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Leading Through Culture: The Impact of Leadership Style and Organizational Culture on Employee Engagement

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Abstract:

High levels of employee engagement are crucial for achieving this objective. However, recent internal surveys show a decline in engagement, which may be related to leadership style and organizational culture. Prior research indicates that these factors play an important role in shaping employee engagement and must be addressed to enhance overall organizational performance. This study aims to explore the correlation and relationship between leadership style, organizational culture, and employee engagement. The findings will also be connected to evaluate whether these relationships influence the organization's overall performance. This quantitative research utilizes surveys to collect data and applies PLS analysis to examine the interactions among the variables, even when working with moderate sample sizes and non-normal data. Results reveal that both leadership style and organizational culture positively affect employee engagement, with organizational culture showing a stronger impact. Higher levels of both factors contribute to increased employee engagement. In conclusion, the study demonstrates that leadership style and organizational culture significantly influence employee engagement within an organization, such as a telecommunications company.

Keywords: Employee Engagement, Leadership Style, Organizational Culture.

1. INTRODUCTION

Human resources play a vital role in achieving organizational objectives. According to Yuliani (2023), effective human resource management involves planning, developing, and maximizing individual potential while aligning personal goals with the organization's vision. This strategic alignment supports the growth and productivity necessary for organizational success.

The quality of human resources significantly influences an organization's overall performance. Schaufeli et al. (2002) describe employee engagement as a positive mental state that encourages employees to devote themselves and contribute meaningfully to organizational goals. Enhancing engagement is crucial, as engaged employees tend to be more proactive, productive, innovative, and loyal.

A 19.12% decline in perceived fairness within the organization indicates challenges related to employee engagement. Research by Wang et al. (2020) identifies fairness as a core component in fostering engagement, while Saks (2019) notes that employees' willingness to contribute voluntarily decreases when they perceive unfair treatment. To address these issues, it is necessary to examine key factors such as leadership style and organizational culture.

Resilient leadership, as described by Luthans (2021), enables leaders to turn obstacles into opportunities for growth. Leadership style—referring to how leaders interact with and influence others—is crucial in managing organizational dynamics. Transformational leadership has been shown to positively influence digital motivation and organizational culture in the IT and telecommunications sectors (Prakasa, 2020), and it also enhances creative employee engagement.

Sitohang's research emphasizes the importance of leadership in creating emotional bonds between employees and their organization. Leaders who inspire and empower their teams can improve retention and morale. However, preliminary survey results—such as scores of 52% for Intellectual Stimulation and 55% for Individual Consideration—suggest that improvements in leadership style are needed to strengthen its effectiveness.

Organizational culture is equally important, as it reflects an organization's identity and image. A strong culture exists when core values are widely shared and practiced across all members of the organization. This collective mindset represents a unified way of thinking and shapes the overall organizational environment.

A strong organizational culture enhances leadership effectiveness. Culture influences how employees perceive situations

and behave at work, making it a critical determinant of organizational success. Establishing a positive culture fosters trust among employees and creates an environment where leadership can flourish. Research by Azis et al. (2019) concluded that leadership style positively affects employee engagement in several Indonesian telecommunications companies. Likewise, Febriani and Ramli (2023) found that organizational culture and leadership style both positively influence engagement. These findings emphasize the need for further examination of how leadership style and organizational culture affect employee engagement within similar organizational contexts.

The objectives of this study are as follows:

1. To determine the extent to which leadership style influences employee engagement.
2. To determine the extent to which organizational culture influences employee engagement.
3. To analyze the combined effects of leadership style and organizational culture on employee engagement.

2. LITERATURE REVIEW

2.1 Organizational Theory

Effective human resource management relies on an understanding of organizational behavior (also referred to as organizational theory). Jones (2013) defines this field as the study of how organizations operate and respond to their environments. Organizational behavior provides guiding principles for designing, managing, and adapting organizational structures to ensure continued effectiveness. It is commonly viewed through three major perspectives—human relations, the Carnegie viewpoint, and contingency theory—all of which emphasize adaptability, efficient performance, and leadership awareness.

According to Luthans et al. (2021), contemporary organizational behavior functions as a cooperative system grounded in communication and collective commitment to shared goals, shifting away from traditional hierarchical models. Collectively, these theories underscore the central role of human resources in shaping formal organizations through collaboration and goal-oriented interaction.

In summary, organizational behavior forms the basis for how organizations influence, guide, and engage their members—leaders and employees alike—through cooperative mechanisms aligned with the organizational environment to achieve shared objectives.

2.2 Leadership Style

Robbins believes leadership as an ability to influence a group toward achieving a vision or set of goals, with this influence stemming either from formal authority or personal attributes. Luthans explains leadership style as the suitability of a leader's behaviors and approaches relative to present and future organizational needs. Meanwhile, Armstrong and Taylor (2020) describe leadership or "management style" as the way leaders communicate and interact with their teams, stressing the importance of adapting to circumstances, organizational demands, and objectives.

In essence, leadership style can be understood as the approach used by leaders to direct, coordinate, and guide employees in achieving organizational goals effectively.

2.3 Organizational Culture

Wilton (2019) defines organizational culture as a shared set of values, attitudes, and behavioral norms that develop naturally within a group as members accumulate shared experiences. Armstrong and Taylor (2020) describe it as a pattern of implicit assumptions, norms, values, and beliefs that guide behavior and decision-making—an unwritten but collectively accepted system of expectations. Referencing Edgar Schein, Luthans et al. (2021) explain culture as a consistent set of fundamental assumptions formed through an organization's efforts to address internal and external challenges, which later become standards taught to new members.

Thus, organizational culture can be viewed as a collectively accepted system of values, norms, and behavioral standards that guide how problems are solved both inside and outside the organization.

2.4 Employee Engagement

Employee engagement is considered as the sense of enthusiasm, connection, and satisfaction employees feel toward their work. Robbins et al. (2018). Whereas. Luthans et al. (2021) describe it as a meaningful relationship between the organization and its employees, created through mutual value and appropriate support, resulting in emotional commitment to the job and workplace. Wilton (2019), citing CIPD, characterizes engagement as a blend of employee commitment to organizational values and a willingness to exert discretionary effort and support colleagues.

In conclusion, employee engagement reflects a voluntary commitment by employees to contribute their best efforts toward organizational success.

3. METHODS

This research applies both descriptive and verificative approaches. The descriptive component examines the relationships among leadership style, organizational culture, and employee engagement based on their established characteristics. The verificative approach aims to test the proposed hypotheses and validate the research results.

A survey method is used, gathering primary data through questionnaires—an effective tool for collecting factual information and assessing perceptions and opinions. Additionally, interviews and focus group discussions are incorporated to improve data accuracy and provide deeper contextual understanding within a defined research population.

4. DATA COLLECTION

Data were collected through surveys distributed to a representative sample of **231 employees**, using questionnaires to measure leadership style, organizational culture, and employee engagement.

Table 1. Validity Test

Variables	Indicators	AVE	Description
Leadership style	**X1.1**	0.922	Valid
	X1.2	0.909	Valid
	X1.3	0.871	Valid
	X1.4	0.891	Valid
	X1.5	0.886	Valid
	X1.6	0.887	Valid
	X1.7	0.906	Valid
	X1.8	0.896	Valid
	X2.1	0.868	Valid
	X2.2	0.861	Valid
	X2.3	0.828	Valid
	X2.4	0.778	Valid
	X2.5	0.878	Valid

Organizational culture	**X2.6**	0.837	Valid
	X2.7	0.775	Valid
	X2.8	0.870	Valid
	X2.9	0.835	Valid
	X2.10	0.833	Valid
	X2.11	0.902	Valid
	X2.12	0.829	Valid
Employee engagement	**Y1**	0.869	Valid
	Y2	0.874	Valid
	Y3	0.929	Valid
	Y4	0.892	Valid
	Y5	0.924	Valid
	Y6	0.921	Valid

2.1 Reliability Test

Reliability is used to evaluate the quality of a questionnaire, particularly its ability to consistently measure a variable or construct. A questionnaire is considered reliable when respondents provide stable and consistent answers over repeated measurements. SmartPLS includes a reliability assessment feature using the Cronbach's Alpha statistic, where a construct is regarded as reliable if it obtains a Cronbach's Alpha value above 0.60.

Table 2. Reliability Test

Variables	**Cronbach's alpha**	**Composite reliability**
Organizational Culture	0.826	0.866
Employee Engagement	0.878	0.879
Leadership Style	0.915	0.970

2.2 Outer Model

The indicators for each construct—leadership style, organizational culture, and employee engagement—are represented within the outer (external) model. Consequently, the arrows in the measurement model extend from each construct toward its respective indicators. The structure of this outer model, developed using SmartPLS software, is illustrated in Figure 1 below.

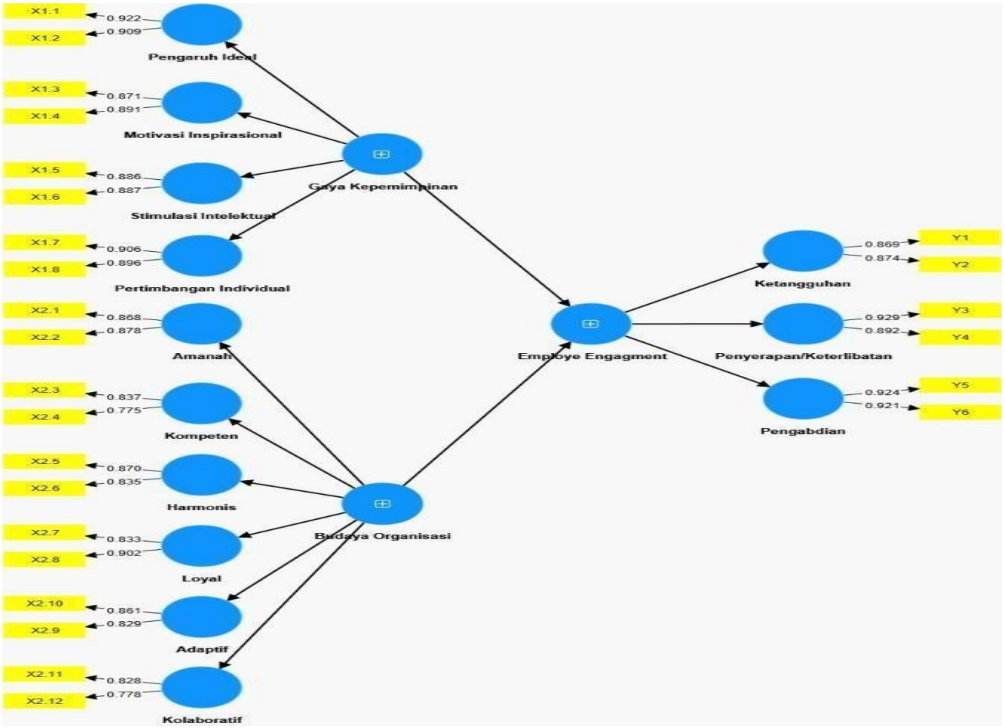

Figure 1. Outer Model

2.3 Coefficient of Determination (R^2)

Bootstrapping involves assessing the coefficient of determination, commonly denoted as R^2. This value, presented as a percentage, indicates how much of the variance in the dependent variable is accounted for by the regression model.

Table 3. Coefficient of Determination

Variable	R2	R^2 *adjusted*
Employee Engagement	0.554	0.550

In this study, the bootstrapping results produced an R^2 value of 0.554. This indicates that job satisfaction and employee engagement collectively explain 55.4% of the variance in turnover intention, while the remaining 44.6% is influenced by other factors not examined in this research.

2.4 Influence of Job Satisfaction (X1) on Employee Engagement (Y)

This table displays the statistical results from SmartPLS 3.2.8 software, highlighting the impact of leadership style on employee engagement:

Table 4. Influence of Leadership Style on Employee Engagement

Variable relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	P Values
Leadership Style → Employee Engagement	0.093	0.101	0.045	0.038

The hypothesis of this study is:

H0: →Leadership style does not partially affect employees' engagement to the company.

H1: →Leadership style significantly affects employees' engagement to the company.

The first hypothesis test confirms that H1 is accepted. The influence of leadership style on employee engagement is found to be significant, as the α value is less than 5% (0.05). The latent variable coefficient for leadership style (X1) in the path coefficient output is 0.093, meaning that leadership style has a positive effect of 9.3% on the employee engagement construct (Y).

The findings show that the more effective and well-developed leadership style is, the higher the employee engagement will be. Conversely, a poor leadership style leads to a decrease in employee engagement. This is consistent with previous studies, which found that leadership style has a significantly positive influence on employee engagement.

2.5 Influence of Organizational Culture (X2) on Employee Engagement (Y)

This table displays the statistical results from SmartPLS 3.2.8 software, highlighting the impact of organizational culture on employee engagement:

Table 5. Influence of Organizational Culture Employee Engagement

Variable relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	P Values
Organizational Culture → Employee Engagement	0.705	0.703	0.039	0

The hypothesis of this study is:

H0: Organizational culture does not partially affect the engagement of employees to the company.

H1: Organizational culture significantly affect the engagement of employees to the company.

The second hypothesis test confirms that H1 is accepted. Organizational culture has a significant influence on employee engagement, with an α value of less than 5% (0.05). The latent variable coefficient for organizational culture (X2) in the path coefficient output is 0.705, indicating a 70.5% influence of organizational culture on the employee engagement construct (Y). The findings suggest that organizational culture plays a considerable role in influencing employee engagement.

The results show that a stronger and well-established organizational culture leads to higher employee engagement, while a weaker culture results in lower engagement. These findings align with previous studies by [28] [30], [31], which also found a significant positive impact of organizational culture on employee engagement. The consistency with prior research implies that theoretical implications from earlier studies can be effectively applied to similar issues.

3. CONCLUSION

This study examined the relationships between leadership style, organizational culture, and employee engagement, and their collective impact on organizational outcomes. The findings highlight several important insights.

First, leadership style plays a significant role in guiding employees toward organizational goals. Effective leadership—characterized by the ability to influence, inspire, and align team members—was shown to positively affect employee engagement. Survey results indicated that leadership practices were generally effective, although certain areas such as intellectual stimulation and individualized consideration may require further refinement to maximize engagement.

Second, organizational culture emerged as a critical determinant of employee behavior and engagement. A strong, shared set of values and norms within the organization fosters trust, cooperation, and alignment with strategic objectives. The data confirmed that a strong organizational culture reinforces leadership effectiveness and contributes to higher levels of employee engagement.

Third, employee engagement itself serves as a key mechanism linking leadership style and organizational culture to organizational outcomes. Engagement reflects employees' emotional commitment, willingness to perform optimally, and active participation in achieving organizational goals. Quantitative analysis showed that leadership style and organizational culture collectively explain a substantial portion of the variation in employee engagement, highlighting the interdependence of these factors.

Finally, the results from the PLS and bootstrapping analyses indicate that leadership style and organizational culture significantly influence employee engagement, with organizational culture demonstrating a slightly stronger effect. The coefficient of determination (R^2) confirms that these two factors account for a meaningful portion of variation in engagement, while other variables beyond the scope of this study may also play a role.

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