

EMPLOYEE ENGAGEMENT: THE ROLE OF TRANSFORMATIONAL LEADERSHIP, WORK ENVIRONMENT, AND JOB SATISFACTION

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Abstract

This research is crucial for understanding how transformational leadership, a supportive work environment, and job satisfaction collectively enhance employee engagement, an essential factor for driving organizational performance, especially in today's dynamic and evolving workplace. The study offers practical insights for leaders aiming to foster a more motivated, committed, and high-performing workforce. It was conducted to see whether transformational leadership and work environment influenced employee engagement with job satisfaction as a mediating variable. The research method was a quantitative study with a purposive sampling technique, with 179 respondents. The data for this research was processed using SmartPLS 3.0. The results showed that transformational leadership and work environment had a positive and significant effect on job satisfaction and employee engagement, job satisfaction had a positive and significant impact on employee engagement, and job satisfaction positively and significantly mediated the effect of transformational leadership and work environment on employee engagement.

Keywords: *transformational leadership; work environment; employee engagement; job satisfaction*

INTRODUCTION

In the contemporary workplace, employee engagement has emerged as a critical determinant of organizational success, particularly amid rapid digital transformation, evolving work modalities, and shifting generational values. As organizations transition toward hybrid and fully remote working models, traditional management practices are being challenged, necessitating a deeper understanding of how leadership, the work environment, and job satisfaction interact to foster meaningful engagement. Digital transformation has redefined how work is organized, delivered, and monitored, leading to opportunities and challenges in sustaining engagement levels. Automation, AI integration, and digital collaboration platforms have altered job roles and employee expectations (Gartner & Van der Sluis, 2023). Without proactive leadership, such changes risk creating disconnection and disengagement.

In the current world, business rivalry among companies is becoming increasingly fierce, making employee engagement an increasingly crucial role in a company's sustainability. That is supported by Sukrispiyanto (2019), who states that employees play a critical role in accomplishing organizational objectives. According to Hewitt, one of the factors that can be seen in a good company is high employee engagement, characterized by positive employee behavior toward the organization and

motivation to give more effort into achieving organizational goals (Setiyani et al., 2019). High employee engagement can contribute to business success. Therefore, management's role in increasing employee engagement is essential to a company's sustainability and success.

For businesses, cost leadership is essential. It pertains to how employee engagement can influence business expenses by analyzing each employee's revenue to determine the average total cost of sales per employee. Suppose employees in the firm have a low level of employee engagement; instead of the company hiring many people to obtain benefits. In that case, the opposite occurs because the employees do not meet the company's expectations. As a result, businesses must recognize the value of employee engagement, which must be handled so that employees may work effectively and efficiently and achieve the level of productivity expected by the firm or the targets set.

Employee engagement is a crucial factor in running and driving the success of an organization's business. Employee engagement is an approach in the workplace to produce good conditions for employees so they can give their best at work (Nagori, 2019). Employees who show engagement in work will increase the effectiveness of employees in doing their job and will give their best to their work to achieve company goals. Pedro says that leaders can give employees the freedom to make their work more fun and exciting and create an engaging work atmosphere (Chanana & Sangeeta, 2021). By giving employees the freedom to do exciting work and create a comfortable work environment, employees can always be motivated to be engaged in their work and the organization.

Transformational leadership—characterized by inspirational motivation, individualized consideration, intellectual stimulation, and idealized influence—has shown substantial promise in cultivating engagement, particularly in volatile and tech-driven environments (Caillier, 2023). Leaders who foster trust and purpose are more likely to retain the commitment of digitally connected yet emotionally distanced employees. Transformational leaders are one of the factors that can influence employee engagement. According to Huston, transformational leaders can assist companies in creating a productive work environment that aims to identify individual and organizational needs (Mufeed, 2018). Companies may successfully direct employees to reach the goals of their work. They can inspire employees to achieve organizational goals like boosting employee productivity and performing their tasks more efficiently by understanding the needs of both individuals and organizations. A higher level of employee engagement results from a transformational leader's ability to inspire and motivate staff to work at their highest level.

Simultaneously, the work environment, both physical and psychological, plays a significant role in shaping how employees perceive their organizational support. A positive environment that promotes well-being, inclusivity, and psychological safety has been linked to higher engagement and resilience during organizational change (Bakker & Oerlemans, 2019). The work environment is a factor that can influence employee engagement. The term work environment refers to all that employees can experience in the workplace, both physically and virtually, that can affect them (Sutanto et al., 2018). Companies with the right work environment motivate their employees to engage in the business. Conversely, a hostile work environment demotivates and quickly stresses out employees, preventing them from becoming more involved.

Moreover, job satisfaction remains a core mediator between workplace conditions and employee engagement. With generational shifts, particularly the increasing presence of Millennials and Gen Z in the workforce, there is a growing demand for autonomy, purpose-driven roles, and flexibility (Lyons & Schweitzer, 2022). These changes necessitate new paradigms in motivation and satisfaction that transcend traditional compensation models. Job satisfaction is the most crucial factor that companies need to consider when increasing employee engagement. According to Bano et al., Abraham, and Shmailan, employee engagement has an impact on job satisfaction (Tepayakul & Rinthaisong, 2018). Employees who feel positive about their work will be satisfied, increasing employee engagement. Conversely, if employees are not happy with their work, it will be detrimental to their colleagues and the organization, resulting in hampered goals.

Some studies have different results based on several previous studies, resulting in research gaps, as shown in Table 1, regarding the relationship between the work environment and employee engagement, the relationship between transformational leadership and employee engagement, the relationship between job satisfaction and employee engagement, and the job satisfaction variable as a mediating variable. Mufeed (2018) said it is impossible to generalize study results to the entire population. In other words, different research objects can lead to different results from previous studies.

Table 1. Research Gaps

Previous Studies	Results
Ardiansyah and Artadita (2021)	The work environment does not influence employee engagement.
Setiyani et al. (2019)	The work environment influences employee engagement.
	Transformational leadership has a positive but not significant effect on employee engagement.
Deborah (2012)	Job satisfaction has a positive but not significant effect on employee engagement.
	Job satisfaction cannot function as an intervening variable.
Mufeed (2018);	Transformational leadership has influence and is significant in employee engagement.
Mishra, Dashora, and Dubey (2023)	Job Satisfaction can influence and be significant to employee engagement.
Tepayakul and Rinthaisong (2018)	There is no debate regarding the high positive correlation between employee engagement and job satisfaction.
Prentice (2022)	Job satisfaction can mediate the influence of transformational leadership on employee engagement.
Zufrie et al. (2021)	

This study is based on the research gaps—previous studies examining the relationship between the variables and result differences. Ardiansyah and Artadita (2021) and Setiyani et al. (2019) concluded that different results were obtained regarding work environment and employee engagement. The study of Setiyani et al. (2019) differs from Mufeed's (2018) study about transformational leadership and employee engagement. Deborah (2012) suggested that job satisfaction has an insignificant effect on employee engagement, but Tepayakul and Rinthaisong (2018) do. Moreover, Deborah (2012) and Zufrie et al. (2021) have different conclusions about the intervening role of job satisfaction. Given these complexities, those gaps motivate the authors to the novel purpose of this study, which aims to investigate the interrelated roles of transformational leadership, work environment, and job satisfaction in influencing employee engagement in the digital age. Understanding these dynamics is essential for designing people-centered strategies that improve performance and sustain human connection in increasingly virtual workspaces.

Employee engagement is a psychological state where employees feel interested in a company's success and are motivated to improve employee performance beyond what the company expects (Letsoin & Ratnasari, 2020). Employee engagement is an employee approach to producing the right conditions for all employees to always give their best in doing their jobs (Nagori, 2019). Employee engagement is a participatory process that uses input, namely employees, who are intended to increase employee commitment to organizational success (Robbins & Judge, 2019). Employee engagement is a source of physical and emotional connection between employees and the organization by aligning employees' personal goals with organizational goals to increase employee productivity (Rasool et al., 2021). The variable of employee engagement in the intended research is, by the definition of Letsoin and Ratnasari (2020), measuring employee engagement. For this reason, indicators that can be used to calculate this variable, according to Rupini (Letsoin & Ratnasari, 2020), using the Utrecht Work Engagement Scales (UWES), including absorption, vigor, and dedication.

Transformational leadership is a leadership style that can inspire employees to go beyond the interests of the employees themselves and can profoundly influence employees (Robbins & Judge, 2019). Transformational leadership is the ability possessed by leaders to foster the visionary behavior

of employees by encouraging growth, motivating learning, and visualizing the future (Mittal & Dhar, 2015). Transformational leadership can influence employees through employee admiration and respect for the leader, which results in a sense of collectivity (Curado & Santos, 2022). Transformational leadership is the ability possessed by leaders to have a positive impact on employee motivation and performance (Avolio et al., 1999). According to Keith Davis, four factors can influence the success of transformational leadership (Setiarlan et al., 2022), including intelligence, social maturity, self-motivation, and personal relationships. According to Mittal and Dhar (2015), the variable of transformational leadership in the intended research is used to measure leadership abilities. For this reason, indicators that can be used to calculate this variable according to Mittal and Dhar (2015), transformational leadership can be measured using indicators based on Avolio et al. (1999), including individual consideration, intellectual stimulation, inspirational motivation, and ideal influence/charisma.

According to Greenhaus et al., (2024) a leadership style that can inspire, support, and adequately empower employees will increase employee engagement (Nguyen & Pham, 2020). Singh (2019) found that transformational leadership style and employee engagement are interrelated and holistic; various studies that have tested the impact of transformational leadership on employee engagement have found a positive relationship. That is supported by Herminingsih's (2020) study, which found that transformational leadership positively and significantly affects employee engagement. Based on this, the following hypothesis is developed: H_1 : Transformational leadership has a positive and significant effect on employee engagement.

According to Bass, transformational leadership can intrinsically encourage employee job satisfaction due to the ability of transformational leaders to provide mission and intellectual stimulation (Voong et al., 2011). It is supported by Emery and Barker (2007), who state that transformational leadership can encourage and motivate employees to take more responsibility to increase their sense of accomplishment and job satisfaction. The results of research conducted by Voong et al. (2011) and Rafia et al. (2020) indicate that transformational leadership has a positive and significant relationship with employee job satisfaction. In addition, research conducted by Zufrie et al. (2021) and Nurtjahjani et al. (2020) found that job satisfaction can mediate the effect of transformational leadership on employee engagement. Based on those, the following hypotheses are developed: H_4 : Transformational leadership has a positive and significant effect on job satisfaction. H_6 : Transformational leadership positively and significantly affects employee engagement through job satisfaction.

A good work environment is an environment around employees that does not cause work-related illnesses and can improve the welfare of its employees (Lindberg & Vingård, 2012). The work environment is a situation around employees that can affect the smooth implementation of tasks and responsibilities assigned to them (Susanto, 2019). The work environment is everything that surrounds employees, both physically and non-physically, that can affect employees in carrying out their duties (Pawirosumarto et al., 2017). The work environment is everything in the workplace that can influence employees to carry out the tasks given (Setiyani et al., 2019). The work environment variable in the intended study is, by the definition of Lindberg and Vingård (2012), namely, measuring the health of the work environment. For this reason, indicators that can be used to calculate these variables, according to Lindberg and Vingård (2012), include collaboration/teamwork, recognition, employee involvement, autonomy/empowerment, individual growth and development, positive, approachable, fair leaders, appropriate staffing, and administrative and personal support.

According to Afandi (2018), five factors can influence and create a good work environment, including building, spacious workspace, good air ventilation, availability of places of worship, and availability of employee transportation facilities. Four factors can influence the non-physical work environment: excessive work, frustration, changes in all forms, and disputes between individuals and groups (Nurjaya, 2021). A good work environment is an environment around employees that does not cause work-related illnesses and can improve the welfare of its employees (Lindberg & Vingård, 2012). Julie and Amanda state that the work environment can increase employee engagement. If

employees feel they are getting support from others in doing their work, there is a sense of teamwork and a feeling of security to express themselves, so employee engagement increases (Dwiatmadja et al., 2021). Harter et al. revealed that employee engagement could be influenced by the work environment, direct superiors, the senior management team, and colleagues (Sun & Bunchapattanasakda, 2019). Research conducted by Judeh (2021) and Setiyani et al. (2019) found that the work environment positively and significantly influenced employee engagement. Based on those, the following hypothesis is developed: H_2 : The work environment positively and significantly affects employee engagement.

Job satisfaction is the attitude of someone who wants and likes their job because they feel happy doing their work (Sutanto & Gunawan, 2013). Job satisfaction is an employee's attitude or emotional reaction to their work, which can influence the attitude and behavior of employees at work (Hendri, 2019). Job satisfaction is an employee attitude that arises based on an assessment of the situation where employees work (Sukrispiyanto, 2019). Job satisfaction can be defined as a positive feeling toward work resulting from an evaluation of its characteristics (Robbins & Judge, 2019). Job satisfaction is a positive attitude or feeling that employees get for everything they receive in return for their work (Zufrie et al., 2021). According to Sutanto and Gunawan (2013), the job satisfaction variable in the intended study measures the level of job satisfaction. For this reason, according to Sutanto and Gunawan (2013), the indicators used to calculate these variables include variations in skills, task identity, task significance, autonomy, and work feedback.

According to Locke (Guinot et al., 2021), several factors can influence job satisfaction, including salary, quality of relationship with supervision, and work climate. Research by Arianti et al. (2020) revealed that job satisfaction, salary, and colleagues could positively affect employee engagement. According to Vokić & Hernaus (2015), job satisfaction depends not only on one factor but on many factors, such as work, work teams, and working conditions, which can generally increase employee engagement in the company (Yuswardi, 2019). According to Robbins & Judge (2019), job satisfaction is closely related to employee attitudes, such as employee engagement. The results of research conducted by Vorina et al. (2017), Tepayakul and Rinthaisong (2018), and Yuswardi (2019) found that job satisfaction can positively and significantly impact employee engagement. Based on those, the following hypothesis is developed: H_3 : Job satisfaction has a positive and significant effect on employee engagement.

According to Raziq and Maulabakhsh (2015), the work environment influences employee satisfaction because poor working conditions can limit employees from showing their abilities and reaching their full potential, resulting in dissatisfaction at work. According to Robbins and Judge (2019), the work environment can affect job satisfaction; if employees are not happy and have a low level of satisfaction with the work environment, it can cause turnover in a company. Research conducted by Tio (2014), Raziq and Maulabakhsh (2015), and Anasi (2020) found that the work environment positively and significantly influences job satisfaction. In addition, job satisfaction plays a mediating role in the effect of the work environment on employee engagement. Based on those, the following hypotheses are developed: H_5 : The work environment positively and significantly affects job satisfaction. H_7 : The work environment positively and significantly affects employee engagement through job satisfaction.

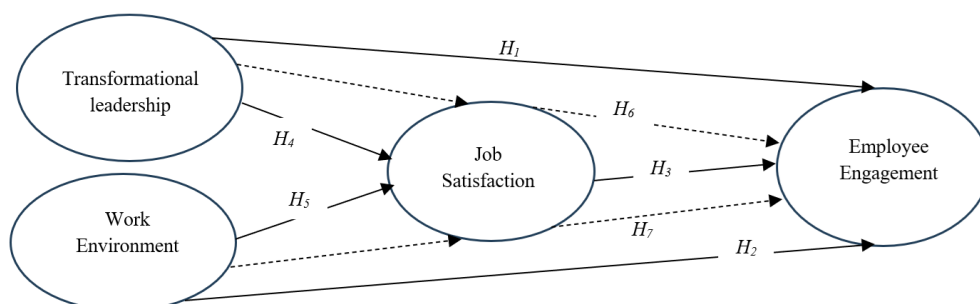


Figure 1. Research Framework

METHODS

This study uses quantitative research, and the data types are quantitative and qualitative. The population is PT Wira Megah Profitamas Banjarmasin Branch employees, and the samples used are permanent employees who have worked for more than one year. It applies a purposive sampling method. The data collection method in this study was carried out by distributing questionnaires to employees through a Google form link to each division supervisor with variable measurements as shown in Appendix 1. For quantitative mean analysis, the scale used is a Likert scale, which consists of five options or choices ranging from very negative to very positive.

The data that has been collected is analyzed using SmartPLS. In this case, the measurement model is used to test validity and reliability, and the structural model is used to test causality. A validity test is conducted to inform the ability of research instruments to measure what should be measured (Abdillah & Hartono, 2015). There are two types of validity tests: convergent validity and discriminant validity. According to Chin (1995), the rule of growth used for convergent validity is outer loading with a value of more than 0.7 and average variance extracted (AVE) with a value of more than 0.5 (Abdillah & Hartono, 2015). Hair et al. explain that a loading factor of more than 0.5 can be considered practically significant (Abdillah & Hartono, 2015). Abdillah & Hartono (2015) explained that the discriminant validity test can be assessed based on the cross-loading of the construct measurement. The cross-loading assessment at each statement point must be higher than the construct (Abdillah & Hartono, 2015).

According to Abdillah and Hartono (2015), two methods are used to test reliability: Cronbach's Alpha and composite reliability. According to Chin (1995), Cronbach's Alpha is used to measure the lower limit of the reliability value of a construct, and composite reliability is used to measure the actual value of the reliability of a construct (Abdillah & Hartono, 2015). Hair et al. (2008) explained that the composite reliability or Alpha value must have a value greater than 0.7 to be accepted, even though a value of 0.6 is still acceptable (Abdillah & Hartono, 2015).

Abdillah and Hartono (2015) also explained that the inner model in PLS is evaluated using R^2 for the dependent construct and path coefficient values or T -values to test the significance between constructs in the inner model. R^2 measures the degree of variation in changes from the independent variable to the dependent variable; the higher the R^2 , the better the prediction model used in the research model. The value of the T -statistic indicates the value of the path coefficient or inner model.

RESULTS

Testing the inner model used in evaluating the inner model is done by looking at the R^2 . The R^2 value measures the degree of variation in changes in the independent variable in relation to the dependent variable. The higher the R^2 value, the better the prediction model used in the research model. Job satisfaction has an R^2 value of 0.629 or 62.9%. It shows that the transformational leadership and work environment variables can explain the job satisfaction variable of 62.9%, and variables outside this study influence the remaining 37.1%. Employee engagement has an R^2 value of 0.817 or 81.7%. It shows that the variables of transformational leadership, work environment, and job satisfaction explain the employee engagement variable of 81.7%, and variables outside this study influence the remaining 18.3%.

This study uses a one-tailed test to test the hypothesis. A one-tailed test can accept the hypothesis if the T -statistic is above 1.64. Hypothesis testing can also be done using the p -value; if the p -value is below 0.05, the hypothesis is accepted. In addition, the path coefficient value can be seen from the original sample value to determine the direction of the variable relationship. The results of testing the hypothesis can be seen in Table 2.

Table 2. Hypothesis Testing Results

	Variable Relationships	Original Sample (O)	<i>T-statistics</i>	<i>p-values</i>	Remarks
	Transformational				
H_1	Leadership → Employee Engagement	0.206	2.517	0.006	Hypothesis Accepted
H_2	Work Environment → Employee Engagement	0.296	2.704	0.004	Hypothesis Accepted
H_3	Job Satisfaction → Employee Engagement	0.479	5.437	0.000	Hypothesis Accepted
	Transformational				
H_4	Leadership → Job Satisfaction	0.275	2.636	0.004	Hypothesis Accepted
H_5	Work Environment → Job Satisfaction	0.558	5.211	0.000	Hypothesis Accepted
	Transformational				
H_6	Leadership → Job Satisfaction → Employee Engagement	0.132	2.553	0.005	Hypothesis Accepted
	Work Environment → Job				
H_7	Satisfaction → Employee Engagement	0.267	3.518	0.000	Hypothesis Accepted

DISCUSSION

H_1 is accepted. It shows that the higher the ability of leaders to influence, motivate, and inspire employees, the higher the sincerity of employees in carrying out their roles in their jobs in the company. It is supported by respondents who think leaders who have good relationships and are communicative and professional can increase employee engagement. The findings of this study are consistent with the results of previous studies conducted by Mufeed (2018), Singh (2019), Herminingsih (2020), and Santoso et al. (2022), which found that high levels of transformational leadership can increase employee engagement.

H_2 is accepted. It shows that the better the environment around the employee, the higher the employee's sincerity in carrying out their role in the company. It is supported by the answers of respondents who think that communication factors, mutual assistance factors, familiarity factors, responsibility factors, mutual understanding factors, and togetherness factors can increase the effectiveness of teamwork, which has an impact on improving employee engagement. The findings of this study are the results of previous research conducted by Setiyani et al. (2019) and Judeh (2021), who found that a good work environment can increase employee engagement. A supportive and inclusive work environment, characterized by open communication, trust, and transparency, fosters employee engagement (Deepalakshmi et al., 2024).

H_3 is accepted. It shows that the higher the positive feelings and emotions employees feel towards their work to meet employee needs, the higher the employees' sincerity in carrying out their roles in the company. It is supported by the answers of respondents who are satisfied when their work has an impact on the company, such as increasing customer satisfaction with the company, assisting the company in making decisions, running company operations, installing company systems, achieving targets, checking the performance of each division, working on finances, doing administration, improving the quality of employees, and providing employee facilities. Employees who feel satisfied and interested in the company can increase employee motivation to work beyond what the company expects. The findings of this study are the results of previous research conducted by Vorina et al. (2017), Tepayakul and Rinthaisong (2018), and Yuswardi (2019), who found that high job satisfaction can increase employee engagement.

H_4 is accepted. It shows that the higher the leader's ability to influence, motivate, and inspire employees, the higher the positive feelings and emotions they feel towards their work to meet

employee needs. It is supported by the answers of respondents who think that leaders encourage employees, such as encouragement related to work and completion of work, encouragement, motivation, and inspiration, setting an example, providing support and direction, encouraging employees to want to learn on the job, and encouraging employees to make improvements continually, continuously, delivering work results correctly and adequately, providing suggestions and ideas, providing tips on dealing with problems, giving rewards, constantly reminding, giving sanctions, and providing training. Leaders who encourage employees can increase job satisfaction and give employees a sense of achievement. The findings of this study are the results of previous research conducted by Emery and Barker (2007), Voong et al. (2011), Rafia et al. (2020), and Abolnasser et al. (2023), who found that high levels of transformational leadership can increase job satisfaction.

H_5 is accepted. It shows that the better the environment around the employee, the higher the positive feelings and emotions the employee feels towards their work to meet their needs. It is supported by respondents who think they have a sense of togetherness with colleagues, such as one struggle, teamwork, open communication, mutual respect and understanding, kinship, cooperation, mutual assistance, living together, solidarity, and complementing each other. Employees with a strong sense of togetherness with colleagues can create a good and comfortable work environment, thereby increasing job satisfaction. The findings of this study are the results of previous studies conducted by Tio (2014), Raziq and Maulabakhsh (2015), and Anasi (2020), which found that a good work environment can increase job satisfaction. Donley (2021) also highlighted that, as social beings, the environment created by the interactions of staff and leadership impacts how people behave and feel about their work. People's experience at work affects their well-being and job satisfaction. Moreover, interpersonal relationships with supervisors and co-workers and the perceived fairness of organizational practices are pivotal in shaping employees' job satisfaction levels (Baxi & Atre, 2024).

H_6 is accepted. It shows that the higher the positive feelings and emotions employees feel towards their work to meet employee needs, the stronger the influence of transformational leadership on employee engagement. The findings of this study are the results of previous research conducted by Nurtjahjani et al. (2020) and Zufrie et al. (2021), who found that high job satisfaction can increase the effect of transformational leadership on employee engagement.

H_7 is accepted. It shows that the higher the positive feelings and emotions felt by employees towards their work to meet employee needs, the stronger the influence of the work environment on employee engagement. This research is supported by Raziq and Maulabakhsh (2015) and Robbins and Judge (2019), revealing that the work environment can affect job satisfaction, and Vokić and Hernaus (2015), job satisfaction, in general, can cause an increase in employee engagement (Yuswardi, 2019). Hence, the allegation of a mediating role from job satisfaction to the influence of the work environment on employee engagement is acceptable.

CONCLUSIONS

Based on data analysis and hypothesis testing, it can be concluded that (a) transformational leadership has a positive and significant effect on job satisfaction and employee engagement. In other words, the higher the ability of leaders to influence, motivate, and inspire employees, the higher the sincerity of employees in carrying out their roles in their jobs in the company, and the higher the positive feelings and emotions felt by employees towards their work to meet employee needs; (b) the work environment has a positive and significant effect on job satisfaction and employee engagement, job satisfaction has a positive and significant impact on employee engagement. In other words, the better the environment around the employee, the higher the sincerity of the employee in carrying out his role in the company and the higher the positive feelings and emotions felt by the employee towards his work to meet the needs of the employee; and (c) Job satisfaction positively and significantly mediates the effect of transformational leadership on employee engagement, and job satisfaction mediates the impact of the work environment on employee engagement. In other words, it shows that the higher the positive

feelings and emotions felt by employees towards their work to meet employee needs, the stronger the influence of transformational leadership on employee engagement, and the stronger the impact of the work environment on employee engagement. It is different from the research gaps because the research conducted by previous studies had a different population than this study.

This research was only carried out in certain branches. Thus, it cannot fully explain how the company is related to transformational leadership, work environment, job satisfaction, and employee engagement. For further research, in this study, 18.3% of employee engagement variables were influenced by other variables outside of this research. Therefore, additional research is suggested to examine independent variables outside this study, such as work motivation, organizational commitment, and employee happiness. It aims to find out what variables can influence employee engagement. In addition, further research is recommended on company employees in different fields. It aims to get a broader picture of employee engagement in various fields.

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