

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Transformational Leadership and Employee Engagement: Empirical Evidence in the Employment Sector for the Plywood Industry in Indonesia

Firdaus

Lecturer, Department of Management,
Islamic University of Kalimantan Muhammad Arsyad Al Banjari Banjarmasin, Indonesia

Herlina Lusiana

Lecturer, Department of Management,
Islamic University of Kalimantan Muhammad Arsyad Al Banjari Banjarmasin, Indonesia

Burhannudin

Tutorize, Department of Social Sciences, and Politics,
State Administration Banjarmasin Open University, Indonesia

Bustani

Alumni, Department of Management,
Islamic University of Kalimantan Muhammad Arsyad Al Banjari Banjarmasin, Indonesia

Abstract:

Employee engagement aids the organization's achievement of its objectives. Among HR professionals and academics, employee engagement has become a hot topic, with some saying that it is a critical driver of business success. Meanwhile, engaged employees love their work more and turn that pleasure into more productive actions. Consequently, we propose this new concept. This research is explanatory research with a quantitative approach to interpret the influence of transformational leadership on employee engagement and explain the dimensions of transformational leadership. The investigation was carried out in the plywood industry's labor supply sector, on the large island of South Kalimantan in Indonesia. The population is 4,200 workers with 343 workers involved in the sample. Simple linear regression was used to analyze the data using SPSS Version 23 for Windows. The findings from the regression support the 5 hypotheses. Transformational leadership has a significant positive effect on employee engagement. Likewise, the 4 dimensions of transformational leadership (ideal influence, intellectual stimulation, inspirational motivation, and individual considerations) have a significant positive effect on employee engagement.

Keywords: Transformational leadership, employee engagement, plywood, SPSS

1. Introduction

Employee engagement has been a hot topic among HR professionals and researchers for the past 20 years (Amor et al., 2020), with some claiming that it is the most important factor in an organization's success (Ariyani & Hidayati, 2018; Besieux et al., 2015; Milhem et al., 2019). Employee engagement refers to how people use their own abilities to execute their jobs (Kahn, 1990). Employee engagement is a three-dimensional motivating state in the workplace that includes energy, devotion, and absorption (Martinez et al., 2020). Employees keep a steady level of job engagement and strive in situations that exhibit a solid relationship between a company and individual values in a stable work environment (Arokiasamy & Tat, 2020; Edelbroek et al., 2019; Shokory & Suradi, 2018). Meanwhile, engaged employees love their work more and convert that enjoyment into more productive action. As a result, we propose this new concept, which connects the role of transformative leadership.

True leadership is essential in a competitive sector to guide subordinates so that they share goals, attitudes, and values while working to achieve organizational strategy (Gautam & Enslin, 2019; Vila-Vázquez et al., 2018). Employees respond to transformational leadership because it helps them to internalize values and become more invested in their work (Asante, 2015; Beato & Velkova, 2017; Chua & Ayoko, 2019; Jaya & Rahyuda, 2020). Transformational leadership emphasizes the ability to recognize prospective followers, as well as the ability to encourage and motivate subordinates to their maximum potential (Arokiasamy & Tat, 2020). When members are frustrated at work, transformational leaders give personal attention to them, strive to understand their needs and offer emotional support (Lai et al., 2020; Li et al., 2018). A leadership style that stresses innovative communication, development, work distribution, and autonomy might help to eliminate workplace friction (Sahu et al., 2017). Among the several leadership styles that have been established, transformational leadership appears to fulfill the needs of innovative leaders. Transformational leadership is implicated in the development in employee engagement, as revealed by numerous latest researches showing that transformational

leadership boosts employee engagement (Amor et al., 2020; Arokiasamy & Tat, 2020; Chua & Ayoko, 2019; Lai et al., 2020; Martinez et al., 2020; Muhammad et al., 2020; Ree & Wiig, 2020), however, there are still disagreements over the outcomes, for example (Balwant, 2019). To address this knowledge gap, this study examines the impact of transformational leadership on employee engagement in the plywood industry sector on Indonesia's massive island of South Kalimantan, focusing on the impact of each transformational leadership dimension (ideal influence, intellectual stimulation, inspirational motivation, and individual consideration).

2. Literature Review

2.1. Transformational Leadership Relationship with Work Engagement

Transformational leadership is defined as a leader's ability when members are frustrated at work, can pay personal attention to them, seek to understand their needs and offer emotional support (Lai et al., 2020). Employee engagement is defined as individuals' use of their own abilities to perform tasks (Kahn, 1990). The concept of work (or employee) engagement arose from the explanation of job-related personal participation. Meaning, security, and availability are three psychological states that are all crucial in work-related engagement. Personal engagement is defined as a person's preference for task behaviors that foster connection to work and people, personal presence (physical, cognitive, and emotional), and active, full-role performance while working and self-expressing at the same time (Kahn, 1990). Other work-related ideas that demonstrate a favorable attitude toward work are linked to employee engagement directly (Toth et al., 2021). Employees are encouraged by transformational leaders who increase their optimism and decrease their discontent. According to systematic review, employees engage in the workplace after they have a clear understanding of their role and a high level of optimism (Lai et al., 2020).

Leaders who are transformational are role models who prioritize the needs of the group over their own (Chua & Ayoko, 2019). Employees show their appreciation for transformational leadership by actively participating in the workplace. Employees feel obligated to participate in the workplace when transformative leaders demonstrate genuine concern for their followers through intellectual stimulation and individual attentiveness. Furthermore, Transformational leaders are morally mature; they influence employee behavior and attitudes to improve moral reasoning in their followers. Employees' participatory decision making, greater autonomy, and feedback-seeking behavior were positively related to transformational leadership styles, according to some empirical studies (Amor et al., 2020; Arokiasamy & Tat, 2020; Chua & Ayoko, 2019; Lai et al., 2020; Martinez et al., 2020; Muhammad et al., 2020; Ree & Wiig, 2020). Employees are more engaged in the workplace when they feel they have more job satisfaction, autonomy, and participation. Employees are more engaged at work when transformational leaders give them meaningful work to do.

The following hypothesis are proposed based on this evidence:

- H1: transformational leadership has a significant positive effect on employee engagement
- H1a: ideal influence has a significant positive effect on employee engagement
- H1b: inspirational motivation has a significant positive effect on employee engagement
- H1c: intellectual stimulation has a significant positive effect on employee engagement
- H1d: individual considerations have a significant positive effect on employee engagement

3. Methodology

3.1. Type, Location and Time of Research

This is an explanatory study that uses a quantitative technique to analyze the impact of transformational leadership on employee engagement and the transformative qualities described. The research was conducted in the labor supply sector for the plywood industry, PT. CakraKencana Lestari on the large island of South Kalimantan in Indonesia. Research time January 2021 to July 2021.

3.2. Population, Sample, Data Collection Techniques, and Data Analysis Methods

The determination of the sample using the slovin formula with an error of 5%.so, the research sample involved 343 workers with a random sample from a total population of 2,400 workers. The online questionnaire was carried out via a google form by sending it to the worker's WhatsApp group. To address the given hypothesis, data analysis used linear regression and hypothesis testing. However, the data's validity and trustworthiness, as well as the traditional assumptions, must be proved first. The analytical tool is SPSS Version 23 for Windows.

4. Research Results

4.1. Results of Linear Regression Analysis

	Model 1	Model 2	Model 3	Model 4	Model 5
Regression	EE-TL	EE-TLI	EE-TLIS	EE-TLIM	EE-TLIC
Independent Variable	TL	TLI	TLIS	TLIM	TLIC
Dependent Variable	EE	EE	EE	EE	EE
B	1.005	1.004	.557	.556	.984
Std. Error	.006	.006	.049	.049	.010
Beta	.994	.993	.523	.527	.984
P value	.000	.000	.000	.000	.000
R	.994 ^a	.993 ^a	.523 ^a	.527 ^a	.984 ^a
R Square	.988	.987	.274	.278	.968
Adjusted R Square	.988	.987	.272	.276	.968
Conclusion	H1: accepted	H1a: accepted	H1b: accepted	H1c: accepted	H1d: accepted
*Information	TL: transformational leadership TLI: ideal influence TLIS: intellectual stimulation TLIM: inspirational motivation TLIC: individual considerations EE: employee engagement				

Table 1: Results of Linear Regression Analysis

Source: Primary Data Processed, 2021

The findings revealed that transformative leadership has a positive and significant impact on employee engagement. Transformational leadership explained 98,8% of the variance ($R^2 = 0.988$) of employee engagement. Beta was 0.994 and p-value was 0.00 ($p < 0.05$). This shows that transformational leadership has a significant positive effect on employee engagement. Therefore, H1 is supported. As shown in Table 1 – Model 2, the beta is 0.993. Therefore, the effect of ideal influence has a significant positive effect on employee engagement. Furthermore, it explains the variance (R^2) of employee engagement of 98,7%. P-value 0.00 ($p < 0.05$). Therefore, H1a is supported. Further Table 1 – Model 3, beta is 0.523. Therefore, the influence of intellectual stimulation has a significant positive effect on employee engagement. Furthermore, it explains the variance (R^2) of employee engagement of 27,4%. P-value 0.00 ($p < 0.05$). Therefore, H1b is supported. Next Table 1 – Model 4, beta is 0.527. Therefore, the influence of inspirational motivation has a significant positive effect on employee engagement. Furthermore, it explains the variance (R^2) of employee engagement of 27,8%. P-value 0.00 ($p < 0.05$). Therefore, H1c is supported. And finally, Table 1 – Model 5, the beta is 0.984. Therefore, the influence of individual considerations has a significant positive effect on employee engagement. Furthermore, it explains the variance (R^2) of employee engagement of 96,8%. P-value 0.00 ($p < 0.05$). Therefore, H1d is supported.

4. Discussion and Implication

The impact of transformative leadership on employee engagement in the plywood labor supply sector on Indonesia's major island of South Kalimantan is the subject of this study. This study's findings are in line with prior research studies (Amor et al., 2020; Arokiasamy & Tat, 2020; Chua & Ayoko, 2019; Lai et al., 2020; Martinez et al., 2020; Muhammad et al., 2020; Ree & Wiig, 2020), which found that transformative leadership improves employee engagement. Hypothesis 1, which asserts that transformative leadership has a significant positive effect on employee engagement, is accepted and accounts for 98.8% of employee engagement. This research suggests that in the plywood industry's labor supply sector, a transformational leadership role can improve employee engagement. Furthermore, in the plywood industry's labor supply sector, transformational leadership and employee engagement are essential. To investigate the impact of transformational leadership dimensions on job involvement, researchers discovered that all dimensions of transformational leadership (i.e., ideal influence, inspirational motivation, intellectual stimulation, and individual consideration) has a significant positive effect on engagement. Idealized leadership enables followers to identify with their leaders, making the leader a role model for them. Rather than worrying about personal wants, the leader focuses on the needs of his or her followers. Leaders who serve as role models promote loyalty and devotion while putting their interests on the back burner. Leaders motivate their employees to work effectively, and they are willing to sacrifice and put their interests aside to improve the organization's performance.

This study adds to the realm of academia's theory and practice. The research contributes to theory and practice in a variety of ways. As a result, the current research fills a knowledge vacuum on transformational leadership and employee engagement in the plywood labor supply sector on Indonesia's big island of South Kalimantan. At the same time, the current research stock is being increased. In addition, this study adds to the existing empirical evidence on the influence of transformational leadership qualities. It also has a lot of ramifications for business management because it shows how transformational leadership affects employee engagement in the plywood industry.

5. Conclusions and Suggestions

This study examines the impact of transformational leadership on employee engagement. Next, it focuses on the impact of each dimension on employee involvement in the labor supply sector of the plywood industry on the large island of South Kalimantan in Indonesia. The study revealed that transformational leadership, and each of its dimensions (i.e., idealized influence, intellectual stimulation, motivational inspiration, and individual consideration) had a significant positive effect on employee engagement. The findings suggest that organizations can increase employee engagement by developing transformational leaders in the context of the plywood industry.

6. References

- i. Amor, A. M., Vazquez, J. P. A., &Faína, J. A. (2020). Transformational leadership and work engagement: Exploring the mediating role of structural empowerment. *European Management Journal*, 38(1), 169–178. <https://doi.org/10.1016/j.emj.2019.06.007>
- ii. Ariyani, N., &Hidayati, S. (2018). Influence of transformational leadership and work engagement on innovative behavior. *Etikonomi*, 17(2), 275–284. <https://doi.org/10.15408/etk.v17i2.7427>
- iii. Arokiasamy, A. R. A., & Tat, H. H. (2020). Exploring the influence of transformational leadership on work engagement and workplace spirituality of academic employees in the private higher education institutions in malaysia. *Management Science Letters*, 10, 855–864. <https://doi.org/10.5267/j.msl.2019.10.011>
- iv. Asante, E. (2015). An assessment of transformational leadership and outcomes on employee commitment: a case study of two public sector institutions. *The International Journal of Business & Management*, 3(1), 315–328. www.theijbm.com
- v. Balwant, P. (2019). Stay close! The role of leader distance in the relationship between transformational leadership, work engagement, and performance in undergraduate project teams. *Journal of Education for Business*, 1–12. <https://doi.org/10.1080/08832323.2018.1541851>
- vi. Beato, A., &Velkova, G. (2017). Implementing effective strategies to reduce employee turnover: Retail managers share experiences. *The International Journal of Business & Management*, 5(4), 96–134. www.theijbm.com
- vii. Besieux, T., Baillien, E., Verbeke, A. L., &Euwema, M. C. (2015). What goes around comes around: The mediation of corporate social responsibility in the relationship between transformational leadership and employee engagement. *Economic and Industrial Democracy*, 1–23. <https://doi.org/10.1177/0143831X15614914>
- viii. Chua, J., &Ayoko, O. B. (2019). Employees' self-determined motivation, transformational leadership and work engagement. *Journal of Management and Organization*, 2019, 1–21. <https://doi.org/10.1017/jmo.2018.74>
- ix. Edelbroek, R., Peters, P., &Blomme, R. J. (2019). Engaging in open innovation: The mediating role of work engagement in the relationship between transformational and transactional leadership and the quality of the open innovation process as perceived by employees. *Journal of General Management*, 45(1), 5–17. <https://doi.org/10.1177/0306307019844633>
- x. Gautam, A., &Enslin, E. (2019). Transformational leadership and work engagement in the automotive retail industry: A study of South Africa. *International Business Research*, 12(5), 133–141. <https://doi.org/10.5539/ibr.v12n5p133>
- xi. Jaya, I. W. P., &Rahyuda, A. G. (2020). The influence of transformational leadership and workplace spirituality on employee performance in mediated by organizational commitments in village credit institutions in kediri district. *The International Journal of Business & Management*, 8(6), 90–98. <https://doi.org/10.24940/theijbm/2020/v8/i6/bm2006-028>
- xii. Kahn, W. A. (1990). Psychological conditions of personal engagement and disengagement at work. *Academy of Management Journal*, 33(4), 692–724. <https://doi.org/10.1103/PhysRevB.36.2607>
- xiii. Lai, F. Y., Tang, H. C., Lu, S. C., Lee, Y. C., & Lin, C. C. (2020). Transformational Leadership and job performance: The mediating role of work engagement. *SAGE Open*, 1–11. <https://doi.org/10.1177/2158244019899085>
- xiv. Li, Y., Castaño, G., & Li, Y. (2018). Linking leadership styles to work engagement: The role of psychological capital among Chinese knowledge workers. *Chinese Management Studies*, 1–21. <https://doi.org/10.1108/CMS-04-2017-0108>
- xv. Martinez, I. M., Salanova, M., & Cruz-Ortiz, V. (2020). Our boss is a good boss! Cross-level Effects of transformational leadership on work engagement in service jobs. *Revista de Psicología Del Trabajo y de Las Organizaciones*, 36(2), 87–94. <https://doi.org/10.5093/jwop2020a10>
- xvi. Milhem, M., Muda, H., & Ahmed, K. (2019). The impact of transformational leadership style on employee engagement: Using structural equation modeling (sem). *Foundations of Management*, 11, 33–42. <https://doi.org/10.35631/ijmtss.280016>
- xvii. Muhammad, S., Anjum, T., Afridi, F. K., Ali, W., &Alasan, I. I. (2020). Impact of transformational leadership on project success criteria : The moderating role of work engagement. *PJAEE*, 17(6), 7460–7476.
- xviii. Ree, E., &Wiig, S. (2020). Linking transformational leadership, patient safety culture and work engagement in home care services. *Nursing Open*, 7(1), 256–264. <https://doi.org/10.1002/nop2.386>
- xix. Sahu, S., Pathardikar, A., & Kumar, A. (2017). Transformational leadership and turnover: Mediating effects of employee engagement, employer branding, and psychological attachment. *Leadership and Organization Development Journal*, 39(1), 1–19. <https://doi.org/10.1108/LODJ-12-2014-0243>

- xx. Shokory, S. M., &Suradi, N. R. M. (2018). Transformational leadership and its impact on extra-role performance of project team members: The mediating role of work engagement. *Academy of Strategic Management Journal*, 17(5), 1-6.
- xxi. Toth, I., Hein, S., &Puumalainen, K. (2021). Passionate and engaged? Passion for inventing and work engagement in different knowledge work contexts. *International Journal of Entrepreneurial Behavior & Research*, 27(9), 1-25. <https://doi.org/10.1108/IJEBr-09-2020-0632>
- xxii. Vila-Vázquez, G., Castro-Casal, C., Álvarez-Pérez, D., & Río-Araújo, L. del. (2018). Promoting the sustainability of organizations: Contribution of transformational leadership to job engagement. *Sustainability*, 10, 1-17. <https://doi.org/10.3390/su10114109>