership style*, the higher the *Employee Performance*, so the hypothesis is accepted.

### **The Effect of Organizational Culture on Employee Engagement**

Testing hypothesis 3 (H3) shows that the direct influence of *organizational culture* on *employee engagement* obtain by a path coefficient value of -0.056 (negative) with a t-statistic value of  $1.120 < t\text{-table } 1.98$  and a p-value of  $0.263 > 0.05$ . These results prove that *organizational culture* does not affect *employee engagement*. Then hypothesis 3 (H3) states that the higher the *corporate culture*, the higher the level of *employee engagement*, so the hypothesis reject.

### **The Effect of Transformational Leadership Style on Employee Engagement**

Testing hypothesis 4 (H4) shows that the direct effect of the *transformational leadership style variable* on *employee engagement* is the path coefficient value of 1.024 (positive) with a t-statistic value of  $25.014 > t\text{-table } 1.98$  and a p-value of  $0.00 < 0.05$ . These results prove that *the transformational leadership style* positively and significantly affects *employee engagement*. Then hypothesis 5 (H5) states that the higher *the transformational leadership style*, the higher the *employee engagement*, so the hypothesis is accepted.

### **Employee Engagement Effect Against Employee Performance in Regional Apparatus**

Testing hypothesis 5 (H5) shows that the direct influence of the *employee engagement variable* on *Employee Performance* obtain by a path coefficient value of 0.506 (positive) with a t-statistic value of  $5.223 > t\text{-table } 1.98$  and a p-value of  $0.00 < 0.05$ . These results prove that *employee engagement* has a positive and significant effect on *Employee Performance*. Then hypothesis 5 (H5) states that the higher the *employee engagement*, the higher the *Employee Performance*, so the hypothesis is accepted.

H6 Mediation 1: the indirect influence of the mediating role of *Employee Engagement* with *Organizational Culture* on *Employee Performance* The value of the *coefficient intervals for the original*

sample is -0.029 with a *T* statistic of  $1.093 < T \text{ table } 1.98$  and *P* values of  $0.0275 > 0.05$ . These results indicate that *Employee Engagement's* role cannot mediate *Organizational Culture's* influence on *Employee Performance*.

H7 Mediation 2: the indirect influence of the mediating role of *Employee Engagement* with *Transformational Leadership Style* on *Employee Performance* The acquisition of the *coefficient intervals* for the original sample is 0.518 with a *T* statistic of  $4.855 > T \text{ table } 1.98$  and *P* values of  $0.00 < 0.05$ . These results indicate that the role of *Employee Engagement* can mediate the influence of *Transformational Leadership Style* on *Employee Performance*.

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