The Role of Transformational Leadership on Employee Engagement in a Beverage Distributor Company in Indonesia

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The purpose of this research is to study employee engagement through transformational leadership and career development. Transformational leadership, career development, and employee engagement were assessed in an empirical study based on a sample of 138 permanent staff employees from four Provinces in Indonesia, working at a local beverage distributor company. The data gathered using a printed questionnaire was analysed through path analysis methods. The findings show there is a positive direct effect among transformational leadership to employee engagement, career development to employee engagement, transformational leadership to career development, and a positive indirect effect of transformational leadership to employee engagement through the mediating role of career development. The implication of the research is of the utmost importance for companies facing a high voluntary turnover and high absenteeism rates, in recent times. Transformational leaders in teams contribute to career development and employee engagement. Imparting transformational leadership training to the unit leader can help to strengthen employee engagement through career development. This study explores the role of transformational leadership on employee engagement through the mediating role of career development, which has not been explored theoretically and tested empirically at a beverage distributor company in Indonesia.

\textbf{Keywords:} Transformational leadership, Career development, Employee engagement.
Introduction

Human resources are one of the determining factors in the success of any organisation. Every organisation knows that engaging employees with work and the organisation itself is very important to achieve high performance. Currently, where there are many changes in social, economic, political, technological, competitive and other fields, employee engagement plays an increasingly important role for organisational growth.

Over the years, one of the toughest challenges confronting the CEOs, HR and the business leaders of many organisations, has been to ensure that when their employees check in everyday, they not only do it physically but also mentally and emotionally. In short, they need to ensure that their employees are truly engaged. Employee engagement has emerged as a critical driver of business today. It practically affects the employee morale, productivity and reasons for retention in the company (Bedarkar & Pandita, 2014). Employee engagement is acknowledged as one of the crucial factors leading to the success of organisations in sustaining a competitive advantage (Nair dan Salleh, 2015).

Employee engagement is arguably the most critical metric for organisations in the twenty-first century. Most, if not all, of the other key measures that reflect and drive organisational performance (customer satisfaction, innovation, profitability, productivity, loyalty and quality) are products of engaged committed employees. According to the Hay Group, engagement is comprised of two components: commitment, being an affective attachment to and intention to remain with an organisation; and discretionary effort, being the willingness to go above and beyond formal job requirements (Singh, 2016).

The Merriam-Webster dictionary defines engagement as “the state of being in gear”, meaning that people ‘who are in gear’ proceed with energy and determination. In the scientific literature, engagement is predominantly used in relation to work and is either dubbed as employee engagement (in management) or work engagement (in psychology). Despite this semantic difference, whereby employee engagement refers to the person (employee) who is engaged and work engagement to the object of engagement (work), both terms are used interchangeably (Schaufeli, 2017).

Sun (2019) stated that employee engagement is an important issue in management theory and practice. The influencing factors of employee engagement are divided into three categories: organisational factors (management style, job rewards, etc.), job factors (work environment, task characteristics, etc.) and individual factors (physical energies, self-consciousness, etc.). Employee engagement is found to have a positive relationship with individual performance (organisational commitment, positive behaviour, etc.) and organisational performance (customer satisfaction, financial return, etc.).
According to Ratanjee and Emond (2013), Indonesia has a major asset: its young, dynamic, and large workforce could be a real vehicle for economic growth. However, other nations in Southeast Asia boast a similar asset, so relative economic success will inevitably accrue to the country that manages its younger employees best. Whatever the business, a more engaged and productive workforce is directly correlated with better business outcomes, which at a macro level are linked to GDP growth. In this respect, Gallup's latest research on employee engagement paints a grim picture. Only eight per cent of Indonesian employees are engaged at work, while 15 per cent are actively disengaged. If businesses — private or state-owned — don't realise how important great workplaces are to economic development and job creation, the Indonesian economy might run out of steam in the next few years. The key factors that are particularly likely to have an impact on employee engagement in Indonesia are the rise of generation Y and the changing corporate culture, the war for Indonesia's talent, and the role of the manager as a coach.

The current problem faced by the company under study as a beverage distributor in Indonesia, is the absence of employees. Various types of absenteeism is quite high, and the number of employees voluntarily resigning is still quite large. It is suspected that there is an employee engagement problem in the company. The purpose of this research is to study the analysis of employee engagement through transformational leadership and career development.

**Literature Review**

**Employee Engagement**

Engaged employees can help your organisation achieve its mission, execute its strategy and generate important business results (Vance, R., 2006). Alfes, K. et al. (2010) define employee engagement as: “being positively present during the performance of work by willingly contributing intellectual effort, experiencing positive emotions and meaningful connections to others”. Yalabik, Popaitiong, Chowne, and Rayton (2013) define work engagement as an independent, persistent, pervasive, positive and fulfilling work-related, affective-cognitive and motivational-psychological state. This definition is consistent with work sometimes collectively referred to as the European Engagement Model (Schaufeli et al. 2006; Bakker & Demerouti 2008; Salanova & Schaufeli 2008). This definition of work engagement is operationalised in the Utrecht Work Engagement Scale (UWES) as three distinct subscales: vigour, dedication and absorption. Vigour captures an employee’s energy levels and mental resilience, willingness to invest effort in the job and persistence while working or when facing difficulties. Dedication reflects an employee’s involvement in and psychological identification with his or her work and with feelings of significance, enthusiasm, inspiration, pride and challenge attached to the work. Absorption addresses an employee’s immersion and
full concentration in work, such that she or he loses track of time and cannot detach from that work.

Engagement happens when people are committed to their work and the organisation and are motivated to achieve high levels of performance. It has two interrelated aspects: 1) job engagement, which takes place when employees exercise discretionary effort because they find their jobs interesting, challenging and rewarding; and 2) organisational engagement, when they identify with the values and purpose of their organisation and believe that it is a great place in which to work and to continue to work (Armstrong, M., Taylor, 2014).

Work engagement can be defined as a unique positive, fulfilling, work-related state of mind that is characterised by vigor, dedication, and absorption; that can be measured using a valid and reliable self-report questionnaire (the UWES); and that can be explained by the job demands-resources model (Schaufeli, 2014). Engagement represents a step beyond ‘job satisfaction’ and ‘commitment’ or even ‘motivation’. Engaged employees have an emotional attachment to their work and/or their organisations, which leads them to expend greater energy (Torrington, Hall, Taylor, & Atkinson, 2014).

It can be synthesised that employee engagement is a positive and sustainable psychological condition of employees for work and organisation, intellectually, affective and socially. It causes the employees to work far beyond what is expected to achieve high performance and low turnover rates.

**Transformational Leadership**

A new paradigm of leadership has captured widespread attention. James MacGregor Burns (1978) conceptualised leadership as either transactional or transformational. Transformational leaders are those who stimulate and inspire followers to both achieve extraordinary outcomes and, in the process, develop their own leadership capacity. Transformational leaders help followers grow and develop into leaders by responding to individual followers’ needs by empowering them and by aligning the objectives and goals of the individual followers, the leader, the group, and the larger organisation. More evidence has accumulated to demonstrate that transformational leadership can move followers to exceed expected performance, as well as lead to high levels of follower satisfaction and commitment to the group and organisation (Bass, 1985, 1998a in Bass, B., M. & Riggio, R., 2006). Descriptions of the components of transformational leadership include idealised influence, inspirational motivation, intellectual stimulation, and individualised consideration (Bass, B., M. & Riggio, R., 2006).

With transformational leadership, the followers feel trust, admiration, loyalty, and respect towards the leader, and they are motivated to do more than they originally expected to do.
The leader transforms and motivates followers by: (1) making them more aware of the importance of task outcomes; (2) inducing them to transcend their own self-interest for the sake of the organisation or team; and (3) activating their higher-order needs. In contrast, transactional leadership involves an exchange process that may result in follower compliance with leader requests, but is not likely to generate enthusiasm and commitment to task objectives (Yukl, 2013).

Transformational leadership is characterised by the ability to bring about significant change in both followers and the organisation. Transformational leaders have the ability to lead changes in an organisation’s vision, strategy, and culture, as well as promote innovation in products and technologies (Daft, R., 2015). Transformational leadership is the process whereby a person engages with others and creates a connection that raises the level of motivation and morality in both the leader and the follower. This type of leader is attentive to the needs and motives of followers and tries to help followers reach their fullest potential (Northouse, P., 2016).

Transformational leaders have integrity and a high emotional intelligence. They motivate people with a shared vision of the future, and they communicate well. They’re also typically self-aware, authentic, empathetic, and humble. Transformational leaders inspire their team members because they expect the best from everyone, and they hold themselves accountable for their actions. They set clear goals, and they have good conflict-resolution skills. This leads to high productivity and engagement (Kovac, H., Sirol, M., Sumanjski, 2017).

The characteristics of transformational leaders are 1) idealized influence: provides vision and sense of mission, instils pride, gains respect and trust; 2) inspirational motivation: communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways; 3) intellectual stimulation: promotes intelligence, rationality, and careful problem solving; and 4) individualised consideration: gives personal attention, treats each employee individually, coaches, advises. Transformational leadership builds on transactional leadership and produces levels of follower effort and performance beyond what transactional leadership alone can do. However, the reverse isn’t true. If you are a good transactional leader but do not have transformational qualities, you’ll likely only be a mediocre leader (Robbins, S., P., Judge., T., 2017). Transformational leadership has a moderate positive relationship with job performance and a strong positive relationship with organisational commitment. It has stronger effects on these outcomes than other leadership behaviours (Colquitt, J., A., Lepine, J., A., Wesson, M., 2019).

It can be synthesised that transformational leadership is charismatic leadership; a broad vision and far ahead; motivates and inspires followers; makes followers respectful, loyal and amazed; and is able to bring significant change for the growth of the organisation and the
welfare of followers. This has several dimensions, namely, 1) idealised influence with indicators: provides vision and a sense of mission, instils pride, gains respect and trust; 2) inspirational motivation with indicators: communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways; 3) intellectual stimulation with indicators: promotes intelligence, rationality, and careful problem solving; and 4) individualised consideration with indicators: gives personal attention, treats each employee individually, coaches and advises.

**Career Development**

A career development strategy might include the following activities: a policy of promoting from within wherever possible; career routes enabling talented people to move upwards or laterally in the organisation as their development and job opportunities take them; personal development planning as a major part of the performance management process, to develop each individual’s knowledge and skills; systems and processes to achieve the sharing and development of knowledge (especially tacit) across the firm; and multidisciplinary project teams, with a shifting membership, to offer developmental opportunities for as wide a range of employees as possible (Armstrong, M., Taylor, 2014).

Employee development is the combination of formal education, job experiences, relationships, and the assessment of personality and abilities to help employees prepare for the future of their careers (Noe, R., A. et al., 2016). Career development is the lifelong series of activities (such as workshops) that contribute to a person’s career exploration, establishment, success, and fulfilment. Career development systems needn’t be complicated. Even just receiving performance feedback from supervisors, having individual development plans, and having access to training is enough for many employees (Dessler, 2017).

A career is a series of work-related positions a person occupies throughout their life. Employers and employees have different views on careers. Individuals pursue careers to satisfy their individual needs. Organisations see careers as an important part of talent management. However, companies need to take some responsibility in the career planning process by helping employees make good decisions and by providing positive work opportunities. Career management is therefore, ideally a shared responsibility of employers and employees (Mathis et al., 2017).

Career development and management play a part in talent management through attracting new talent, and retaining and developing it by offering a long-term career perspective; suggesting stability and security; suggesting enlightened employment policies; indicating the possibility of future progress and rewards; having recognisable career patterns, pathways and ladders; shaping employees’ expectations and needs; providing future goals for employees;
providing incentives for individual effort; encouraging employees to invest in their own career development; investing in and rewarding employees; motivating and persuading employees; encouraging and supporting employees’ development; investing in employees’ individual learning and development; influencing employees’ behaviour in desirable directions; and shaping employees’ organisational identity. At the same time, employees may have their own career development and management plans. Some of these may work synergistically with those of their employers, while for others there may be a discrepancy between their goals that would undermine effective talent management (Beardwell & Thompson, 2017).

The organisation and the individual have a joint responsibility for career planning and development. Both will suffer significant consequences if the planning isn’t done successfully. Individual employees go through a series of career stages as they progress through their working life. Within each of these stages, the employee has different needs that the organisation must meet so the relationship between the two can remain stable and the worker will continue to be motivated to produce for the organisation. Organisations must respond successfully to the individual employee based on the employee’s current career stage (Lussier, R., N., Hendon, J., 2019).

Proactive companies see career development and recruiting functions as strategic imperatives and, therefore, as an ongoing process designed to maximise the talents of their employees and retain them. These companies study their firms’ strategies in conjunction with their organisational charts, job analysis information, and external factors such as the labour market and the competition, and then recruit proactively and continually. Managers play a key role in expanding the talent pools of firms. Good managers ‘grow’ talent by listening to their employees’ aspirations, acting as coaches, identifying their strengths and areas for improvement, and offering them continual feedback. Good managers also ensure employees receive training, self-assessment tools, and information about the organisation and possible career paths within it (Snell, Connor, & Barrows, 2019).

It can be synthesised that career development is the process of a series of activities to provide the flow of talent needed by the company, and provide opportunities for employees to develop capabilities in order to achieve work effectiveness, employee satisfaction and achieve the company's strategic goals. The indicators include listening to their employees’ aspirations, acting as coaches, identifying their strengths and areas for improvement, offering them continual feedback. Furthermore, employees receive training, self-assessment tools, and information about the organisation and possible career paths within it.
Hypothesis Development

H1: Transformational leadership has a direct effect to employee engagement.
H2: Career development has a direct effect to employee engagement.
H3: Transformational leadership has a direct effect to career development.
H4: Transformational leadership has an indirect effect to employee engagement through the mediating role of career development.

Conceptual Framework

Research Methodology

This research used a causality paradigm to analyse the effect among several variables, namely transformational leadership, career development and employee engagement. This research was designed to analyse the effect of transformational leadership to the employee engagement variable with career development as a mediator variable.

This research uses the questionnaire method to collect data. The questionnaire was designed as a closed questionnaire. The measurement scale used a five-point Likert scale. Before using it, the questionnaires were tested with content validity that was done with face validity techniques by experts and it was declared to have passed. Meanwhile, the reliability test was carried out by using Cronbach’s Alpha, and the result is reliable. The population of this research is staff employees in four provinces in Indonesia. Namely, Batam, Jakarta, Surabaya and Bali. Sampling was done by the proportionate stratified random sampling technique. To decide the size of samples, the Slovin formula was used. The number of the sample was 138 respondents obtained from a population of 210 permanent staff employees. The data analysis in this research was completed by using a path analysis method.
Findings

The findings of the path analysis of the effect of transformational leadership (X1) on employee engagement (Y) obtained \( \rho_{y1} \) path coefficient of 0.233 and \( t_{count} \) of 3.08, with a table (0.05: 133) = 1.98. Due to \( t_{count} > t_{table} \), then \( H_0 \) is rejected, and \( H_1 \) is accepted. Thus, it can be concluded that transformational leadership has a direct positive effect on employee engagement.

The findings of the path analysis of the influence of career development (X2) on employee engagement (Y) obtained \( \rho_{y2} \) path coefficient of 0.216 and \( t_{count} \) 2.88, with a table (0.05: 133) = 1.98. Because \( t_{count} > t_{table} \), then \( H_0 \) is rejected, and \( H_1 \) is accepted. Thus, it can be concluded that career development has a direct positive effect on employee engagement.

The findings of the path analysis of the effect of transformational leadership (X1) on career development (X2) obtained a path coefficient of \( \rho_{21} \) of 0.307 and \( t_{count} \) of 3.67, with a table (0.05: 135) = 1.98. Because \( t_{count} > t_{table} \), then \( H_0 \) is rejected, and \( H_1 \) is accepted. Thus, it can be concluded that transformational leadership has a direct positive effect on career development.

The findings of the path analysis of the effect of transformational leadership (X1) on employee engagement (Y) through career development (X2) obtained a path coefficient of \( \beta_{21} \times \beta_{y2} = 0.307 \times 0.216 \), with a z value (Sobel Test) of 4.180. Due to the value of z (4.180), which is higher than 1.96, it can be concluded that the indirect effect of X2 on Y and through X3, is positive and significant. This means that there is a significant indirect effect of transformational leadership on employee engagement through career development as the mediation role.

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\begin{align*}
\rho_{y1} &= 0.233 \\
r_{y1} &= 0.516 \\
\rho_{21} &= 0.307 \\
r_{21} &= 0.416 \\
\rho_{y2} &= 0.216 \\
r_{y2} &= 0.500 \\
\end{align*}
\]
Discussion

The findings of the hypothesis testing in this research found that there are positive direct effects among transformational leadership to employee engagement, career development to employee engagement, transformational leadership to career development, and a positive indirect effect of transformational leadership to employee engagement through the mediating role of career development.

Transformational Leadership and Employee Engagement

The finding in this research is that transformational leadership has a direct positive effect on employee engagement or the higher the respondent's perception of their unit leader's transformational leadership, the stronger the employee's engagement. Vice versa, the lower the respondent's perception of their unit leader’s transformational leadership, the weaker employee engagement will be. The finding of this research strengthens the similar results of some previous research studies (Al-Amin, 2017; Evelyn, D. and Elegwa, 2015; Ferdiansyah, 2018; Handayani, 2018; Khan, Tufail, 2016; Lacap, 2019; Mansor, Mun, Farhana, & Tarmizi, 2017; Sahu, Pathardikar, & Kumar, 2018; Tauhed, Rasdi, Samah, & Ibrahim, 2018; Thisera & Sewwandi, 2019).

It can be concluded that the findings of this research strengthen previous research and existing theories about the direct effect of transformational leadership on employee engagement.

Career Development and Employee Engagement

The finding in this research is that career development has a direct positive effect on employee engagement, or the higher the respondent's perception of career development, the stronger employee engagement. Vice versa, a lower respondent's perception of career development will lead to a weaker employee engagement. The finding of this research strengthens some previous research conducted by Dayona and Rinawati (2016), Lee, Kwon, Kim, and Cho (2016), Liu, He, and Yu (2017), Nasrabadi, Kharazmi, and Rahnama (2017), Nurwulandari and Suwatno (2017), Putri and Welly (2014), Semwal and Dhyani (2017), Stephanie and Gustomo (2015), and Sumadhinata and Murtisari (2017).

This finding also supports the opinion from Crawford, E., R., Rich, B., L., Buckman, B., and Bergeron (2014), who listed the following drivers of employee engagement: job challenge, autonomy, variety, feedback, fit, opportunities for development, and rewards and recognition. Dessler (2017) also said career development is the lifelong series of activities (such as workshops) that contribute to a person’s career exploration, establishment, success, and
fulfillment. Given the importance to most people of having a fulfilling and successful career, career planning and development can play an important role in engagement. If managed effectively, the employer’s career development process should send the signal that the employer cares about the employee’s career success.

It can be concluded that the finding of this research strengthens previous research and existing theories about the direct effect of career development on employee engagement.

**Transformational Leadership and Career Development**

The finding in this research is that transformational leadership has a direct positive effect on career development or the higher the respondent's perception of unit leader's transformational leadership, the better the career development. Vice versa, the lower the respondent's perception of the unit leader's transformational leadership will lead to worse career development. The finding of this research strengthens some previous research found by Ahmad, Mohamed, and Abdul Manaf (2017), Baethge, Rigotti, and Vincent-hooper (2017), Joo and Lim (2014), Lodders and Meijers (2017), Mahalawat and Sharma (2013), Ngadimin and Wuradji (2014), and Vincent-Hoper, Muser, and Janneck (2012).

Furthermore, this finding is aligned with the opinion from Bass, B., M. and Riggio, R. (2006), who stated that employees may feel a strong commitment to their organisations and jobs for many different reasons. They may like the type of work they do, and the pay and benefits may be better than what they can get elsewhere. They may find the work and people interesting. Recognition or career advancement may be anticipated. Likewise, volunteers supporting a grassroots movement may have a similarly strong commitment for numerous reasons. They may feel that what they are doing is giving them the opportunity to make a contribution to others, as well as to themselves. The commitment of volunteers in a charitable organisation may be sustained by the gratitude from the recipients of services and the positive feelings of helping others. Another important factor that helps build commitment and loyalty to an organisation is leadership — leadership that is inspirational, stimulating, and considerate of followers’ needs. Northouse, P. (2016) also said that transformational leadership is a process that changes and transforms people. It is concerned with emotions, values, ethics, standards, and long-term goals. It includes assessing followers’ motives, satisfying their needs, and treating them as full human beings. Transformational leadership involves an exceptional form of influence that moves followers to accomplish more than what is usually expected of them.

It can be concluded that the findings of this research strengthen previous research and existing theories about the direct effect of transformational leadership on career development.
**Transformational Leadership and Employee Engagement through Career Development as the Mediation Role**

The finding in this research is that transformational leadership has an indirect positive effect on employee engagement through career development as the mediation role. Alternatively, the higher the respondent's perception of the unit leader's transformational leadership, the stronger the employee engagement through the bettering of career development. Vice versa, the lower the respondent's perception of the unit leader's transformational leadership will lead to a weaker employee engagement through worsened career development.

**Conclusions**

The conclusion of this research shows that there is direct effect of transformational leadership to employee engagement, a direct effect of career development to employee engagement, a direct effect of transformational leadership to career development, and an indirect effect of transformational leadership to employee engagement through the mediating role of career development.

**Recommendation**

The beverage company in Indonesia has to solve the problems of a high voluntary turnover and high absenteeism rate by improving the transformational leadership of the unit leaders in terms of the following: 1) idealised influence, which provides a vision and sense of mission, instills pride, and gains respect and trust; 2) inspirational motivation, which communicates high expectations, uses symbols to focus efforts, and expresses important purposes in simple ways; 3) intellectual stimulation, which promotes intelligence, rationality, and careful problem solving; and 4) individualised consideration, which gives personal attention, treats each employee individually, and coaches and advises to be able to create the better career development.

The further research to continue from this study should use other variables such as the work environment, team and coworkers; organisational policies; workplace welfare; job challenges; autonomy; variety; feedback; company brand; organisational fairness; work procedures and policies; and among others, to obtain comprehensive knowledge of the factors that influence employee engagement in beverage distributor companies, other types of distributor companies, and other types of companies in general.
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