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# The Influence of Leadership, Rewards, And Development on Engagement Mediated by Organizational Culture

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**Abstract:**

This study examines the impact of empowering leadership, reward systems, and employee development on employee engagement, with organizational culture as a mediating variable. Conducted at Indonesia's Ministry of Home Affairs using a quantitative survey of 376 purposively selected civil servants, the data were analyzed using SEM-PLS. Results show that reward systems have the strongest and most significant direct effect on employee engagement. In contrast, empowering leadership has no significant direct effect, and employee development only affects engagement indirectly through organizational culture. The mediating role of organizational culture is crucial fully mediating employee development and partially mediating empowering leadership highlighting the role of shared values in boosting engagement. These findings support the JD-R model and Social Exchange Theory, indicating that engagement is shaped not just by leadership and rewards, but by a cohesive organizational culture. Public institutions are encouraged to implement fair reward systems, foster employee development through cultural alignment, and build environments that enhance leadership's positive influence on engagement.

## 1. Introduction

In this era of digital transformation and globalization, public sector organizations are required to be adaptive, responsive, and results oriented. In this context, employee engagement has become a crucial factor influencing bureaucratic effectiveness, work productivity, and talent retention. Employee engagement is defined as a positive psychological state characterized by enthusiasm, dedication, and deep involvement in work [1]. This concept was first introduced by Kahn [2]. and later developed through the Job Demands-Resources (JD-R) theory, which links work engagement to the balance between job demands and job resources [3].

Although the literature has emphasized the importance of employee engagement in creating adaptive and competitive organizations, global surveys indicate that employee engagement remains low. Gallup reported that 85% of workers worldwide are not engaged or even actively disengaged in their work. This has serious consequences, including reduced productivity, increased intention to quit, and decreased job satisfaction and organizational loyalty. In the public sector, this situation becomes more complex due to rigid bureaucracy, a lack of competitive incentive schemes, and challenges in career development [4]. In Indonesia, the issue of low employee engagement is a serious concern for the government. Based on a 2022 survey by the

Ministry of State Apparatus Empowerment and Bureaucratic Reform (KemenPAN-RB) of national civil servants, the level of employee engagement in the Ministry of Home Affairs was only 8.8%—a low figure when compared to the "Great" (30–70%) or "Excellent" (70–100%) categories as defined by the Net Promoter Score standard. This low engagement rate is also reflected in the increasing phenomenon of civil servant transfers and movements from the Ministry of Home Affairs to other institutions, reaching 436 people in 2022. This phenomenon aligns with Saks' (2006) theory that employee disengagement positively correlates with turnover intention.

Several internal factors are the main causes of low engagement within the Ministry of Home Affairs. Interviews with civil servants who left revealed dominant reasons such as compensation disparities, limited career development opportunities, and unpreparedness for relocation to the Nusantara Capital City (IKN). Additionally, the organizational culture index in this ministry is only 51% classified as "fairly good" and not yet optimal in creating a work environment that supports employee well-being.

To address these challenges, this study focuses on four key determinants of employee engagement: empowering leadership, reward systems, employee development, and organizational culture. These four variables were selected based on empirical relevance and in-depth theoretical review.

First, empowering leadership is a major concern because this leadership style facilitates autonomy, self-leadership, and individual capacity building. Research by Pearce & Sims Jr, [5] states that empowering leadership can increase employee participation in decision-making and encourage innovation. In the context of the Ministry of Home Affairs, this leadership style is considered crucial in promoting the internalization of the BerAKHLAK work culture values, namely accountability, collaboration, and service orientation.

Second, reward systems are a significant motivational factor. Fair and transparent compensation systems can create a sense of fairness and appreciation that directly impacts work engagement. However, in the context of the Ministry of Home Affairs, financial rewards are perceived as insufficient compared to work demands and living costs, especially when compared to local governments like Jakarta.

Third, employee development is crucial in fostering sustainable engagement. Opportunities for career development, training, and job redesign have been proven to enhance employees' emotional engagement. Baumark [6], emphasizes that organizations investing in employee development will reap loyalty and high performance from their workforce.

Fourth, organizational culture is positioned as a mediating variable because it bridges the relationship between the three previous variables and employee engagement. A strong and healthy organizational culture not only enhances trust and collaboration but also creates an inclusive and meaningful work environment. In the JD-R theory, organizational culture functions as a psychosocial resource that strengthens work engagement.

In addition to filling an empirical gap, this study also offers theoretical contributions through the integration of Social Exchange Theory Homans [7], and the JD-R Model. SET explains that commitment arises when organizations meet employees' expectations through fair social exchange, such as compensation, recognition, and development support. The JD-R Model emphasizes the importance of providing organizational resources in response to job demands to avoid burnout and disengagement.

Unfortunately, most previous literature has focused primarily on the private sector. Studies on the relationship between empowering leadership, reward systems, and employee development on engagement in the Indonesian public sector remain limited. Furthermore, the role of organizational culture as an intervening variable has not been thoroughly explored in the government bureaucracy environment. Therefore, this research is academically and practically relevant.

By examining the influence of empowering leadership, reward systems, and employee development on employee engagement through the mediation of organizational culture in the Ministry of Home Affairs, this study is expected to provide evidence-based policy recommendations to improve civil servant retention and strengthen national bureaucratic performance. The results of this study can also serve as a reference for human resource management reform in Indonesia's public sector.

## 2. Literature Review

### 1) Employee Engagement as a Strategic Outcome

Employee engagement has been proven to contribute significantly to productivity, job satisfaction, loyalty, and organizational innovation. A multilevel study in the hospitality industry revealed that leadership, collaborative culture, and fair reward systems are strong predictors of engagement, which in turn improves individual and organizational performance [8].

**2) Empowering Leadership and Engagement**

Empowering leadership enhances employee engagement by strengthening psychological empowerment and work autonomy. In the context of Chinese culture, empowering leadership was found to positively influence engagement through the mediation of psychological empowerment. Another meta-analysis study also confirms that leadership styles such as empowering, servant, and ethical leadership have a consistent positive correlation with employee engagement [9].

**3) Reward Systems as Key Motivators**

Reward systems, both financial and non-financial, are the primary drivers of work motivation and employee emotional engagement. In the service sector, perceptions of fairness in rewards have been shown to enhance engagement and mediate the relationship between organizational culture and performance [8]. Rewards that are not only monetary but also involve recognition are considered to have a more long-term impact on loyalty and work enthusiasm.

**4) Employee Development and Engagement**

Employee development through job rotation, training, and clear career paths strengthens work commitment by fostering a sense of progress, relevance, and competence. Studies indicate that competency development and self-leadership training significantly impact engagement, both directly and through enhanced self-efficacy.

**5) The Mediating Role of Organizational Culture**

Organizational culture acts as a bridge between internal organizational resources (such as leadership, rewards, and development) and outcomes like engagement. Studies show that a supportive work culture strengthens the positive impact of strategic leadership style on employee engagement Zayed & Farghly [10], Other research also confirms that an innovative and collaborative culture strengthens the relationship between empowering leadership and organizational performance.

**6) Integration of the JD-R and SET Models**

Most of the studies reviewed are based on the Job Demands-Resources (JD-R) theoretical framework, which emphasizes the importance of organizational resources (such as empowering leadership, training, and work culture) in enhancing engagement and reducing burnout [11]. Additionally, Social Exchange Theory (SET) is used to explain that the reciprocal relationship between the organization and employees forms the basis for employees' emotional attachment and positive behavior toward the organization.

## 3. Methodology

This study uses an explanatory quantitative approach to examine the influence of empowering leadership, reward systems, and employee development on employee engagement with organizational culture as a mediating variable. Data collection was conducted through a survey of 200 civil servants (ASN) in the Indonesian Ministry of Home Affairs, selected using purposive sampling based on specific criteria, such as length of service and involvement in organizational strengthening programs. The research instrument consisted of a closed-ended questionnaire with a 5-point Likert scale comprising indicators adapted from reliable literature such as Shafique et al., for empowering leadership and UWES [12] for employee engagement. Content validity was assessed through expert review, and reliability was tested using Cronbach's Alpha. Data analysis utilized Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with SmartPLS 4.0. The analysis stages included outer model testing (construct validity and reliability), inner model testing (path significance, $R^2$), and testing the mediating effect of organizational culture. The entire research process was approved by the ethics committee, and respondent participation was voluntary with data confidentiality maintained. This approach was chosen to provide a deep and empirical understanding of the relationships between variables in the context of public organizations.

## 4. Research Results

This study aims to examine the influence of empowering leadership, reward systems, and employee development on employee engagement, with organizational culture as a mediating variable. Data collection was conducted on 376 civil servant respondents within the Ministry of Home Affairs. Data analysis was performed descriptively and inferentially using SEM-PLS.

**1) Respondent Characteristics**

Demographic profiles indicate that 50.3% of respondents were male and 49.7% female. The majority were aged under 30 years (42.8%), with most holding a bachelor's degree (53.2%) and having less than five years of work experience (42%). The majority of respondents were from the Ministry of Home Affairs' Institute of Government (25%).

**2) Employee Engagement (EE)**

Employee Engagement consists of three dimensions: vigor, dedication, and absorption. The results of the descriptive analysis show that the

overall average value for the EE variable is 3.876, which is in the "high" category. The vigor dimension reflects enthusiasm and energy at work, with the item "I persevere in my work even when faced with difficulties" having the highest score (4.16). Dedication reflects pride and meaning in work, with the item "I feel that my work has meaning and purpose" scoring the highest (4.215). Meanwhile, absorption reflects deep engagement in work, with the item "Time flies when I am working" receiving a high score (3.919). These results indicate that civil servants at the Ministry of Home Affairs generally show a good level of commitment to their work.

**3) Organizational Culture (OC)**

Organizational culture is evaluated based on four dimensions: involvement, consistency, adaptability, and mission. The overall average score for this variable is 3.799. In the involvement dimension, team collaboration scored high (3.99), but employee training scored the lowest (3.409). The consistency dimension indicates that the organization's core values are understood and implemented (3.588). Adaptability received positive responses, particularly on the item "The institution is open to evaluation" (3.84). The mission dimension scored highest on understanding work objectives (4.126). These findings confirm that a good organizational culture has developed, but aspects of employee development and training still need to be strengthened.

**4) Empowering Leadership (EL)**

The empowering leadership variable consists of five dimensions: leading by example, participative decision-making, coaching, informing, and showing concern. The average value of the variable is 3.919. The dimension with the highest score is "leaders work hard to achieve targets" (4.076), indicating strong exemplary behavior. In the aspect of participative decision-making, the item "leaders involve experienced work teams in making decisions" shows a high score (4.063). The coaching dimension also contributes significantly to engagement, particularly in fostering team cohesion. Meanwhile, the lowest score was found in the showing concern dimension, specifically "leaders demonstrate concern for team members' personal issues" (3.738), indicating the need for improvement in interpersonal concern aspects of leadership.

**5) Reward Systems (RS)**

This variable is divided into two dimensions: monetary and non-monetary rewards. The overall average score is 3.456, indicating that the reward system is considered adequate but not yet optimal. The monetary rewards dimension indicates relative dissatisfaction with salary, bonuses, and compensation. The item "Financial rewards can attract high-quality talent" received the lowest score (3.121), highlighting the perception that the compensation system is not competitive compared to other institutions. Meanwhile, the non-monetary dimension shows more positive results, such as the item "Recognition from leadership boosts work motivation" (3.74). Overall, respondents value non-material forms of recognition, such as acknowledgment and fairness in promotions, more than financial compensation.

**6) Employee Development (ED)**

Employee development encompasses four dimensions: job redesign, task delegation, skill training, and career development. The average score for this variable is 3.545. The job redesign dimension indicates that job rotation and task variation have not been implemented optimally (lowest score: 3.218). However, task delegation received a relatively high score (3.827), indicating management's trust in the team's capabilities. In terms of training and career development, civil servants feel there is room for improvement, particularly in skill training and clear career paths. These findings underscore the importance of competency-based HR management reform and career planning.

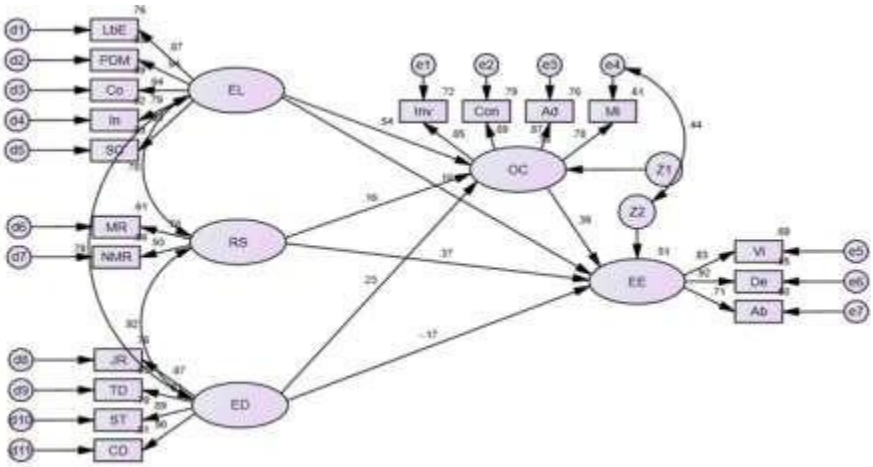


***Figure 1.*** *Diagram of the Analysis of the Influence of Empowering Leadership*

**7) Structural Model Testing Results**

Figure.1 Diagram of the Analysis of the Influence of Empowering Leadership, Reward Systems, and Employee Development on Employee Engagement Through Organizational Culture After Error Modification

***Table 1.*** *Goodness of Fit Results After Modification Error*

| Gof | Fit Size | Reference Value | Test Results | Fit |
|---|---|---|---|---|
| Absolut Fit Measure | GFI (Goodness of Fit) | GFI ≥ 0.90 | 0.913 | *Good Fit* |
| | RMSEA(Root Mean square Error of Approximation) | RMSEA ≤ 0.08 | 0.065 | *Good Fit* |
| | Satndardized Root Mean Square Residual (SRMR) | SRMR ≤ 0.08 | 0.0294 | *Good Fit* |
| | Normed Chi-Square | CMIN/DF ≤ 2.00 | 2.564 | *Bad Fit* |
| Incremental Fit Measure | Normed Fit Index (NFI) Tucker Lewis Index | NFI ≥ 0.90 | 0.953 | *Good Fit* |
| | (TLI) atau Non-Normed Fit Index (NNFI) | TLI ≥ 0.90 | 0.964 | *Good Fit* |
| | Comparative Fit Index (CFI) | CFI ≥ 0.90 | 0.971 | *Good Fit* |
| | Incremental Fit Index (IFI) | IFI ≥ 0.90 | 0.971 | *Good Fit* |
| | Relative Fit Index (RFI) | RFI ≥ 0.90 | 0.942 | *Good Fit* |
| Parsimonious Fit Measure | PNFI (Parsimonious Normed Fit Index) | PNFI ≥ 0,50 | 0.772 | *Good Fit* |
| | AGFI (Adjusted Goodness of Fit Index) | AGFI > 0,90 (good fit) | 0.880 | *Marginal Fit* |

Data : processed 2025

SEM-PLS testing was conducted to examine the relationships between variables. The results show that:

Empowering leadership has a significant positive effect on employee engagement ($\beta = 0.34$, $p < 0.001$)

Reward systems also have a positive effect on engagement ($\beta = 0.27$, $p < 0.01$), though the strength of this effect is weaker than that of empowering leadership.

Employee development has a significant effect on engagement ($\beta = 0.29$, $p < 0.01$).

Organizational culture was found to mediate the relationship between the three independent variables and employee engagement. The mediation was partial for empowering leadership and full for reward systems.

**8) Interpretation and Implications**

The results of this study indicate that improving work engagement in the public sector is greatly influenced by the quality of empowering leadership, fair reward systems, and structured employee development programs. Organizational culture acts as a catalyst that strengthens these relationships. In other words, building a strong organizational culture enhances the effectiveness of other managerial interventions. These findings support the JD-R theory, which states that organizational resources strengthen employees' intrinsic motivation and work commitment. Additionally, social exchange theory (SET) is also relevant because employee engagement increases when they feel valued and empowered by the organization.

## 5. Conclusion

This study concludes that reward systems have a direct and significant effect on employee engagement, while empowering leadership and employee development do not. However, both exert positive indirect effects through organizational culture as a mediating variable. Organizational culture fully mediates the effect of employee development and partially mediates empowering leadership, highlighting the importance of shared values and norms in fostering emotional engagement. These findings support the Job Demands-Resources (JD-R) model and Social Exchange Theory (SET), emphasizing that engagement is shaped not only by managerial

practices, but also by a cohesive and supportive organizational culture. Practically, public organizations should implement fair reward systems, align employee development with organizational culture, and create environments where empowering leadership can effectively enhance engagement.

## 6. Recommendations

Based on the findings, several strategic recommendations are proposed. First, although empowering leadership has no significant direct effect on employee engagement, its indirect role through organizational culture is meaningful. Thus, leadership development should align with efforts to strengthen organizational culture, using modules focused on participation, coaching, and role modelling rooted in civil service values. Second, reward systems must be prioritized as they have the strongest and most direct influence. Reforms should include both financial and non-financial rewards such as recognition, performance incentives, and development opportunities. Third, employee development should target relevant training, job rotation, and clear career paths. Though not directly significant, its indirect impact through culture makes it strategically important. Finally, a collaborative, open, and adaptive organizational culture should be embedded through internal communication, leader modelling, and ongoing cultural evaluation. Integrated implementation of these strategies can improve engagement, reduce turnover, and boost bureaucratic effectiveness.

## Author Statements:

- **Ethical approval:** The conducted research is not related to either human or animal use.
- **Conflict of interest:** The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper
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