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## EMPLOYEE PERFORMANCE: EXPLORING TRANSFORMATIONAL LEADERSHIP, ORGANIZATIONAL CULTURE, AND EMPLOYEE ENGAGEMENT AS A MEDIATOR IN MICRO, SMALL AND MEDIUM ENTERPRISE FOOD SECTOR

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**Abstract:** The increasingly tight competition in the MSME sector requires organizations to implement an effective leadership style and build a strong organizational culture to improve employee performance. This is an urgency for MSMEs to adapt and increase employee engagement as an important factor in creating competitive advantage. This study aims to examine the impact of Transformational Leadership and Organizational Culture on employee performance, with employee engagement acting as a mediating variable. Transformational Leadership and Organizational Culture are considered important in improving employee performance by encouraging greater engagement in the workplace. This study uses a quantitative approach with a population of all UMKM actors in the Food Sector in Jatinangor District totaling 133 people. Sampling was carried out using purposive sampling so that a sample size of 100 people was obtained. The results of the study indicate that transformational leadership does not have a significant direct effect on employee performance or employee engagement. Transformational leadership is proven to have a significant effect on employee engagement. Organizational culture also has a significant effect on employee engagement. Employee engagement has a positive effect on their performance. Employee engagement also mediates the relationship between transformational leadership and performance, as well as between organizational culture and performance. Organizational culture does not directly affect performance, building a positive culture is still important to increase employee engagement.

**Keywords:** Organizational Culture, Transformational Leadership, Employee Performance, Employee Engagement, Micro, Small and Medium Enterprises

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## INTRODUCTION

Competition in the food sector for MSMEs is getting tighter due to the development of consumer trends and preferences that continue to change, especially with the emergence of various innovative and diverse contemporary foods (Kholik and Rahmi, 2023). Contemporary foods usually offer interesting concepts, unique flavors, and marketing strategies that utilize social media to reach a wider audience (Nasution et al., 2024). The increasingly tight competition in the MSME sector, especially in the food industry, requires effective leadership strategies and organizational culture to improve employee performance. In the MSME business, leadership and organizational culture are not always implemented effectively because actors prioritize family and togetherness in their efforts, so who is superior and subordinate is not very clearly depicted. A study by Prajogo and Tahang (2023) shows that transformational leadership plays a significant role in building performance because it can motivate subordinates, build a positive organizational climate, encourage innovation, and increase productivity. A study by Zainuddin and Nasikhah (2020) shows that organizational culture can improve company performance. A good organizational culture can build positive teams and work environments and help manage change, ultimately providing a competitive advantage.

Transformational leadership applied to employees is an important factor that can improve their performance towards the company. The relationship between transformational leadership and employee performance is based on the contingency theory, which states that leadership effectiveness depends on the fit of leadership style and work situation. In the context of performance, leaders who can adapt their style to the needs of employees and the organization can be more effective in improving work results (Fiedler, 1964). A study from Rivai (2020) supports this theory by finding that performance will increase if leaders have good transformational leadership. In addition, Mahmud and Sopiah (2022) found that perceived transformational leadership positively impacts employee performance. Employees inspired by transformational leadership are also more likely to immerse themselves in their work, and their partners will produce better task performance and

helping behavior, which ultimately helps build the development of organizational progress (Nugroho et al., 2022). In addition to perceived transformational leadership, organizational culture is an important factor in improving employee performance. According to Sidik (2020), when transformational leadership is implemented well, an organization can build a shared vision, empower employees, encourage innovation, instill positive values, and recognize their contributions, creating an effective organizational culture. Jufrizen and Rahmadani (2020) also found that high organizational culture significantly impacts employee performance. This is supported by a study by Putra et al. (2023), which states that organizational culture positively affects affective commitment. Thus, various studies support the relationship between transformational leadership and organizational culture on employee performance. These factors are very important for improving employee performance, and they, in turn, affect organizational performance.

MSMEs play an important role in the Indonesian economy, especially during crises such as the one in 1998 and the Covid-19 pandemic. MSMEs are considered independent and have great potential to improve people's welfare by supporting economic equality, poverty alleviation, and foreign exchange earnings. Based on data from the Ministry of Cooperatives and SMEs, in 2021, there were 64.2 million MSME actors who contributed 61.07 percent of GDP or IDR 8,573.89 trillion, absorbed 97 percent of the workforce, and contributed 60.4 percent of total investment in Indonesia. This study focuses on MSMEs in the food sector because this sector is one of the main pillars of the economy that contributes significantly to employment absorption and national economic growth but faces various challenges, especially in human resource management. Many MSMEs have difficulty retaining high-performing employees due to limited implementation of managerial strategies, such as leadership development, organizational culture, and employee engagement programs, which often hinder their competitiveness in a competitive market. The selection of the Study object in the Jatinangor District, Sumedang Regency is because Jatinangor District is currently developing into one of the significant economic growth points for Sumedang Regency due to its role as an

educational center with four fairly well-known universities, namely the Bandung Institute of Technology, Padjajaran University, the Institute of Public Administration and the Indonesian Co-operative Institute. With high market potential, it is relevant because this area not only has a high level of demand but also faces tight competition that demands implementing innovative and adaptive strategies. The focus on the food sector provides a relevant context considering that the industry is very dynamic, with changing consumer trends and preferences, so this study is expected to provide practical and strategic insights for MSMEs in improving employee performance and the sustainability of their businesses.

Leadership style and organizational culture are pivotal in shaping organizational performance and managing human resources effectively. A comprehensive understanding of these concepts enables organizations to craft strategies that align with their goals and drive success (Singh et al., 2024). Studies by Biswas (2009) and Rojak et al. (2024) have highlighted the significant and positive impact of transformational leadership and organizational culture on employee performance, emphasizing their direct influence. While existing studies have consistently demonstrated this relationship, there remains a critical gap: the role of employee engagement as a mediator in the interplay between transformational leadership, organizational culture, and employee performance has yet to be explored. Furthermore, the study specifically targeting the MSME food sector is notably limited despite its dynamic nature and significant economic contribution. This study addresses these gaps by investigating the indirect effects of leadership style and organizational culture on performance, providing fresh insights into the unique challenges and opportunities within the food industry's MSME landscape.

There is a gap between the literature that examines the application of contingency theory in the trade sector, especially in the food sector of MSMEs, and the study that examines the relationship between transformational leadership and effective organizational culture with employee performance through employee engagement as a mediator. The novelty of this study is exploring the indirect relationship by considering the role of em-

ployee engagement as a moderator variable, where studies discussing this in the trade sector, especially in the food sector of MSMEs, are very limited. This study is useful for MSME owners to design more effective leadership strategies and organizational culture to improve performance and competitiveness. The main objective of this study is to analyze the influence of transformational leadership and organizational culture on employee performance with employee engagement as a mediator.

## LITERATURE REVIEW

### Transformational Leadership

Based on the views of several experts, transformational leadership can be interpreted as a style that emphasizes synergy between leaders and their subordinates to plan and achieve common goals. Bass and Riggio (2006) explained that this leadership unites leaders and team members in developing work strategies to achieve predetermined goals. Robbins and Judge (2012) noted that transformational leaders can inspire their followers to prioritize collective interests over personal ones, providing extraordinary influence. In line with that, Luthans (2006) explains that transformational leaders aim to shift awareness, increase enthusiasm, and motivate members of the organization to make extra efforts voluntarily, without feeling forced. In essence, transformational leadership is a style that focuses on collaboration and inspiration, with leaders acting as motivators who encourage collective awareness among members to achieve organizational goals together.

According to Nasution et al. (2022), transformational leadership has four main indicators. The first is idealized influence, where leaders with a clear vision and mission build respect and optimism and instill self-confidence in employees to achieve goals. The second is inspirational motivation, which highlights the leader's ability to effectively communicate a compelling vision that inspires followers. The third is intellectual stimulation, demonstrated by the leader's capacity to foster employee creativity and innovation to achieve organizational goals. Finally, individual consideration involves the leader providing personalized attention to each team member to support their performance development.

### Organizational culture

Organizational culture is broadly understood as a set of values, beliefs, and norms that guide the behavior of organizational members. Moejlono and Sudjatmiko (2007) describe this culture as reflected in the collective behavior of organizational members, forming unique patterns of interaction within the company. Robbins and Judge (2012) further support this idea, noting that organizational culture produces shared meanings that distinguish one organization from another. Sutrisno (2010) emphasizes that organizational culture helps overcome internal and external challenges by instilling values and assumptions that shape member behavior. In essence, organizational culture functions as an identity and a guiding mechanism that directs individual actions to achieve common goals and respond effectively to challenges.

According to Robbins et al. (2016), organizational culture has seven main indicators, including innovation and risk-taking, which can be seen from the encouragement of employees to innovate and dare to face risks in order to achieve optimal goals; attention to detail, which reflects the thoroughness and analysis of employees towards every detail of the work; orientation on results, which emphasizes the focus on the end result rather than the process; orientation on people, where management considers the impact of decisions on employees; orientation on teams, which prioritizes teamwork over individuals; aggressiveness, which can be seen from the competitiveness and agility of employees in completing tasks; and stability, which shows efforts to maintain the status quo amidst the company's growth.

### Employee Engagement

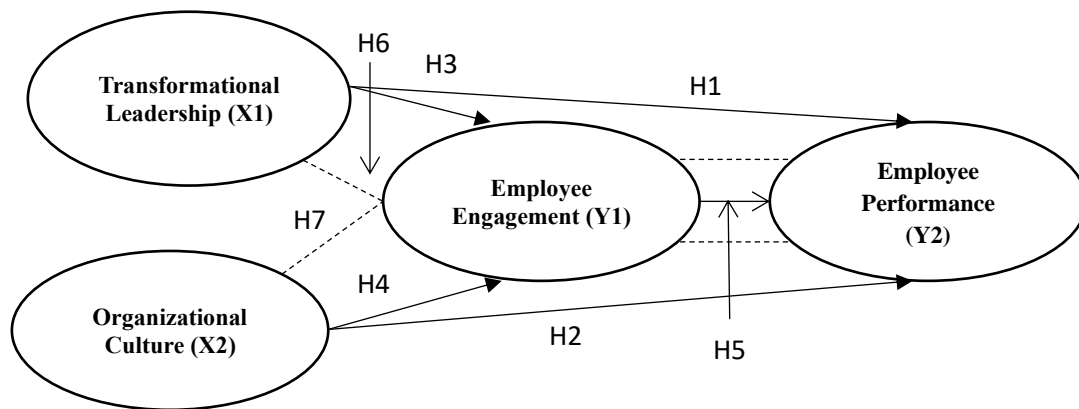
Employee engagement refers to a psychological state in which employees are highly involved in the success of the company and are motivated to contribute beyond what is expected in their role (Ramadhan and Sembiring, 2014). This engagement is more than just completing tasks—it drives positive change at the individual, team, and organizational levels. According to Robbins and Coulter (2012), job engagement also reflects the extent to which employees identify with their

work, are actively involved, and view their contributions as valuable personally and to the organization. When engagement levels are high, employees tend to be more committed, innovative, and loyal, ultimately increasing the productivity and long-term success of the company.

According to Kanungo in Septiadi et al. (2017) there are six indicators that can be used to measure a person's level of work engagement. First, active participation in work, which reflects the individual's involvement and attention to their work. Second, priority towards work, where individuals consider their work to be the most important thing and try to give their best so that it becomes an important aspect of their life. Third, work is an important element for self-esteem, and it shows that a person feels that work plays a major role in building their self-esteem. Fourth, mental and emotional engagement, which shows that work engagement is not only physical but also includes mental and emotional aspects. Fifth is motivation to contribute, where leaders play a role in motivating individuals to contribute to their work. Finally, responsibility engagement encourages individuals to accept responsibility in group activities.

### Employee performance

Performance can be interpreted as an overall picture of the condition of the company within a certain period of time, which is the result of operational activities and utilization of existing resources (Jamaludin, 2017). Rivaldo (2022) added that performance reflects the success of an employee in carrying out his duties, where the efforts made reflect how much contribution is given to various company activities. Thus, performance assessment is important to measure the effectiveness of employees in fulfilling their responsibilities. To assess this performance, a reference or standard is needed to be used as a benchmark to determine whether the performance is good. (Ramadhani & Deka, 2023), also stated that performance is the result of work achieved by a person based on ability, experience, sincerity, and good time management in completing the tasks given. With a measurable assessment, the company can ensure that each employee contributes optimistically to achieving organizational goals.



**Figure 1. Conceptual Framework of the Research**

According to Farisi et al. (2020), several indicators can be used to measure employee performance. First, work quality reflects the quality of work results and is measured through accuracy, precision, and skills. Second, work quantity refers to the amount of work that must be completed, measured by the speed of time in completing tasks properly. Third, work constraints include employee reliability in following instructions, initiative, caution, and perseverance. Finally, work attitude includes employee attitudes towards the company, coworkers, work, and ability to work together.

**HYPOTHESIS DEVELOPMENT**

**Transformational Leadership and Employee Performance**

The way an employee works greatly influences the performance they produce. To guide employees in adopting effective work methods, a leader must provide direction and teaching to help achieve the desired performance goals. Every leader must also have their own leadership style, which varies depending on the prevailing situation and conditions. If a leader can motivate employees to boost their work enthusiasm, the resulting performance will also improve. According to a study by Triyanti (2019), transformational leadership style has a significant positive effect on employee performance.

**H1:** It is suspected that transformational leadership style positively affects employee performance.

**Organizational Culture and Employee Performance**

Organizational Culture is a number of val-

ues and norms built by a group of people in an agency or organization whose purpose is to be a guideline in carrying out all existing work. With this, a job can be done faster and more effectively, and it can also improve performance. The focus is on the relationship between each individual and the organization, thereby reducing job dissatisfaction. According to Dunggio (2020), organizational culture has a significant positive influence on employee performance.

**H2:** Organizational culture is suspected to positively and significantly influence employee performance.

**Transformational Leadership and Employee Engagement**

Transformational leadership can be defined as a leadership behavior that reshapes employees' norms and values while motivating them to exceed their own expectations. Employees who receive personal support, inspiration, and quality coaching from their leaders experience a more challenging, engaging, and satisfying work environment. This, in turn, fosters stronger employee engagement with their work. According to Narosaputra (2022), transformational leadership has a significant and positive impact on employee engagement.

**H3:** It is suspected that transformational leadership style positively and significantly affects employee engagement.

**Organizational Culture and Employee Engagement**

Positive organizational culture, such as an inclusive work environment, open communica-

tion, and appreciation for individual contributions, can create a work environment that is conducive to employee engagement. When organizational culture provides a sense of security, appreciation, and development opportunities, employees will be more motivated to contribute optimally to their work. A strong organizational culture can encourage employee engagement by providing meaning and purpose in their work. Furthermore, a study by Ramadhani and Deka (2023) shows that organizational culture has a significant influence on the level of employee engagement.

**H4:** Organizational culture is suspected to positively and significantly influence employee engagement.

### **Employee Engagement and Employee Performance**

Employee engagement is a person's psychological identification with their work. Actively participating and working is considered important in an individual's life. Employee engagement is a process of work participation in realizing organizational success, and employee work engagement can have a very large influence on the success of a company in achieving its goals. Low work engagement in employees results in a lack of employee commitment to the organization, which results in low levels of performance demonstrated by employees. A previous study conducted by Riza et al. (2017) found that employee work engagement had a significant positive effect on employee performance.

**H5:** Employee engagement is suspected to positively and significantly affect employee performance.

### **The Moderation Role of Employee Engagement**

Employee engagement is an ongoing process to ensure employees are satisfied with their work, aligned with the organization's values, and supported to give 100% during working hours. Among the factors that influence employee engagement are strong leadership and a work culture that cares about subordinates. Employee engagement is an ongoing process to ensure employees are satisfied with their work, aligned with the organization's values, and supported to give 100% during working hours. Study by Yadav et al. (2019) explains that employee engagement medi-

ates transformational leadership. Furthermore, a study by Almerri (2023) explains that employee engagement mediates organizational culture.

**H6:** Employee engagement is assumed to mediate the relationship between transformational leadership style and employee performance.

**H7:** Employee engagement is assumed to mediate the relationship between organizational culture and employee performance.

### **METHOD**

This study uses a descriptive method within a quantitative framework. As stated by Sugiyono (2013) quantitative study is a scientific approach that focuses on collecting, analyzing, and interpreting data presented in numerical or statistical form. The goal is to measure the relationship between variables and make generalizations that apply widely. The process includes proper research planning, data collection using structured instruments such as questionnaires, statistical data analysis, and interpretation of study results.

### **Population and Sample**

This study focuses on the population of food sector MSME employees in Jatinangor District, totaling 133 people. Sampling was carried out using a purposive sampling technique with criteria, including this study combining two types of data: Employees selected must have an operational or managerial role relevant to the study and a minimum work period of 6 months to ensure they understand the organizational culture and work dynamics, so without a sample size of 100 people.

### **Operational Variables**

The operational definition of a variable is the determination of a construct so that it becomes a measurable variable. The study variables used in this study are as in Table 1.

### **Types and Methods of Data Collection**

This study combines two types of data: primary data and secondary data. Secondary data is collected from various sources, including literature reviews, scientific journals, and other relevant information, to provide additional context and enhance the primary data. In contrast, primary data is collected directly from respondents through questionnaires. The questionnaires were distributed

to respondents through Google Forms. Primary data collection uses a questionnaire designed with a Likert scale, a method widely used in quantitative research. The Likert scale measures respondents' views, attitudes, or perceptions regarding various statements, allowing researchers to assess the level of response or opinion more measurably and systematically. As a result, these two types of data work together to offer a more comprehensive understanding of the phenomenon being studied.

### Data analysis

The data analysis method used in this study is Partial Least Square (PLS), which is a component-based or variant-based approach that empha-

sizes predictive models based on components. PLS is known for its flexibility because it does not impose any assumptions like other analysis methods. One of the main advantages of PLS is its ability to work with data that does not have to be normally distributed, allowing the use of indicators with various types of scales, such as ordinal, ratio, and category scales, in the same model. In addition, PLS does not require a large sample size, making it the right choice for study with limited samples. This flexibility and adaptability make PLS often used in studies involving latent variables and in situations where predictive models are preferred over models based on relationships between variables.

**Table 1. Operational Variables**

NO	Variables	Indicator	Source
1	Transformational Leadership (X1)	<ul style="list-style-type: none"> <li>• Idealized influence</li> <li>• Inspirational motivation</li> <li>• Intellectual stimulation</li> <li>• Individual considerations</li> </ul>	Nasution et al. (2022)
2	Organizational Culture (X2)	<ul style="list-style-type: none"> <li>• Innovation and courage to take risks</li> <li>• Pay attention to the details</li> <li>• Results oriented</li> <li>• Human-oriented</li> <li>• Team oriented</li> <li>• Aggressiveness</li> <li>• Stability</li> </ul>	Robbins et al. (2016)
3	Employee Performance (Y)	<ul style="list-style-type: none"> <li>• Quality of work</li> <li>• Quantity of work</li> <li>• Job constraints</li> <li>• Work attitude</li> <li>• Punctuality</li> <li>• Effectiveness</li> </ul>	Mangkunegara (2017) and Putra and Indrawati (2015)
4	Employee Engagement (Z)	<ul style="list-style-type: none"> <li>• Actively participate in work</li> <li>• Work is the main thing</li> <li>• Work is self-esteem.</li> <li>• Mental and emotional involvement</li> <li>• Motivation for involvement contribution</li> <li>• Responsibility for involvement</li> </ul>	Istijanto (2005)

**RESULTS**

This study uses PLS analysis, which includes evaluating the measurement model (outer model) and the structural model (inner model). The following is an explanation of the findings from the model evaluation analysis.

**Measurement Model Analysis (Outer Model)**

The results of the calculation of the outer loading value of the statement indicators on the variables of transformational leadership (X1), organizational culture (X2), employee involvement (Z), and employee performance (Y) show that not all indicators have an outer loading value above 0.5. Therefore, several statements that do not meet the requirements must be eliminated. External Loading Results showed that all statement indicators of the transformational leadership variables measured had met the validity test requirements, with the highest Outer Loading value at X1.3 with a value of 0.775, and the lowest at Item X1.4 with a value of 0.706, which exceeds the threshold of 0.5. The organizational culture variables measured met the validity test requirements, with the highest Outer Loading value at X2.2 with a value of 0.802 and the lowest at Item X2.5 with a value of 0.685, which exceeded the threshold of 0.5. The employee engagement variables measured met the validity test requirements, with the highest Outer Loading value at Z.3 with a value of 0.774 and the lowest at Item Z.4 with a value of 0.671, which exceeded the threshold of 0.5. The measured employee performance variables have met the validity test requirements, with the highest Outer Loading value in Y.2 with a value of 0.742 and the lowest in Item Y.4 with a value of 0.575, which exceeds the threshold of 0.5. This shows that each indicator used in this study is valid and can accurately represent the measured variables. By meeting these validity criteria, it can be concluded that the research instrument has been well designed so that each statement in the questionnaire or measuring instrument is truly valid.

To ensure strong validity in this study, one of the methods used is the assessment of the Average Variance Extracted (AVE) value. Each indicator is considered valid if it shows a high correlation with the construct it represents. The validity of each variable is measured through its AVE value, with the criterion that AVE must exceed 0.50. A higher AVE value indicates that the variable can explain most of the variance of its indicator, thus confirming the validity of the construct. The AVE values for all variables examined in this study indicate that they meet the validity requirements, with values above 0.50, indicating that the research instrument effectively represents these variables.

AVE value results indicate that the value for Transformational Leadership Style (X1) is 0.606, which exceeds the threshold of 0.50. Similarly, the Organizational Culture variable (X2) is 0.597, which is also above 0.50. The Employee Engagement variable (Z) is 0.652, surpassing the 0.50 benchmark. Lastly, the Employee Performance variable (Y) records a value of 0.603, which is greater than 0.50. These findings demonstrate that all variables in this study meet the validity criteria, indicating that the instruments used to measure these constructs are appropriate and accurately reflect the variables under investigation. This validity ensures that the data collected is reliable for further analysis, supporting the robustness of the study's results and interpretations regarding the relationships between transformational leadership, organizational culture, employee engagement, and performance outcomes.

Next, a reliability test is conducted. The reliability test assesses an instrument's consistency in measuring a concept or variable. A construct is said to be reliable if the reliability value resulting from the test is greater than 0.7. In this case, the reliability test can be conducted using Cronbach's Alpha or Composite Reliability method. The results of this test will indicate whether the research instrument is consistent and reliable enough to measure the variables studied.

**Table 2. R-Square Values**

Variables	R Square	R Rectangle Customized
Employee Engagement (Z)	0.444	0.438
Show Employee (Y)	0.565	0.544



Reliability Test Results showed that the transformational leadership variable in this study has a Cronbach's Alpha value of 0.926 and a Composite Reliability of 0.948. This shows that the variable meets the reliability criteria. The organizational culture variable in this study has a Cronbach's Alpha value of 0.902 and a Composite Reliability of 0.910. This shows that the variable meets the reliability criteria. The employee engagement variable in this study has a Cronbach's Alpha value of 0.889 and a Composite Reliability of 0.901. This shows that the variables tested meet the reliability criteria. The employee performance variable in this study has a Cronbach's Alpha value of 0.912 and a Composite Reliability of 0.924. This shows that the variables tested meet the reliability criteria. With this high-reliability value, it can be concluded that all variables are valid and reliable. Therefore, this study can be continued to the next stage, namely testing the structural model to analyze the relationship between variables in more depth.

#### Structural Model Analysis (Inner Model)

Internal model analysis assesses the relationship between latent variables in the research model by examining the R-Square ( $R^2$ ) value and the significance of the structural path parameters. According to Ghazali and Latan (2015), model quality can be classified into three main categories based on the  $R^2$  value: the model is considered strong if the  $R^2$  value is greater than or equal to 0.75, moderate if around 0.50, and weak if close to 0.25. This R-squared value indicates how effectively the independent variables can explain the dependent variable in the study, providing insight into the model's ability to accurately represent the relationship between variables.

The analysis results of Table 2 show specific findings regarding the impact of employee engagement and performance. According to data processing, the influence of transformational leadership style and organizational culture on employee engagement was 44.4 %. This shows that the impact is relatively weak, although there is a relationship between transformational leadership and organizational culture and employee engagement. This implies that additional factors beyond leadership and organizational culture may also be important in increasing employee engagement. In addition, the influence of transformational leadership style, organizational culture, and employee engagement on employee performance was recorded at 56.5 %. This value is included in the moderate category, indicating that the combined effect of these three factors significantly impacts employee performance. However, there is still potential for improvement. This highlights that a strong transformational leadership style, a strong organizational culture, and a high level of employee engagement can improve performance. However, it is important to consider other factors, such as resources and support systems within the organization. Developing a more integrated strategy to improve employee engagement can strengthen overall performance.

#### Hypothesis Test Results (Bootstrapping)

Bootstrapping, or hypothesis testing, is a method used to measure the significance of the influence between variables by resampling the entire original sample. This approach uses resampling to produce a more accurate sample distribution, thus ensuring the reliability of the analysis results. In this statistical analysis, the significance value used as a reference is 1.96, equivalent to a significance level of 5% ( $\alpha = 0.05$ ).

**Table 3. Results of the Direct Effect Hypothesis Test**

Variable	Original Sample	T Statistics	P Value
X1 -> Y	0.008	0.091	0.927
X2 -> Y	0.062	0.638	0.523
X1 -> Z	0.231	2.826	0.005
X2 -> Z	0.515	5.661	0.000
Z -> Y	0.706	9.832	0.000

**Table 4. Results of Specific Indirect Effect Hypothesis Testing**

Variable	Original Sample	T Statistics	P Value
X1 -> Z -> Y	0.163	2.704	0.005
: X2 -> Z -> Y	0.364	4.831	0.001

The table can help assess whether a direct relationship between hypotheses is positive or negative by examining the t-statistic value for each hypothesis. This value indicates the significance level of the relationship between the tested variables. If the t-statistic value exceeds the critical threshold, the relationship is considered significant, either positive or negative, based on the direction of the coefficient. The effect of transformational leadership style on employee performance has a p-value of  $0.927 > 0.05$  and a t-statistic value of  $0.091 < 1.96$ . So, it can be concluded that H1 is rejected. The influence of organizational culture on employee performance has a p-value of  $0.062 > 0.05$  and a t-statistic value of  $0.638 > 1.96$ . So, it can be concluded that H2 is rejected. The effect of transformational leadership style on employee engagement has a p-value of  $0.005 < 0.05$  and a t-statistic value of  $2.826 > 1.96$ . So, it can be concluded that H3 is accepted. The influence of organizational culture on employee engagement has a p-value of  $0.000 < 0.05$  and a t-statistic value of  $5.661 > 1.96$ . So, it can be concluded that H4 is accepted. The effect of employee engagement on employee performance has a p-value of  $0.0000 < 0.05$  and a t-statistic value of  $9.832 > 1.96$ . So, it can be concluded that H5 is accepted. In addition, to show the role of employee engagement as an intervening variable between the latent variables of transformational leadership style and organizational culture in relation to employee performance, the results of the calculation of the Specific Indirect Effects presented in the table below can be examined.

Table 4 shows the results of the specific indirect influence hypothesis test. The effect of transformational leadership style on employee performance mediated by employee involvement has a p-value of  $0.005 < 0.05$  and a t-statistic value of  $2.704 < 1.96$ . So, it can be concluded that H6 is accepted. The influence of organizational culture on employee performance mediated by Employee Engagement has a p-value of  $0.001 < 0.05$  and a t-

statistic value of  $4.831 > 1.96$ . So, it can be concluded that H7 is accepted.

## DISCUSSION

### The Influence of Transformational Leadership on Employee Performance

This study found that transformational leadership significantly affects employee performance, and H1 is accepted. This means that transformational leadership in MSMEs in the food sector in Jatinangor District directly improves employee performance. This result is contrary to Mahmud and Sopiah (2022), who found a positive effect of transformational leadership on employee performance, but in line with Purwati and Wijaya (2019), who showed that transformational leadership did not affect performance. Several simple steps can be applied for leaders or MSME business actors in the food sector in Jatinangor District to improve their employee performance. First, provide clear direction so that each employee understands the tasks and goals to be achieved, such as increasing the speed of customer service. Next, build good relationships with employees through personal attention, such as asking how they are or helping them when they face problems so that they feel appreciated and supported. In addition, leaders need to motivate positive words such as praise for good work results to increase their enthusiasm. Leaders must also be role models by showing a diligent, friendly, and professional work attitude to encourage employees to imitate. Equally important, give appreciation in the form of praise, small awards, or bonuses as a form of appreciation for their contributions. Invite employees to participate in business idea discussions, such as how to attract more customers, so they feel more involved. Finally, simple training should be held regularly, such as service training or introducing new menus, so employees continue developing. With these steps, leaders can create a supportive work environment, increase employee morale, and encourage them to perform best.

### **The Influence of Organizational Culture on Employee Performance**

This study found that organizational culture does not affect employee performance, and H2 is rejected. This means that organizational culture in the food sector MSMEs in Jatinangor District does not directly improve employee performance. This finding contradicts the study of Jufrizen and Rahmadhani (2020), which identified a positive influence of organizational culture on employee performance while in line with the study of Mewahaini and Sidharta (2022) that organizational culture does not affect employee performance. For several reasons, organizational culture may not affect employee performance in food sector MSMEs in Jatinangor District. First, MSMEs often have simple and flexible organizational structures, so organizational culture may not have been strongly formed or consistently internalized by all employees. Second, the main focus of employees in the food sector MSMEs tends to be more on daily operational tasks, such as meeting production targets or serving customers, so that elements of organizational culture are considered less relevant or a priority. Third, the influence of organizational culture also takes time to be felt significantly, and in the context of dynamic MSMEs, changes in employees or work patterns often occur, thus inhibiting the formation of a strong culture. The implication is that food sector MSMEs need to review their approach to building an organizational culture that is relevant and applicable to business operations. MSME leaders can focus on establishing a simple but strong work culture, such as teamwork, commitment to product quality, and friendly customer service. In addition, leaders must ensure that these values are embedded in everyday activities through short training sessions or regular communication. That way, even though organizational culture does not directly influence current employee performance, strengthening the right work culture can support long-term goals such as increasing employee loyalty and business reputation.

### **The Influence of Transformational Leadership on Employee Engagement**

Transformational leadership style has been shown to significantly influence employee engagement in MSMEs in the food sector in Jatinangor District. This shows that inspirational and vision-

ary leadership from transformational leaders can increase employee engagement because this style encourages them to feel more motivated and appreciated in the workplace. Transformational leaders pay attention to individual development, provide a clear vision and mission, and create a positive work atmosphere. This makes employees feel they have an important role in achieving company goals, which ultimately increases their sense of attachment to the organization. This attachment is important in MSMEs, where employee commitment and loyalty can directly affect business success. This finding contradicts the study by Lisabella and Hasmawaty (2021), which confirms that transformational leadership has a positive impact on employee engagement. In line with the study, Sembiring et al. (2015) concluded that transformational leadership does not affect employee engagement.

### **The Influence of Organizational Culture on Employee Engagement**

Organizational culture significantly influences employee engagement in MSMEs in the food sector in Jatinangor District. This shows that a strong organizational culture can increase employee engagement because values, norms, and work practices that are consistently applied provide a sense of unity and shared purpose. When employees feel that the organizational culture reflects the values they value, they tend to be more engaged and motivated to contribute to the success of the company. In MSMEs, a positive culture can create a supportive work environment, increase job satisfaction, and make employees feel valued and involved in achieving business goals. This finding is consistent with a study conducted by Anugra and Saragih (2018)

### **The Influence of Employee Engagement on Employee Performance.**

This study found that employee engagement affects employee performance, and H5 is accepted. This means that employee engagement in food sector MSMEs in Jatinangor District directly improves employee performance. This shows that employees who are emotionally and psychologically involved in their work tend to have higher motivation to achieve optimal performance. High engagement often results in more commitment and

dedication so that employees focus on completing tasks and try to make the best contribution to the company. In MSMEs, where every employee has an important role, strong engagement is very helpful in maintaining productivity and work quality. By feeling appreciated and having a connection to the company's goals, employees are more motivated to work efficiently and with high quality, which has a direct positive impact on the company's overall performance. These results are in line with a previous study conducted by Sucahyowati and Hendrawan (2020)

### **The Influence of Transformational Leadership Style on Employee Performance Mediated by Employee Involvement.**

The results of this study indicate that transformational leadership employee performance through employee involvement has a positive influence on transformational leadership and improves the performance of employees involvement. This means that transformational leadership does not directly affect employee performance but through employee engagement as an intermediary. Transformational leaders who are able to inspire and motivate employees can increase their engagement in work, creating higher commitment and a sense of belonging to the company's goals. When employees feel more engaged, they tend to increase their efforts and contributions, which ultimately positively impacts performance. This finding is in line with a study by Fachrurazi et al. (2022), which shows that transformational leadership has a positive and significant impact on employee performance through the mediation of work engagement.

### **Employee Engagement Mediates Organizational Culture on Employee Performance**

The results of this study indicate that organizational culture has a positive effect on employee performance through employee involvement, thus indicating that organizational culture can improve performance through employee involvement. This suggests that a positive and supportive organizational culture can increase employee engagement, contributing to improved performance. When employees feel that the company culture is in line with their values and creates a conducive work environment, they become more emotionally attached and more eager to contribute. This engagement

makes them more committed and focused in carrying out their tasks, thus having a direct impact on performance. These results are in line with previous studies by Indah et al. (2022).

### **IMPLICATIONS**

This study has several important implications for MSMEs in the food sector. Business owners need to apply transformational leadership by providing inspiration, support, and empowerment to employees, such as through training. Although organizational culture does not directly affect performance, building a positive work culture remains essential to enhance employee engagement. Employee engagement has been proven to be a key factor in connecting leadership to performance, making it necessary to create a supportive work environment and recognize employees' contributions. These findings also highlight the importance of understanding the unique characteristics of MSMEs, such as their simple structure and familial relationships, in managing human resources. By taking these steps, MSMEs can improve employee performance and compete more effectively in the market.

### **RECOMMENDATIONS**

Based on the results of this study, several recommendations for further study can be proposed. First, future study is advised to include other variables that have the potential to affect employee performance, such as work motivation, job satisfaction, or individual competence, in order to enrich the analysis and provide deeper insight into the factors that can improve employee performance. Second, future studies can expand the context to other sectors or compare the results across regions to identify whether similar findings also apply outside the food sector MSMEs in Jatinangor. In addition, a qualitative or mixed-method approach can be used to better understand how employees interpret their work engagement and its impact on performance.

This study has several limitations, such as being limited to MSMEs in the food sector in the Jatinangor sub-district, so the results may not be generalized to other sectors or regions. Additionally, the sample size is limited, and the focus on transformational leadership, organizational culture, and employee engagement variables does not

include other factors like individual motivation or technology. The quantitative method also does not deeply explore the dynamics of the relationships between variables qualitatively. At the same time, the characteristics of MSMEs, which tend to be simple and informal, may influence the application of transformational leadership concepts. This study was conducted within a specific period, so it does not reflect long-term changes, providing opportunities for further study that is broader and more in-depth.

## CONCLUSIONS

Based on the study results on MSMEs in the food sector in the Jatinangor sub-district, several conclusions can be drawn regarding the influence of transformational leadership, organizational culture, and employee engagement on employee performance. Transformational Leadership does not have a significant impact on employee performance or employee engagement. This may be due to the lack of consistent application of transformational principles, such as inspiration and empowerment, and the incongruence between this leadership style and the existing organizational culture. This is understandable as a small entity, SMEs, do not apply appropriate human resource management principles. Organizational culture also does not have a significant influence on employee performance. Just like number one, SMEs, as a simple entity, do not understand the principles of organizational culture. Most business operations are carried out simply and in a family manner. Transformational leadership has a significant influence on employee engagement. This is in accordance with applying transformational leadership principles that provide space for employees to be involved in business activities. Organizational culture has a significant influence on employee engagement. A strong and supportive organizational culture can increase employees' sense of engagement, contributing to increased motivation and active participation in work. Employee Engagement has a positive effect on employee performance. Engaged employees have higher commitment and motivation, which leads to increased productivity and work efficiency. Employee Engagement can mediate the relationship between transformational leadership and employee performance. This suggests that while transformational leadership can

affect several aspects of an organization, employee engagement requires a more specific approach to improve performance. Employee Engagement mediates the relationship between organizational culture and employee performance. A strong and inclusive organizational culture encourages employee engagement, improving their performance.

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