

The Mediating Role of Employee Engagement in the Relationship between Transformational and Transactional Leadership and Organizational Commitment

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Abstract

This study aims to examine the effects of transformational and transactional leadership on organizational commitment, with employee engagement as a mediating variable at PT Charoen Pokphand Indonesia Tbk, Bima, West Nusa Tenggara. A quantitative approach was employed using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) method. Data were collected through questionnaires distributed to 99 employees and analyzed using SmartPLS software. The results indicate that transformational leadership has a positive and significant effect on organizational commitment and employee engagement, while transactional leadership has a positive and significant effect on employee engagement but does not significantly affect organizational commitment. Furthermore, employee engagement has a positive and significant effect on organizational commitment but does not significantly mediate the relationship between transformational and transactional leadership and organizational commitment. These findings suggest that organizational commitment is more strongly influenced by the direct effects of leadership, particularly transformational leadership, rather than through the mediating role of employee engagement. This study contributes to the organizational behavior literature and provides practical implications for organizations in determining effective leadership styles to enhance employee commitment.

INTRODUCTION

Human resources are a strategic asset in supporting organizational success and sustainability, particularly in achieving organizational objectives and enhancing competitiveness. Employees with a high level of organizational commitment play a crucial role in fostering loyalty, optimizing performance, and actively contributing to organizational activities. In an increasingly complex work environment, organizations are required to implement effective leadership styles to establish positive working relationships and strengthen employee commitment. However, in practice, many organizations continue to face challenges related to low levels of organizational commitment, as reflected in increased absenteeism, low loyalty, and limited employee involvement in achieving organizational goals. These conditions are often influenced by the misalignment between leadership styles and employees' needs and characteristics, which subsequently leads to decreased work motivation and weakened emotional attachment to the organization.

Leadership style is an important factor that influences employees' attitudes, behavior, and level of organizational commitment. Transformational leadership emphasizes a leader's ability to provide vision, inspiration, and motivation that encourage employees to prioritize organizational interests over personal goals. Transformational leaders tend to build trust, offer individual support, and promote employee development. These practices strengthen emotional attachment and enhance organizational commitment. In contrast, transactional leadership focuses on an exchange-

based relationship between leaders and employees through reward systems and performance monitoring. This approach emphasizes the achievement of short-term targets. However, its effectiveness in fostering long-term organizational commitment remains inconsistent across empirical findings.

In addition to leadership style, employee engagement is a crucial factor in shaping organizational commitment. Employee engagement reflects the extent to which employees are cognitively, emotionally, and behaviorally involved in their work. Highly engaged employees tend to demonstrate enthusiasm, dedication, and a strong willingness to contribute beyond formal job requirements. This condition not only enhances individual performance but also strengthens employees' commitment to the organization. Therefore, employee engagement is often regarded as an important mechanism that links leadership style to organizational commitment.

Another factor that influences organizational commitment is the level of employee engagement. According to Schaufeli et al. (2002), employee engagement is a positive psychological state characterized by vigor, dedication, and absorption in work activities. Employees with high levels of engagement tend to demonstrate stronger loyalty, a greater sense of belonging, and higher organizational commitment. However, in practice, many organizations have not been able to develop employee engagement optimally. This condition is often caused by limited managerial support, ineffective leadership communication, and insufficient attention to employees' needs and well-being. These circumstances indicate that leadership plays a critical role in creating a work environment that consistently encourages employee engagement and strengthens organizational commitment (Saks, 2006; Bakker & Demerouti, 2017).

Previous studies have demonstrated significant relationships between leadership style, employee engagement, and organizational commitment. Several studies report that transformational leadership has a positive effect on organizational commitment both directly and indirectly through employee engagement as a mediating variable (Saks, 2006; Albrecht et al., 2015). Similar findings were also reported by Imran et al. (2021), who emphasized that effective leadership practices enhance employee engagement and subsequently strengthen organizational commitment. In contrast, empirical findings related to transactional leadership remain inconsistent. Some studies indicate that transactional leadership significantly influences employee engagement but has a weaker or insignificant direct effect on organizational commitment. Moreover, studies that simultaneously examine transformational and transactional leadership with employee engagement as a mediating variable remain limited, particularly in organizational contexts outside major urban areas. Therefore, further empirical research is required to clarify the underlying mechanisms linking leadership styles, employee engagement, and organizational commitment.

Based on the foregoing background, this study aims to examine the effects of transformational and transactional leadership on organizational commitment with employee engagement as a mediating variable. Theoretically, this study is expected to enrich the literature on organizational behavior, particularly with regard to the role of leadership and employee engagement in shaping organizational commitment. Practically, the findings of this study are expected to provide insights for management in determining appropriate leadership styles to enhance employee engagement and strengthen employees' organizational commitment in a sustainable manner.

METHODS

This study adopts a quantitative approach using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method. This approach was selected because it allows for the simultaneous analysis of complex causal relationships among latent variables and provides a comprehensive framework for testing mediation effects. In addition, SEM-PLS is considered appropriate for studies with a relatively small sample size and data that do not necessarily follow a normal distribution. The population of this study consists of all employees of the organization under investigation. Based on company data, the total population comprises 99 employees. A saturated sampling technique was applied, in which all members of the population were included as research respondents. Therefore, the sample size used in this study is 99 employees. Data were collected through the distribution of questionnaires developed based on the indicators of each research variable, namely transformational leadership, transactional leadership, employee engagement, and organizational commitment. All measurement items were assessed using a five-point Likert scale to capture respondents' levels of agreement with each statement.

Data analysis was conducted using SmartPLS version 4.0 following the Partial Least Squares–Structural Equation Modeling (PLS-SEM) approach. The analysis procedure consisted of three main stages, namely the evaluation of the measurement model (outer model), the evaluation of the structural model (inner model), and hypothesis testing. The measurement model evaluation aimed to assess construct validity and reliability by examining indicator loadings, Average Variance Extracted (AVE), Composite Reliability, and Cronbach's Alpha. The structural model evaluation was performed to analyze the relationships among latent variables through path coefficients, the coefficient of determination (R^2), and predictive relevance (Q^2) in order to determine the explanatory and predictive power of the model. Finally, hypothesis testing was conducted using the bootstrapping procedure to examine the significance of both direct and indirect effects among the research variables, with t-statistics and p-values used as the criteria for decision-making, particularly to assess the mediating role of employee engagement in the relationship between leadership styles and organizational commitment.

RESULTS AND DISCUSSION

Subheadings Level 2

Table 1
Outer Model Analysis (Validity Test)

Variable	Number of Indicators	Loading Factor (>0,70)	AVE (>0,50)	Cross Loading (Highest on Construct)	Remarks
Transformational Leadership	4	0,893 – 0,928	0,832	0,768 –0,928	Valid and Reliable
Transactional Leadership	3	0,852 – 0,889	0,765	0,580 –0,889	Valid and Reliable
Employee Engagement	3	0,757 – 0,912	0,709	0,462 –0,912	Valid and Reliable
Organizational Commitment	5	0,652 – 0,884	0,735	0,479 –0,884	Valid and Reliable

Source: SmartPLS Output (2026)

Based on Table 1, all constructs show loading factor values above the acceptable threshold of 0.70, while the Average Variance Extracted (AVE) values for each variable exceed 0.50. In addition, the cross-loading values indicate that each indicator loads higher on its respective construct than on other constructs. These findings confirm that all measurement items satisfy the requirements of convergent and discriminant validity, indicating that the constructs used in this study are valid for further structural model analysis.

Table 2
Outer Model Analysis (Validity Test)

Variable	Cronbach Alpha	Remarks	Composite Reliability (ρ_c)	Remarks
Transformational Leadership	0,933	Reliable	0,949	Reliable
Transactional Leadership	0,846	Reliable	0,906	Reliable
Employee Engagement	0,820	Reliable	0,892	Reliable
Organizational Commitment	0,862	Reliable	0,908	Reliable

Source: SmartPLS Output (2026)

Based on Table 2, all constructs demonstrate Cronbach's Alpha values exceeding the minimum threshold of 0.70, indicating satisfactory internal consistency. In addition, the Composite Reliability (ρ_c) values for all variables are above 0.70, confirming the reliability of the measurement model. These results indicate that all constructs in this study are reliable and

suitable for further structural model analysis.

Tabel 3
Structural Model Results (Inner Model)
R-Square (R2)

Variabel Dependen	R-Square	R-Square Adjusted	Remarks
Employee Engagement (M)	0,698	0,692	Good
Komitmen Organisasi (Y)	0,658	0,647	Good

Source: SmartPLS Output (2026)

The inner model evaluation shows that the research model has good predictive accuracy. The R-Square value for Employee Engagement (M) is 0.698 with an adjusted R-Square of 0.692, indicating that leadership variables explain a substantial proportion of variance in employee engagement. Meanwhile, the R-Square value for Organizational Commitment (Y) is 0.658 with an adjusted R-Square of 0.647, suggesting that the model adequately explains variations in organizational commitment. Overall, these results indicate that the structural model has good explanatory power.

Tabel 4
Hypothesis Testing Results (Path Coefficient)
Path Coefficient (Direct and Indirect Effect)

Variable	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
TL (X1) → OC (Y)	0,511	0,487	0,216	2,640	0,010
TL (X1) → EE (M)	0,574	0,586	0,121	4,753	0,000
TR (X2) → OC (Y)	0,064	0,070	0,201	0,317	0,376
TR (X2) → EE (M)	0,289	0,267	0,143	2,015	0,023
EE (M) → OC (Y)	0,277	0,296	0,162	1,704	0,046
TL (X1) → EE (Z) → OC (Y)	0,159	0,171	0,099	1,605	0,056
TR (X2) → EE (Z) → OC (Y)	0,080	0,082	0,068	1,175	0,121

Source: SmartPLS Output (2026)

DISCUSSION

Subheading Level 2

Based on the results presented in the table above, it can be concluded that transformational leadership has a positive and significant effect on employee engagement and organizational commitment. Meanwhile, transactional leadership has a positive and significant effect on employee engagement but does not have a significant effect on organizational commitment. Employee engagement is also found to have a significant influence on organizational commitment. However, the direct effect of transformational leadership on organizational commitment remains significant, indicating that employee engagement does not function as a significant mediating variable in the relationship between transformational leadership or transactional leadership and organizational commitment.

These findings confirm that transformational leadership, which emphasizes inspiration, individualized support, and employee development, is able to enhance employee engagement within the organization (Bass & Avolio, 1994; Robbins & Judge, 2022). Employees who feel valued and actively involved tend to demonstrate higher work enthusiasm, stronger dedication, and greater emotional attachment to their jobs (Schaufeli et al., 2002; Saks, 2006). This condition ultimately contributes to increased organizational commitment, reflected in higher loyalty, a stronger sense of belonging, and a greater intention to remain within the organization (Meyer & Allen, 1997).

Transactional leadership, through reward and monitoring mechanisms, is able to encourage employee engagement in carrying out tasks and achieving predetermined work targets (Judge & Piccolo, 2004). This leadership approach helps establish role clarity and clear work expectations, thereby motivating employees to actively participate in organizational activities. However, its influence tends to be instrumental in nature and primarily oriented toward short-term performance outcomes. This finding is consistent with the perspective of Bass and Avolio (1994), who argue that transactional leadership is effective in regulating work behavior but less optimal in fostering emotional attachment and long-term organizational commitment among employees.

The high level of organizational commitment among employees at PT Charoen Pokphand Indonesia Tbk, Bima can be explained by the synergy between inspirational transformational leadership and an adequate level of employee engagement. Leadership that provides clear direction, motivation, and attention to employees' needs fosters positive work attachment and encourages employee loyalty toward the organization (Macey & Schneider, 2008). This finding reinforces previous studies emphasizing that effective leadership plays a crucial role in strengthening both employee engagement and organizational commitment (Albrecht et al., 2015; Hidayat & Putra, 2021).

In conclusion, transformational leadership, transactional leadership, and employee engagement play strategic roles in shaping employees' organizational commitment. However, transformational leadership has been shown to exert a more dominant direct influence on organizational commitment. Therefore, organizations should place greater emphasis on developing leadership styles that focus on inspiration, employee development, and the establishment of meaningful work relationships in order to foster sustainable organizational commitment

CONCLUSION

Transformational leadership has a positive and significant effect on employee engagement and employees' organizational commitment. In addition, transactional leadership is proven to have a positive effect on employee engagement but does not have a significant effect on organizational commitment. Employee engagement is also found to have a positive influence on organizational commitment; however, it does not significantly mediate the relationship between either transformational leadership or transactional leadership and organizational commitment.

These findings imply that the more effectively transformational leadership is implemented within an organization, the higher the level of employees' organizational commitment that can be achieved. Although employee engagement plays an important role in shaping positive employee attitudes, the influence of leadership on organizational commitment in the context of this study occurs more dominantly through direct effects, particularly through transformational leadership.

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