

Role of Work Engagement in Mediating the Effect of Leader Member Exchange on Employee Performance (Empirical Study at Government Agency in Indonesia)

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ABSTRACT : Employee performance is an important aspect that must be considered, because employee performance is the result of work controlled by individual employees and can contribute to the success of the organization in achieving its goals. This study aims to analyze the effect of LMX and work engagement on employee performance, the effect of LMX on work engagement and the role of work engagement in mediating the influence of LMX on the employee performance. The number of respondents used was 89 employees using the saturated sample method. Data collection was carried out by interviewing, distributing questionnaires and observations. The data analysis technique used is path analysis and single test. The results of the analysis show that LMX has a significant positive effect on employee performance and work engagement, work engagement has a significant positive effect on employee performance and work engagement partially mediates the effect of LMX on employee performance. The implications in this study provide evidence that work engagement has an important role because it can strengthen the influence of LMX in organizations to improve employee performance.

KEYWORDS: *leader member exchange, work engagement, employee performance*

I. INTRODUCTION

One of the ways the government fulfills the needs of its people is by providing public services. Optimal public service is a right for every Indonesian citizen because he has paid taxes to the state. However, based on the results of The Ease of Doing Business survey in 2015 of 183 countries, it shows that Indonesia is in a low category because it ranks 109th (Ombudsman, 2017). The survey results certainly contradict the expectations of the Indonesian people who want optimal public services. Apart from reforming the existing bureaucracy, the performance of government employees also contributes to the creation of optimal public services.

Employee performance is an important aspect for the organization because employee performance is behavior controlled by individuals who can contribute to the achievement of organizational goals, so organizations need to have employees with good quality abilities. The ability and experience of employees in doing work is part of employee performance in the context of task performance (Pradhan & Jena, 2017). The current outbreak of the Covid-19 pandemic presents its own challenges for public services where the government instructs to Work From Home that requires employees to have the ability to adapt to changes quickly, in terms of bureaucracy, work systems, and the use of technology at work.

The pre-research carried out by interviewing five employees at a government agency in the Province of Bali, Indonesia showed that there were indications of employee performance problems. In some ways, technological developments have indeed made it easier to speed up the performance, for example signing documents and online coordination. However, it cannot be denied that not all employees can use the technology properly. There is no official training in this regard, so employees are expected to be able to learn independently. Another problem arises when not all employees are responsive when communicating via online media so that the speed of coordination is reduced. One of the informants also assessed that his subordinates lacked initiative in their work. They tend to finish work after receiving orders from their superiors.

The unresponsive attitude shown by several employees during WFH later raised doubt which was conveyed by one of the respondents. Respondent questioned whether their subordinates actually worked while working hours. Even though the assigned task is finally completed before the deadline given, these doubts still arise due to the unresponsive attitude of employees. Based on this statement, it can be seen that there is a trust issue between leaders and subordinates. Trust is one dimension that affects the quality of the relationship between leaders and subordinates. The relationship between the leader and his subordinates is explained in the theory of leader-member exchange (LMX). LMX theory conceptualizes leadership as a process that centers on

the interaction between leaders and followers. High-quality LMX relationships will result in positive attitudes in individuals towards their leaders and further encourage them to invest physical, emotional, and cognitive energy to increase productivity or performance.

Other respondents stated that their superiors tended to give orders to employees who were deemed capable and able to work quickly even though the job was not a job description. So it can be seen that not all employees have the same opportunity to be actively engaged in their work. Engelbrecht et al. (2017) stated that the relationship between leaders and followers is so important to the organization, so trust and leadership are key aspects that must be considered, especially when they can contribute to employee work engagement. Work engagement is the level of employee identification of their work, actively participates in their work, and considers performance in their work to be more valuable for their own good. Bakker & Demerouti (2017) stated that individuals who are engaged in their work have high energy levels, are very enthusiastic about their work, and are completely immersed in their work activities. Meanwhile, someone who is not engaged in participating in the organization considers that work is not important for self-esteem and does not have an emotional attachment to the organization which in turn has a negative impact on decreasing performance (Sethi & Mittal, 2016). Several previous studies such as those conducted by Kim & Koo (2017) stated that work engagement is a mediating variable between LMX and employee performance.

II. HYPOTHESIS DEVELOPMENT

This research is based on the social exchange theory. This theory emphasizes that interactions between humans are established to maintain a balance between giving and receiving. Employees in high-quality relationships with leaders tend to have better access to work-related information, more space, and leadership support. When leaders can know and meet the needs of their employees, employees will respond by showing better performance than expected. Yin (2018) argues that in social exchange theory, employees psychologically hope that if employee work engagement is high, they will receive high rewards and vice versa if employee work engagement is low, then they will receive low rewards from the organization. Therefore, employees tend to be actively engaged and produce better job performance.

Sharifkhani et al. (2016) states that leadership is important to encourage employee and team performance. Allowing employees to discuss and clarify their concerns will help them better understand the organization and enable them to align their personal goals with organizational goals. The leadership style in the leader-member exchange theory (LMX) has been explored because it affects the creativity and performance of subordinates in the workplace (Wang, 2016). The relationship between leaders and members is an important aspect that must be considered by the organization because it can affect the performance of employees and the organization itself. A high LMX will produce positive attitudes in individuals towards their leaders and further encourage them to invest physical, emotional, and cognitive energy to increase productivity or performance. Selvarajan et al. (2018) stated that the relationship with higher quality exchanges between leaders and followers was associated with more positive outcomes and fewer work-related problems. Luxfiati Kharimah & Frianto (2019) stated that LMX has a significant positive effect on employee performance, where high-quality LMX will encourage employees to improve their performance (Choy et al., 2016)

H1: LMX has a significant positive effect on employee performance

Septiadi et al. (2017) stated that work engagement has a significant positive effect on employee performance, where the higher the employees are engaged in a job, the employee performance level will increase. Employees who are engaged in work are more likely to show behavior and carry out activities that lead to innovative performance (Gupta et al., 2017). When an employee is fully engaged in his work, it will be reflected in his individual performance (Nazir & Islam, 2017). Work engagement is the best predictor of employee performance. If employees are fully engaged in the passion, absorption, and dedication component they can contribute well to their performance (Krishnaveni & Monica, 2018). Kartal (2018) stated that enthusiasm as a dimension of work engagement is positively related to employee performance but the absorption dimension is not positively related to employee performance.

H2: Work engagement has a significant positive effect on employee performance

The relationship between leaders and followers is so important to the organization, so trust and leadership are key aspects that must be considered, especially when this can contribute to employee work engagement. The level of engagement of an employee depends on the employee's perception of the quality of the leader-member relationship. Employees who have high-quality relationships with leaders are more likely to be engaged in work and organizations than employees who do not. The quality of the dyadic relationship between leaders and followers is one of the important reasons why work engagement can be passed from leaders to followers (Gutermann et al., 2017). A good dyadic relationship makes it easier for superiors to convey

information and direction needed by employees in completing their work. High LMX employees receive support from their superiors formally and informally and there is openness in communication so that it will increase employee engagement in work. A good exchange of relationships between superiors and employees encourages the level of employee engagement (Vila-Vázquez et al., 2020). Employees who have high quality relationships with leaders are more likely to be engaged in work and organizations than employees who are not engaged (Kim & Koo, 2017). Qiu (2017) stated that LMX has a direct effect on work engagement, and is a predictor of work engagement. The results of research by Gupta & Sharma (2018) also state that LMX affects work engagement.

H3: LMX has a significant positive effect on work engagement

Naz (2019) states that the relationship between LMX and employee performance is mediated by work engagement. Kim & Koo (2017) also stated that LMX quality is important for work engagement, and has an indirect effect on employee performance. A high-quality LMX can shape work engagement, and when employees are engaged, their performance will also improve (Sethi & Mittal, 2016). Pitoyo & Sawitri (2016) found that LMX has a significant positive effect on employee performance through work engagement as an intervening variable with partial mediation. The results of his research indicate that the direct effect of LMX on employee performance is greater than the effect of LMX on employee performance through work engagement as a mediating variable.

H4: Work engagement mediates the effect of LMX on employee performance.

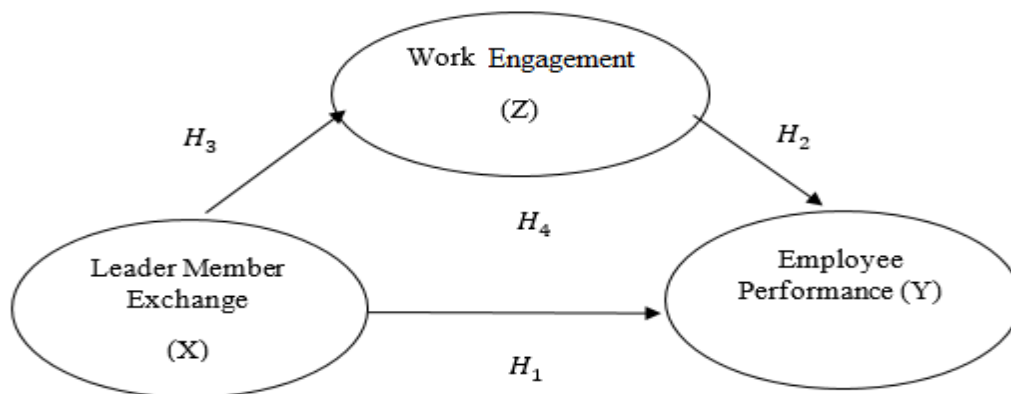


Fig. 1 Conceptual framework

III. RESEARCH METHODS

3.1 Research Design

This research is classified as an associative research. The population and sample in this study were 89 respondents using the saturation sampling method. The data collection method in this research is a questionnaire; interview; observation

3.2 Operational definition of the variable

3.2.1 Employee performance (Y)

Employee performance in this study is perceived as the behavior and work results of employees that can contribute to achieving the goals of government organizations. Employee performance can be measured by the Individual Work Performance Questionnaire (IWPQ) which consists of four dimensions: Task performance; Contextual performance; Adaptive performance

3.2.2 Leader Member Exchange / LMX (X)

LMX in this study is perceived as a theory that explains the quality of the relationship between employees and leaders. LMX in this study was measured by the LMX-7 questionnaire consisting of three dimensions of the LMX relationship: Respect, Trust, Obligation.

3.2.3 Work engagement (M)

Work engagement in this study is perceived as the level of employee awareness in identifying their work, as well as actively participating in their work as a form of responsibility as measured by 3 indicators: Vigor; Dedication; Absorption

IV. RESULTS AND DISCUSSION

The calculation of the path coefficient was carried out using SPSS 20, the results of data processing for regression equation 1 are presented in Table 1

Table 1. Sub structural Path Analysis 1

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.721	3.334		4.416	0.000
	Leader member exchange	1.314	0.144	0.699	9.117	0.000
R1 ² : 0.489						
F statistic : 83.114						
Sig. F : 0.000						

Table 1 indicate, The value of β3 is 0.699 which has a positive LMX effect on work engagement, this indicates that if the LMX variable increases, work engagement will increase by 0.699. The effect of the independent variable on the dependent variable as indicated by the total determination value (R square) of 0.489 means that 48.9 percent of the variation in work engagement is influenced by variations in LMX, while the rest is (100% - 48.9%) = 51.1 percent is explained by other factors not included in the model.

Table 2. Sub structural Path Analysis 2

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.154	4.159		1.480	0.143
	Leader member exchange	0.698	0.227	0.271	3.071	0.003
	Work engagement	0.821	0.121	0.599	6.788	0.000
R2 ² : 0.658						
F statistic : 85.311						
Sig. F : 0.000						

Table 2 indicate, The β1 value of 0.271 means that the LMX has a positive effect on employee performance, if the LMX variable increases, the employee performance variable increases by 0.271. The value of β2 in the amount of 0.599 means that work engagement has a positive effect on employee performance. This means that if the work engagement variable increases, the employee performance variable will increase by 0.599. The effect of the independent variable on the dependent variable as indicated by the total determination value (R square) of 0.658 means that 65.8 percent of the variation in employee performance is influenced by variations in LMX and work engagement, while the rest is (100% - 65.8%) = 34.2 percent explained by other factors into the model. The total determination value of 0.824 means that 82.4 percent of the employee performance variables are influenced by the LMX and work engagement variables, the remaining 17.3 percent is explained by other factors outside the established model.

Sobel Test

$$Z = \frac{ab}{\sqrt{b^2s_a^2 + a^2s_b^2 + s_a^2s_b^2}}$$

Given:

- a = 0,699
- s_a = 0,144
- b = 0,599
- s_b = 0,121

$$Z = \frac{0,699 \cdot 0,599}{\sqrt{0,599^2 \cdot 0,144^2 + 0,699^2 \cdot 0,121^2 + 0,144^2 \cdot 0,121^2}} = \frac{0,418}{0,122} = 3,426$$

The sobel test results show the calculated Z value of 3,426 > 1.96. So it is known that work engagement is a variable that mediates the influence of LMX on employee performance

VAF test results

The results of mediation testing with the VAF method in this study have met several requirements, namely; the direct effect is found to be significant (a) when the work engagement variable (Z) has not been included in the model. Second, after the work engagement variable (Z) was included in the model, the indirect effect (b x c) was also found to be significant. Third, calculate the Variance Accounted For (VAF) with the formula:

$$\begin{aligned} \text{VAF} &= \frac{(a \times b)}{(a+b \times c)} \\ \text{VAF} &= \frac{(0,699 \times 0,599)}{(0,699 + 0,599 \times 0,271)} \\ \text{VAF} &= \frac{0,419}{0,861} \times 100\% \\ \text{VAF} &= 48.6\% \end{aligned}$$

Because the VAF value of 48.6 percent is more than 20 percent, it can be seen that there is a partial mediation effect by the work engagement variable. This shows that the influence of LMX on employee performance is strengthened by the inclusion of work engagement variables.

The effect of LMX on employee performance

Based on the results of the analysis of the effect of LMX on employee performance, a significance value of 0.003 is obtained with a beta coefficient value of 0.271. A significance value of $0.003 < 0.05$ indicates that **H1 is accepted**. So the results of this study indicate that the LMX has a positive and significant effect on employee performance. The higher the quality of the LMX, the better the performance of Ali's employees. The relationship between leaders and members is an important aspect that must be considered by the organization because it can affect the performance of employees and the organization itself. A high LMX will produce positive attitudes in individuals towards their leaders and further encourage them to invest physical, emotional, and cognitive energy to increase productivity or performance (Sepdiningtyas & Santoso, 2017)

The Effect of work engagement on employee performance

Based on the results of the analysis of the effect of work engagement on employee performance, a significance value of 0.000 is obtained with a beta coefficient value of 0.599. A significance value of $0.000 < 0.05$ indicates that **H2 is accepted**. So the results of this study indicate that work engagement has a positive and significant effect on employee performance. The higher the employee's work engagement, the better the employee's performance. Engaging employees in their work indicates a sense of responsibility and the efforts made to achieve better performance. Work engagement is the driving force behind organizational competitiveness and success, in this case, the employees engaged show a willingness to make extra efforts at work and to achieve optimal performance (Cesário & Chambel, 2017)

The Effect of LMX on work engagement

Based on the results of LMX analysis on work engagement, it was obtained a significance value of 0.000 with a beta coefficient value of 0.699. A significance value of $0.000 < 0.05$ indicates that **H3 is accepted**. So the results of this study indicate that LMX has a positive and significant effect on work engagement. This shows that the higher the quality of the LMX, the higher the employee's work engagement. High dyadic relationships make it easier for leaders to convey information and direction needed by employees to complete their work. At high LMX employees receive support from their superiors both formally and informally and there is openness in communication so that it will increase employee engagement in work (Dewi et al., 2019)

Work engagement mediates the effect of LMX on employee performance

Based on the Sobel test results, the Z-value results were $3,426 > 1.96$ and the VAF test results were 48.6 percent > 20 percent. These results indicate that work engagement can partially mediate the influence of LMX on employee performance, or in other words, LMX has an indirect effect on employee performance through work engagement. This also explains that increasing the quality of LMX, will increase employee work engagement, so that employee performance will also increase. The results of this study support previous research conducted (Kartika & Suharnomo, 2016)

Research Limitations

The scope of this study includes only 1 government agency, so the results of the study cannot be generalized. This research can still be developed by changing the subject of this study, because this research may give different results when the variables used as research material are changed. This research is only carried out within a certain period of time, while the environment can change at any time, so this research needs

to be carried out again in the future. The collection of answers to the questionnaire is quite long, namely within 3 weeks, due to the shift work system due to the Covid-19 pandemic. The results of the answers to the questionnaires have a fairly high level of neutrality, so it can be perceived that the level of honesty of respondents in providing answers to the questionnaire is low.

V. CONCLUSION

5.1 Conclusion

The results of this study indicate that the LMX has a positive and significant effect on employee performance, meaning that the better the application of LMX will improve employee performance. Work engagement has a positive and significant effect on employee performance, meaning that the higher the work engagement of employees, the higher the employee's performance. LMX has a positive and significant effect on work engagement, meaning that the better the implementation of LMX will increase employee work engagement. Work engagement can partially mediate the influence of LMX on employee performance, meaning that the influence of LMX on employee performance will be stronger if it is through work engagement.

5.2 Suggestions

Companies or organizations can improve the quality of relationships between leaders and employees by building effective communication between leaders and employees. Leaders can take the initiative in opening communication to employees regarding problems and needs of employees in their work so that employees feel more cared for and show better performance. In addition, leaders need to give appreciation for the work results of employees so that employees feel more valued. Leaders are expected to be able to increase employee morale by creating more challenging work routines and a fairer distribution of tasks so that employees have the same workload and opportunity to be actively engaged in their work. Employees are expected to be able to work together to provide solutions related to problems or difficult situations at work, increase the attitude of the initiative at work, improve communication skills, ability to collaborate, and self-motivation to continuously update work-related knowledge. In addition, leaders are expected to make efforts such as teambuilding to improve employees' ability to collaborate, provide training and motivation for employees to improve their abilities and knowledge related to their work.

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