



Research Article

# The Influence of Authentic Leadership on Employee Performance through Employee Engagement at the Public Drinking Water Company Tirta Kanjuruhan Malang Regency

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**Abstract:** This study aims to analyse the effect of authentic leadership on employee performance with employee engagement as a mediating variable at the Regional Drinking Water Company (PERUMDA) Tirta Kanjuruhan, Malang Regency. Authentic leadership is a leadership style that emphasises transparency, ethics, and honest relationships between leaders and employees, which is believed to increase employee engagement and performance. This study used a quantitative approach with a survey method. Data were collected through questionnaires distributed to employees of PERUMDA Tirta Kanjuruhan and analysed using Partial Least Squares Structural Equation Modeling (PLS-SEM) technique. The results showed that authentic leadership has a positive and significant effect on employee engagement and employee performance. In addition, employee engagement was shown to act as a mediating variable that strengthens the relationship between authentic leadership and employee performance. The findings confirm the importance of authentic leadership in creating a work environment that supports employee engagement, which ultimately improves individual and organisational performance. This study provides implications for company management in developing more effective leadership strategies to improve employee productivity and well-being.

**Keywords:** Authentic Leadership, Employee Engagement, Performance Employees, PLS-SEM.

## 1. Introduction

Authentic leadership in the era of globalisation, as a phenomenon that has taken the stage of businesses and organisations around the world, has brought about profound changes in the way companies operate and compete. In this era, companies are faced with complex challenges involving global market dynamics, technological developments, and changing consumer patterns. In the face of these challenges, effective leadership is key to maintaining competitiveness and ensuring business continuity. One leadership paradigm that is increasingly discussed and recognised globally is authentic leadership (Kaya & Karatepe, 2020). Authentic leadership creates a foundation for understanding and responding to changes in a fast and complex business environment (Novitasari et al., 2020). Integrity, honesty, and personal engagement of leaders with their team members are the main points in this concept. First of all, integrity is the main foundation of authentic leadership. Authentic leaders demonstrate honesty and consistency in their actions and decisions. In the context of globalisation, leader integrity helps build trust, both from within the company and from external stakeholders, such as customers and international business partners (Daraba et al., 2021). Second, honesty plays a crucial role in shaping authentic leadership identity. An honest leader not only speaks according to the facts, but is also open to feedback and criticism. In the age of information and transparency, honesty is a highly valued value, creating an environment where clear and open communication can flourish.

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## **2. Preliminaries or Related Work or Literature Review**

### **2.1. Leadership**

Authentic leadership is the focus of in-depth theoretical studies in the field of management and leadership. (Lai et al., 2020) developed a conceptual model that includes key aspects of authentic leadership, including self-awareness, transparency, honesty, and morality. They emphasise that authentic leaders are able to create an environment where employees feel valued and empowered. In his book entitled "Authentic Leadership: A Self, Leader, and Spiritual Identity Perspective," Hitti, Nakkash, and Ghantous (2020) explored the dimensions of authentic leadership from the perspective of self-identity, spirituality, and self-understanding. This research provides insights into the complexity of authentic leadership at the individual and spiritual levels.

### **2.2. Employee Engagement**

Employee engagement is an important dimension of human resource management that significantly affects organisational productivity and performance. Employee engagement theory encompasses various perspectives to understand the factors that motivate employees to actively participate in their work. According to expectancy theory, Vroom (1964) states that employee engagement depends on their belief that the effort they put in will result in performance that is desired and rewarded by the organisation. Herzberg's (1959) motivation theory highlights the importance of motivational factors and hygiene factors in creating sustained engagement, where motivational factors such as achievement and recognition have a positive impact on engagement.

### **2.3. Employee Performance**

The theoretical study of employee performance includes an in-depth understanding of the various factors that influence an individual's productivity and contribution to an organisation. Herzberg's Motivation Theory (Semedo et al., 2019) emphasises the importance of motivational factors, such as achievement, responsibility and recognition, in improving employee morale and performance. Vroom's Expectancy Theory highlights the relationship between individual expectations of outcomes and the effort required to achieve them, forming the basis for understanding how individual beliefs can shape performance levels. Organisational Justice Theory creates an understanding of how employees' perceptions of the fairness of resource distribution and organisational decisions can influence their motivation and performance. Hersey-Blanchard's Situational Leadership Theory (Rasool et al., 2021) provides a perspective on the importance of tailoring leadership styles to employees' readiness and ability levels. Meanwhile, McGregor's Theory X and Y (2021) explores managers' views on employee traits, which can shape managerial mindsets and interactions with teams. The integration of these theories provides rich insights for developing holistic management strategies, enabling organisations to design policies and practices that support improved employee performance.

## **3. Proposed Method**

### **3.1. Research Design and Design**

This research will use a type of quantitative research that seeks to explain the relationship between variables through a framework of thought which is then formulated in the form of a hypothesis (Creswell, 2019). This research will also generally explain, measure, control a problem quantitatively. The quantitative method is a scientific measurement where the data is in the form of numbers or numbers obtained through structured questions to find answers. To achieve the research objectives, this research method uses explanatory descriptive. This research is said to be explanatory descriptive to find out the reasons for a phenomenon.

### **3.2. Variables and Operational Definitions**

An operational definition is a definition that gives meaning or specifies activities or provides an operation needed to measure these variables (Creswell, 2019). To provide a clearer picture of problem solving, it is necessary to analyse the variables used in accordance with existing problems.

### 3.3. Population, Sample and or Research Subject

#### a. Population

Population refers to the entire group of people, events, or things of interest to be investigated. The population has the quantity and characteristics set by the researcher. In this study, the population selected was employees at the Regional Public Water Company Tirta Kanjuruhan Malang Regency, totalling 160 employees. Samples are a collection of populations that have the same properties and characteristics as that population. Consequently, a sample of the population must represent that population. The method used to collect samples is called "probability sampling with simple random sampling" where each member of the population has the same tendency to be selected as a sample and each member of the population is given a unique number as the next sample. Determination of the number of samples used in this study was determined using the Slovin formula

#### b. Data Source

The data source of this research is employee data, namely data obtained from employees at the Regional Drinking Water Company Tirta Kanjuruhan Malang Regency.

#### c. Data Collection

This research data collection aims to obtain information to support the success of a study, so in this study the authors collected data using a questionnaire. A questionnaire is a direct data collection tool in the form of a list of questions to be distributed to research subjects, then the results of the respondents are processed so as to produce certain information.

#### d. Data Analysis Method

In accordance with the formulation of the problem and research objectives, as well as the hypotheses tested in this study, the data analysis technique used in this study is Structural Equation Modeling (SEM), a combined analysis technique between factor analysis and regression analysis and its application is carried out simultaneously

## 4. Results and Discussion

### 4.1. Description of Research Results

Based on the results of validity and reliability testing of the Authentic Leadership, Employee Performance, and Employee Engagement variables, the Composite Reliability value is above 0.7 for all variables, which indicates that the research instrument has a high level of reliability. The Cronbach's Alpha value for each variable is also above 0.9, namely 0.977 for Authentic Leadership, 0.974 for Employee Performance, and 0.969 for Employee Engagement, which indicates that the indicators in this study have excellent internal consistency. From the Average Variance Extracted (AVE) results, it can be seen that all variables have an AVE value above 0.5, with details of 0.749 for Authentic Leadership, 0.784 for Employee Performance, and 0.752 for Employee Engagement. This shows that each construct has good convergent validity, so the indicators are able to explain the latent variable significantly.

In terms of indicator validity, all factor loading values are above 0.7, indicating that each indicator has a strong contribution in measuring its construct. Indicators X1 to X16 are used to measure Authentic Leadership, indicators Y1 to Y12 for Employee Performance, and indicators Z1 to Z12 for Employee Engagement. No indicator has a factor loading value below the minimum limit of 0.7, so no indicators need to be eliminated. Overall, the results of this analysis indicate that the research instrument has excellent measurement quality. This instrument can be used to measure the relationship between Authentic Leadership, Employee Performance, and Employee Engagement with a high level of reliability and validity. This supports the conclusion that the research model used is suitable for further analysis in hypothesis testing.

### 4.2. Composite Reliability

According to Ghazali and Latan (2015), a composite reliability value greater than 0.7 indicates that the construct is reliable. Based on the values in Table 4.1, all values have met the requirements of Composite Reliability > 0.7 so it can be said that the variables of Authentic Leadership, Employee Engagement, and Employee Performance have high reliability.

### 4.3. Average Variance Extracted (AVE)

According to Ghozali and Latan (2015), the Average Variance Extracted (AVE) value which is greater than 0.5, the instrument can be said to be reliable. Based on the values in Table 4.1, all values have met the requirements of Average Variance Extracted (AVE) > 0.5 so that it can be said that the variables of Authentic Leadership, Employee Engagement, and Employee Performance in evaluating model measurements have good discriminant validity.

### 4.4. Cronbach Alpha

According to Ghozali and Latan (2015), a value that has a Cronbach alpha greater than 0.7 can be said to be reliable. Based on Table 4.1, all values have met the Cronbach Alpha > 0.7 requirement so that it can be said that the variables of Authentic Leadership, Employee Engagement, and Employee Performance have relatively good reliability.

### 4.5. Discriminant Validity

Discriminant validity is a cross loading factor value that is useful for knowing whether the construct variable has adequate discriminant, namely by comparing the loading value on the intended construct variable must be greater than the loading value with other constructs (Hussein, 2015; Ghozali and Latnan, 2015). The discriminant validity test refers to the Fornell-Larscher criterion which shows the cross-loading value > 0.70, which means that the variables meet discriminant validity (Fornell, 1988; Chin, 2009; Hair, et.al., 2013).

### 4.6. Data Analysis Process and Research Model Testing

This research uses SEM-PLS to test a series of research hypothesis relationships of Authentic Leadership variables (X), Employee Engagement (Z), Employee Performance (Y) on employees of the Public Company Regional Drinking Water Tirta Kanjuruhan Malang Regency. The SEM-PLS analysis steps refer to the procedures developed by Chin (1999), and Hair, et. al. (2020), which includes: (1) measurement model evaluation (outer model); (2) structural model evaluation (inner model), and (3) goodness of Fit, and (4) hypothesis testing.

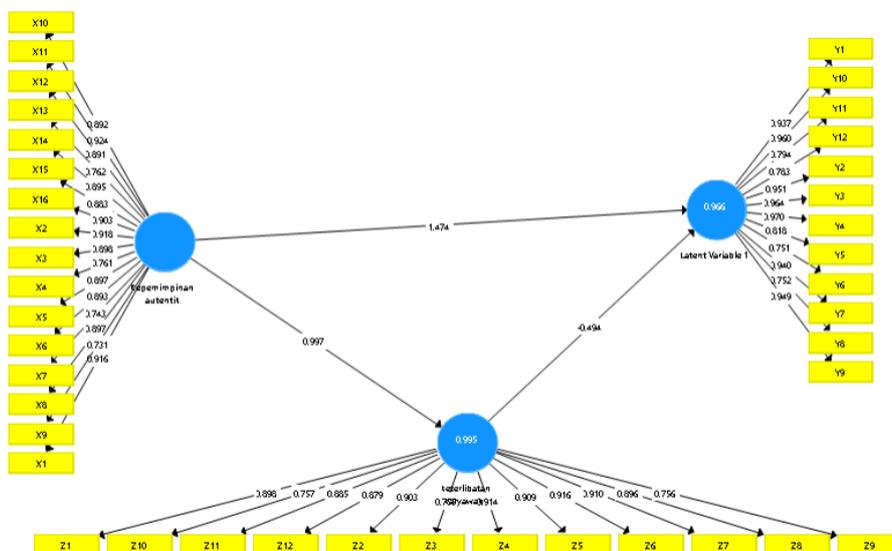


Figure 1. Data Analysis Results.

(1) Evaluation of the Measurement Model (outer model) The measurement model, also known as the outer model, aims to assess the validity and reliability of the model. As previously described in chapter III, the measurement model evaluation is carried out by testing convergent validity, discriminant validity, and composite validity.

## 5. Conclusion

### 5.1. Conclusion

This study highlights the role of authentic leadership in improving employee engagement and performance in the Public Company of Drinking Water Region (Perumda) Tirta Kanjuruhan Malang Regency. The results showed that authentic leadership has a positive and significant influence on employee performance, both directly and indirectly through employee engagement as a mediator. The Effect of Authentic Leadership on Employee Performance Authentic leadership characterised by transparency, honesty, and consistency in decision-making can improve employee performance. Authentic leaders not only provide clear direction but also build trust-based relationships, which encourage employees to work with high dedication and loyalty.

### 5.2. The Effect of Authentic Leadership on Employee Engagement

Authentic leadership has also been shown to increase employee engagement in their work. Employees who feel supported by honest and open leaders tend to have a stronger emotional attachment to the organisation, making them more passionate about completing tasks and achieving company goals.

### 5.3. The Effect of Employee Engagement on Employee Performance

This study found that employee engagement does not always have a direct influence on their performance. Other factors such as motivation, organisational commitment, work environment, and reward system also play an important role in determining employee outcomes.

### 5.4. The Role of Employee Engagement as a Mediator

Another important finding is that employee engagement acts as a mediator in the relationship between authentic leadership and employee performance. That is, authentic leadership can improve employee performance indirectly by first improving their engagement at work.

### 5.5. Implications

The results of this study have several important implications, both theoretically and practically:

- 1) Theoretical Implications
  - This research enriches the literature on authentic leadership by showing that leadership based on transparency, morality, and employee well-being contributes significantly to organisational performance.
  - The finding that employee engagement acts as a mediator clarifies the relationship between authentic leadership and employee performance, confirming the importance of engagement in improving leadership effectiveness in the sector. public service.
- 2) Practical Implications
  - For Company Management: Perumda Tirta Kanjuruhan needs to strengthen authentic leadership practices in the organisation, for example by increasing open communication, building trust, and providing constructive feedback to employees.
  - For HR Management: Companies can develop leadership training programmes for managers and supervisors to improve authentic leadership skills, which can have a positive impact on employee engagement and performance.
  - 3. For Employees: The results of this study show that employees who are more engaged at work tend to perform better. Therefore, companies can create a more supportive work environment so that employees are more eager to contribute to organisational goals.

### 5.6. Advice

Based on the descriptions of the conclusions and implications above, the following suggestions can be made by the researcher:

### 5.7.1. Suggestions for the Company

- Strengthening Authentic Leadership: Companies need to adopt strategies to build more effective authentic leadership, such as implementing open communication policies, building more personalised working relationships with employees, and setting good moral examples in leadership.
- Increasing Employee Engagement: Management can develop incentive programmes, rewards, or involvement in decision-making to increase employees' emotional attachment and motivation at work.
- HR Evaluation and Development: Companies need to conduct regular evaluations of leadership and employee engagement levels, and provide leadership training for managers to better understand and effectively apply authentic leadership principles.

### 5.7.2. Suggestions for Future Researchers

- Development of Other Variables: Future research can add other variables that can affect the relationship between authentic leadership and employee performance, such as organisational culture, work motivation, or organisational commitment.
- Study with Qualitative Methods: This study used a quantitative approach. Future studies could use a qualitative approach to dig deeper into employees' experiences and perceptions of authentic leadership.
- Research in Other Sectors: This study focused on regional public service companies. Future researchers could explore the role of authentic leadership in other sectors, such as the manufacturing industry or startups, to see if the results are similar or different.
- Long-term Analysis: This study is cross-sectional (looking at the relationship of variables at one time). Longitudinal studies that observe changes in authentic leadership and its impact over the long term can provide deeper insights.

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