

The Influence of Leadership Communications Mediated by Feeling Valued and Involved, on Employee Engagement:

(A Case Study of PT Sanggar Sarana Baja Change Management)

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Abstract—Change is inevitable in any business organizations to grow sustainably and build competitive advantage. Reluctance to change will adversely affect the organizations in competition. PT Sanggar Sarana Baja, a company established in 1977, realized the necessity of change. In the last five years, the Company has been performing continuous changes to pursue its transformation in becoming a leading engineering company in the mining, oil and gas industries. The Company has been performing proper communication on change management during the period. However, its engineers have not fully utilized the integrated engineering software. This affects the collaborative working environment and performances of the organization. According to interviews with relevant officials, there was a lack of communication on the process. Hence, this research aims to investigate the influence of leadership communication on feeling valued and involved, and on employee engagement. The three variables are considered suitable in illuminating the phenomena under research. The quantitative research is applied to analyze the relationship among the variables by surveying 100 employees of the company located in Jakarta Head Office and its workshop in Banten. The findings indicate that feeling valued and involved mediate the positive and significant impact of leadership communication on employee engagement. The study also reveals that leadership communication does not have positive and significant effect on employee engagement. This research provides empirical evidence on the relationships among the three variables in the context of an engineering company in Indonesia, which contributes to the theory and practice of leadership communication and change management.

Keyword: *leadership communication, feeling valued and involved, employee engagement, change management, Indonesia*

I. INTRODUCTION

Change is inevitable in any business organization to grow sustainably and to build a competitive advantage, and to maintain its position [1]. Reluctance to adapt into current conditions will adversely affect the competitiveness of companies [1] in dealing with globalization and technological development [2]. A McKinsey Study in 2010 found that 70% of change programs fails [3]. The result largely due to employee resistance and lack of management support. Another

research reveals that in the United States, change is unsuccessful due to unclear and infrequent communication provokes 65% of change management failures [4].

Leadership communication is essential in delivering a message through positive and open communication throughout an organization [5,6]. By discussing necessary changes rather than issuing orders, leaders can retain or recapture some of the qualities-high levels of employee engagement and strategic alignment on such changes [7].

Inevitably, Indonesian companies are prone to globalization and technological changes. One of them is PT Sanggar Sarana Baja (the "Company") which is the context of this study. The Company, which as in 1977, realized the necessity of change as the results of the significant drop of coal and oil price, as well compliance to changes in regulation in the mining in around 2012. The Company has to encounter the problems with necessary transformation. However, the changes have not been completely embraced by the employees; in particular, its engineers have not fully utilized the integrated engineering software. This affects the collaborative working environment and performances of the organization. According to interviews with relevant officials, there was a lack of communication on the process.

Accordingly, this research aims to investigate the influence of leadership communication on feeling valued and involved, and employee engagement. To achieve the objectives, this study answers the research questions whether there is positive impact of leadership communications on feeling valued involved; whether there is positive impact of leadership communication on employee engagement; and whether there is positive impact of feeling valued and engaged on employee engagement.

II. LITERATURE REVIEW

A. *Leadership Communication and Feeling of Valued and Involved*

Transformation demands changes from existing and insists for adjustments that lead to inconvenience, frustration,

resistance, and even fear, particularly to employees that get the impact of the changes [8]. Some models of change management less focus on human factors [1], which are the significant cause on why change fails [9]. Moreover, leaders play significant roles in driving change, especially in communicating change with employees [10].

Through open and positive communication which performing continuously and repeatedly, leaders will connect to their people creates intimacy [7] and get mutual understanding between them, so that it brings them into the same language [11].

In aligning people to connect with the vision, leaders shall have capabilities to influence employees to believe in it. Leaders have to keep empowering an employee to move into the same direction as well as to accomplish the goals [9]. However, the directions have to be accepted by the employees, and mutual understanding between the leaders and employees should be established [12].

With regards to leadership communication, Parker revealed five indicators, including interactive communication; empowerment by challenges to get the result; open communication; participation in decision making; and leadership through boundary spanning [13].

As for feeling valued and involved, studies conclude that the meaning of feeling valued are having feeling of belonging, contributing supported and empowered by their leaders and managers, particularly in a non-managerial of private company [9]. This feeling of valued and involved is captured when employees are contributing to changes and leaders and managers are open about the change [6].

Accordingly, the first hypothesis of this research can be developed as follows:

H1: Leadership communication has positive impact on feeling valued and involved.

B. Feeling Valued and Involved and Employee Engagement

Robinson et al. describes engagement as [5]: "a positive attitude held by the employee towards the organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee."

The perceptions of being valued and respected led to willingness to innovate and actual innovation for the organization without additional formal reward [14], and this positive attitude lead the employee to become engaged.

Many aspects of working life are strongly associated with level of engagement, finds out the strong connection between feeling valued and engagement, and provided driver tools to examine engagement. The indicators of the feeling valued and involved covers involvement in decision making; feeling able to speak up their ideas supported by willingness of managers to listen to their views and then the managers value the contributions; having opportunities to develop their jobs; and

the extent to which the organization is concerned for employees' health and well-being [5].

Further research performed by Rajagopal and Abraham [15] concluded that engagement is evoked when an employee got the feeling of valued and involved. Furthermore, The Royal Bank of Scotland Scotland (RBS)'s perspective adopted three elements of employee engagement: SAY - say positive about the company; STAY - willing to stay in the company and get developed within it; and STRIVE - willing to perform extra miles for the company [5]. Accordingly, the second hypothesis of this study can be formulated as follows:

H2: Feeling valued and involved has positive impact on Employee engagement

C. Leadership Communication and Employee Engagement

Leaders lead essential functions in the change process. The essentiality is not only because they are examining and determining directions for the organization, but because of their leadership in guiding the organization to achieve goals. They guide people through open and positive communication to share the ideas and convince them on the ideas to follow the directions and make them engaged.

Leadership communications is necessary to eliminate any confusion or rejections of any directions provided by leaders. Davis examines the distribution of information within organizations in its complexity on globalization. The research investigates the connection between leadership communication and employee engagement, and reveals that perceived organizational communication satisfaction has the most significant connection with employee engagement. Hence, the third hypothesis of this study can be developed as follows [16].

H3. Leadership communication has positive impact on employee engagement.

The three hypotheses above can be depicted into the following conceptual framework.

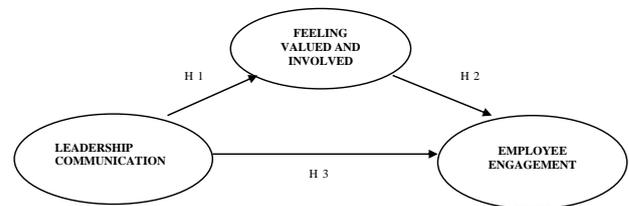


Fig. 1. Conceptual framework.

III. METHODS

The aim of this research is to determine causality of assumed variables that have been set up in accordance with hypotheses arising from observation and existing theories. Hence, the quantitative research is considered as suitable method to achieve the research objectives.

This research contains primary data sources obtained directly from respondents through the questionnaire. The

primary data in this research collected through Google Forms online questionnaire and distributed by the Company's email and WhatsApp digital messaging and then provided by respondents in the period of July 2019 to 1 August 2019. According to Malhotra, that primary data is data obtained directly by the initial researcher with the specific purpose to design in such a way as to acquire the data desired by the researcher. In this research, samples are employees of the Company, working in Jakarta Head Office, and at the Workshop in Banten [17].

Furthermore, Hair argued that to conduct a study using the maximum likelihood estimation method, the minimum number of samples used at least five times the number of indicator questions in total used in the study. In this study, there are 19 questions developed by theories in this research. Thus it will require at least 95 respondents, whereas 100 respondents in this research are more than the requirement [18].

Data obtained from the questionnaire is tested by on its validity and reliability using Smart Partial Least Square (PLS) 3.2 and Structural Equation Modeling (SEM). Concerning this, SEM is able to explain simultaneously the relationship between variables and their dependency relationships [18] as well as to analyze data that is difficult to analyze. In using SEM, this research divides it into two variance-based SEM and Covariance-based SEM and mainly exercises Variance-based SEM or PLS-SEM. PLS-SEM is suitable for depicting research with several theories that are not too many, and the form of a model that cannot be ascertained [19]. Evaluation of the PLS model is done by looking at the outer model (measurement model) and inner model (structural model). The outer model shows the specification of the relationship between latent variables, for example, between independent variables and dependent variables [20]. Furthermore, the evaluation for measurement of this research has been done through validity test, reliability test, and coefficient of determinants.

The path coefficient estimates are evaluated based on T-statistic values. The path coefficient estimation explains how strong the effect of one variable is on another variable obtained by the bootstrap procedure. The measurement items can be concluded significant if the t-value is above 1.96 at an error margin of 5% (0.05) [20].

IV. RESULTS AND DISCUSSION

A. Results

1) *Demographic characteristics:* The total number of the questions of this research is 19. Hence, 100 of the respondents on the questionnaires from the employees in the Company meet the minimum quantitative sampling requirements. From the total of respondents, the male is dominating in response. It is 73%, and by contrast, the number of female respondents is only 27%. Half of the respondents are from the group age of >30-40, followed by the group of >40-50 with 26%, then the group of 20-30 with 20%, and the remaining is from the group of above 50 with 4%. The majority of respondents is graduated with a Bachelor's Degree, representing 53% of the total respondents. 25% of the total respondents are from High

School/the same level education background, and come after that is Diploma Degree with 15%, and Master Degree with 7% of the total.

The majority of the respondents is a permanent base employee with 94% compared to only 6% from the contract base. Supervisor level contributes to 56% of the total respondents while Administrator level comes behind with 21%, followed by Manager level with 15%, Superintendent level with 7% and General Manager level with 1%.

The larger contributor is a group of the employee with more than ten years of tenure with 42%, and a second contributor is a group of the employee of 5-10 years of working services. The group of 6 months-3 years of tenure is coming behind the second, with 13%, and followed by the group of the employee with below six months of working services with only 2%. Corporate Division contributes 38% of respondents, while Manufacture Division contributes 23% of respondents and becomes the second contributor. Contribution of Product and Project Divisions is slightly different which the Product Division is 16% while Project is 15%. The remaining contributor is Services Division with only 8%.

2) *Qualitative approach results:* To investigate how reliable and consistent each of the variable construct, the author conducted reliability test by looking at the Cronbach's Alpha and composite reliability values as results of PLS SEM analysis model. A Cronbach's alpha value should be above 0.70 where the variable is considered reliable and consistent. As shown in Table 1, each of the variable has Cronbach's alpha and Composite Reliability value of above 0.7 which indicates that each variable is reliable, consistent and satisfactory. This study uses Average Variance Extracted (AVE) in which the value has to be above 0.50. The test results of all variables show value above 0.50, which means all variables are valid.

TABLE I. RELIABILITY AND VALIDITY TEST

Variables	Cronbach's Alpha	Composite Reliability	Rho_A	AVE
Leadership Communication	0,910	0,993	0,918	0,735
Feeling Valued and Involved	0,925	0,940	0,940	0,693
Employee Engagement	0,795	0,880	0,821	0,710

Furthermore, the assessment discriminant validity by the cross-loadings of the indicators specifies that an indicator's outer loading on the associated construct should be greater than all of its loadings on other constructs on each item row. Table 2 below shows the value of cross-loadings for each indicator.

The results of discriminant validity of each construct is higher than the correlation value between latent variables. The conclusion based on the results is that the research instrument has passed the discriminant validity test. It confirms that the indicators are the property of construct variables.

TABLE II. DISCRIMINANT VALIDITY RESULT

	LC	FV	EEN
LC1	0,806	0,606	0,164
LC2	0,854	0,642	0,28
LC3	0,854	0,793	0,354
LC4	0,895	0,709	0,273
LC5	0,875	0,713	0,274
FV1	0,647	0,887	0,406
FV2	0,725	0,895	0,452
FV3	0,662	0,843	0,396
FV4	0,662	0,869	0,415
FV5	0,658	0,769	0,259
FV6	0,671	0,851	0,423
FV7	0,709	0,706	0,335
EEN SAY	0,229	0,341	0,864
EEN STAY	0,354	0,472	0,891
EEN STRIVE	0,202	0,340	0,767

Moreover, this research conducted evaluation of the inner model exercises the parameter R square value (R²) to calculate the level of variation of the transition of independent variables to the dependent variable. While the path coefficient is used to quantify the significance of the constructs in the structural equation model determined by the t-statistic value which is expected to be greater than the t-table value. The R square (R²) value ranges from 0 to 1 with 1 defining perfect predictive accuracy. Henseler, proposed a rule of thumb for acceptable (R²) with 0.75, 0.50, and 0.25 are described as substantial, moderate and weak respectively. A high R square (R²) The results (R²) and (R²) as shown in Table 3 [21].

TABLE III. R SQUARE (R²) RESULTS BY AUTHOR (2019)

	R square (R ²)	R square (R ²) Adjusted
Feeling Valued and Involved	0.663	0.660
Employee Engagement	0.226	0.210

Table 4 shows that all hypotheses are accepted. The path coefficient estimates are evaluated on t-statistics values. The path coefficient estimation explains how strong the effect of one variable is on another variable obtained by bootstrap procedure. The measurement items used can be said to be significant if the t-value is above 1.96 at an error margin of 5% (0.05) [20].

Hypothesis test on the direct effect refers to the parameter used is to look at the t-value expected to be greater than the t-table value. The first hypothesis shows the results of the analysis for the value of t-value owned by leadership communication to employee engagement is 16.263 > 1.96 and the p-value of 0.000 < 0.05. Hence, it concludes that leadership communication has a positive and significant value on feeling valued and involved.

The second hypothesis shows the results of the analysis for the value of t-value owned by the feeling valued and involved to employee engagement is 4.039 > 1.96 and the p-value of 0.000 < 0.05. Therefore, it concludes that feeling valued and involved has a positive and significant influence on employee engagement.

The third hypothesis shows the results of the analysis for the value of t-value owned by leadership communication and employee engagement is 1,154 < 1.96 and the p-value of 0.249

> 0.05. Hence, it concludes that the variable leadership communication does not have significant effect on employee engagement, and as consequences thereof, the third hypothesis is rejected.

TABLE IV. PATH COEFFICIENTS RESULTS

Hypothesis	Original Sample	t-values >1.96	P-values <0.05	Results
Leadership communication has positive impact on feeling of valued and involved	0.814	16.263	0.000	Supported
Feeling Valued and Involved has positive impact on employee engagement	0.605	4.039	0.000	Supported
Leadership Communication has positive impact on employee engagement	-0.172	1.154	0,249	Rejected

B. Discussion

According to the above test, it concludes that: (i) The first hypothesis, which is positive leadership communication build a feeling of valued and involved of the employee, is in connection with the related theories. (ii) Feeling Valued and Involved has a positive and significant influence on employee engagement as the second hypothesis, is accepted by the research result. Hence, the result is confirming the related theories. (iii) Different from the result of the other hypothesis, the test on the third hypothesis is negative. By the test, it concludes that leadership communication has no connection or affect an insignificant influence on employee engagement.

1) *The impact of leadership communication on feeling valued and involved:* Madlock [22] explained that effective communication by leaders, the followers will experience substantial levels of satisfaction, while Rahman and Prasetya explained that the result of leadership and organization communication that influence significantly to employee performance, based on the mutual understanding between leaders and employees [13]. On the other hand, Parker mentioned that leadership communication's indicators, which among others, are interactive communication, open communication, and open collaborative on decision making and to express the organization's mission and purpose, also refer to the emotion of employees that affects the feeling of being respected [23].

Through open communication, Leaders will capture employees to have a sense of belonging to the organization [9]. Moreover, it creates feelings involved of employees than their willingness to provide the necessary contributions. The sense of belonging and contribution that arises is in line with the core feelings of being valued and involved, which lead to employee engagement [5,9]. Therefore, the test result of the first hypothesis is in connection with the above theories.

2) *The impact of feeling valued and involved on employee engagement:* Robinson concludes that many aspects of working life are strongly associated with the level of engagement, finds out the strong connection between feeling valued and engagement, and provided driver tools to examine engagement [5]. Rajagopal, and S. M. Abraham exercised the driver tools of IES and having views that an engaged employee demonstrates awareness of business context, will work with their colleagues in improving the performance within the job for the benefit of the organization. The result is confirming the previous result as conducted by Robinson et al. [5]. Hence, the result of the second hypothesis is in accordance with the above theories [15].

3) *The impact of leadership communication on employee engagement:* Leaders lead essential functions in the change process. They guide people through open and positive communication to share the ideas and convince them on the ideas to follow the directions and make them engaged. In order to eliminate any confusion or rejections of any directions provided by leaders, leadership communication is necessarily to perform by leaders. On the other hand, Barhite [24] examines the connection between leadership communication and employee engagement in globalization complexity in relation to distribution of information within organizations. The result reveals that perceived organizational communication satisfaction has the most significant connection with employee engagement. This result followed by the quality of leader-member exchange relationship.

The satisfaction on the perceived organizational organization that connect significantly with employee engagement may be relevant with capturing a sense of belonging as mentioned in the theory regarding feeling valued and involved as a mediator of leadership communication and employee engagement in this research. As explained, without open and positive communication, Leaders will not capture the sense of belonging as well as the contribution of employees on the organization [5,15,9]. Hence, even though the result of the third hypothesis is negative, the satisfaction on communication between leaders and employees may relate to the overall conclusion of this research that feeling valued and involved is a sufficient mediator to connect the leadership communication to employee engagement.

V. CONCLUSION

This research investigates the three variables which considered suitable in illuminating the challenge in change management of the Company. The finding shows that the relationship between Leadership Communication and feeling valued and involved is strong, and the feeling valued and involved is a sufficient mediator to connect Leadership Communication to Employee Engagement. The research reveals that, leadership communication influences directly on feeling valued and involved, and on the other hand, leadership communication does not affect the employee engagement unless the feeling valued and involved of employee are applied.

Theoretically, this study clarifies the linkages among variables under study. Practically, this research can inform corporate managers in improving their leadership communications in managing change in the context of engineering companies in oil, mining and gas industry in a developing country.

This research has several limitations. Firstly, this research specifically investigates change management within one company. Secondly, this research is conducted from July 2019 to 1st of August 2019. Any further developments that occurred thereafter are not taken into consideration in this research. Therefore, further studies can be conducted with larger population to increase generalizability of research findings.

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