Authentic Leadership on Work Engagement with Psychological Capital as a Mediating Variable

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ABSTRACT
The purpose of this study was to test and analyze: (1) the effect of authentic leadership on work engagement (2) the effect of authentic leadership on psychological capital (3) the effect of psychological capital on work engagement (4) the effect of authentic leadership on work engagement through psychological capital. This research is causal research. The population of this study were all employees in the finance department of PT SP Manufacturing Padang City with a total of 46 people. The sampling technique was taken using total sampling with the number of samples equal to the population of 46 people. Data collection was carried out using a questionnaire using a Likert scale. Data analysis was carried out using SmartPLS 4 software. The findings obtained from data processing in this study reveal that: (1) authentic leadership has a positive and significant effect on work engagement in the finance department employees of PT SP Manufacturing Padang City (2) authentic leadership has a positive and significant effect on psychological capital in the finance department employees of PT SP Manufacturing Padang City (3) psychological capital has a positive and significant effect on work engagement in the finance department employees of PT SP Manufacturing Padang City (4) authentic leadership has a positive and significant effect on work engagement through psychological capital in the finance department employees of PT SP Manufacturing Padang City.

Keywords: Work Engagement, Authentic Leadership, Psychological Capital

INTRODUCTION
Human resources hold significant importance within an organization as they actively contribute to the organization’s daily operations. One of the most desirable human resource outcomes for organizations is the presence of work engagement in their employees (Bakker et al., 2008). According to Wardani, (2019) to achieve organizational efficiency, work engagement is needed, because commitment to work is the key to improving employee performance. Therefore, fostering work engagement is a potential key to the company’s competitive advantage (van Tuin et al., 2020) and this work engagement also has a positive impact and plays a role in improving employee performance and company profitability (Farndale et al., 2014). Therefore, work engagement is essential for any organization (Osborne & Hammoud, 2017).

A number of previous studies have shown that employee work engagement has a positive impact in various aspects, such as encouraging innovation and creativity (Ariyani & Hidayati, 2018), preparing employees to accept changes in the organization (Matthysen & Harris, 2018), reducing
absenteeism (Rongen et al., 2014), and significantly increasing work productivity and job satisfaction (Hanaysha, 2016). In contrast, employees who do not have a sense of work engagement towards their jobs tend to feel like moving, quitting, or leaving the workplace (Sundaray, 2011). This also results in decreased employee well-being and performance (Knight et al., 2017) as well as significantly increased company expenses (Osborne & Hammoud, 2017).

One factor that has an important role in increasing employee work engagement is the leadership factor. Research by Zaabi et al., (2016) states that to be able to increase work engagement requires the role of company leaders, one form of leadership is authentic leadership. Authentic leaders support and build follower trust (Wang & Hsieh, 2013) through developing supportive peer relationships for work organization success (Barrick et al., 2015). Then, authentic leaders utilize people development techniques, creating a context where employees feel supported, empowered, recognized, and attached to their work (Luthans & Youssef-Morgan, 2017). Based on research conducted by Niswaty et al., (2021) states that authentic leadership has a positive impact on work engagement because authentic leadership stands out for its positive traits that include transparency and ethics, so it can be an effective choice to increase enthusiasm in the work environment.

Another factor that shapes work engagement is good psychological factors. Research by Niswaty et al., (2021) confirms that psychological aspects, including psychological capital, have a significant influence in shaping work engagement. Psychological capital (PsyCap) has a role as a personal resource that has a positive influence on work engagement (Alessandrini et al., 2018; Nordin et al., 2019). Employees who have high psychological capital tend to feel energized, committed, and fully engaged in their work. Self-efficacy, hope, optimism, and resiliency have a significant impact on work engagement, as the presence of these personal resources allows employees to become fully engaged in their work (Karatepe & Karadas, 2015).

Based on the literature review conducted, it was found that there was a research gap in previous studies. Research conducted by Zhong et al., (2016), Du Plessis & Boshoff, (2018), and Niswaty et al., (2021) found that psychological capital mediates the relationship between authentic leadership and work engagement. However, research conducted by Zen et al., (2022) found that psychological capital does not mediate the relationship between authentic leadership and work engagement. So, the differences in the results of previous relevant studies indicate the inconsistency in the results of research related to the psychological capital variable as a mediator of the relationship between authentic leadership and work engagement.

PT SP Manufacturing Padang City is one of the companies with the status of a state-owned enterprise (BUMN) engaged in manufacturing whose main production is cement. In carrying out its operational activities, PT SP Manufacturing Padang City as a manufacturing company certainly needs to have employees who are able to be responsible for the tasks given, one of which is by having high work engagement for each employee.

This research focuses on the finance department of PT SP Manufacturing Padang City. Through the researcher’s firsthand observation of PT SP Manufacturing Padang City’s finance department, it was evident that a considerable number of employees failed to return to the office promptly after their break, despite the company’s specified time for doing so. There are other work engagement phenomena seen in the finance department of PT SP Manufacturing Padang City, namely there are still many employees who are late coming to the office. Based on data on the tardiness of the finance department of PT SP Manufacturing Padang City in 2022, it can be seen that the percentage rate of tardiness each month is above 10% and the average percentage of tardiness per month is 23% with 11 employees who are late each month. This shows that the tardiness rate of PT SP Manufacturing Padang City’s finance department employees is quite high.

LITERATURE REVIEW

Work Engagement
Kahn, (1990) is widely recognized as a trailblazer in the field of engagement research (Stairs & Galpin, 2010). He characterized engagement as "organizational members' self-utilization of their work roles and expressing themselves physically, cognitively, and emotionally during work" (Kahn, 1990). On the other hand, Schaufeli et al. (2002) described work engagement as a positive, fulfilling state of mind in the context of work, marked by qualities like vigor, dedication, and absorption. According to Schaufeli & Bakker, (2004) further identified three key indicators of work engagement, which include:

1) Vigor
   Vigor is a form of employee willingness to work seriously, exert all their energy to solve problems and diligently overcome difficulties at work.

2) Dedication
   Dedication is a feeling of enthusiasm, meaning, pride, inspiration and challenge at work.

3) Absorption
   Absorption is the state when employees are fully focused and feel happy in the work environment.

Authentic Leadership

According to Walumbwa et al., (2008), authentic leadership refers to a set of leader behaviors that both leverage and foster positive psychological attributes and an ethical workplace atmosphere. This, in turn, encourages leaders to cultivate greater self-awareness, internalize moral perspectives, engage in balanced information processing, and exhibit transparency in their relationships with followers, thereby promoting positive self-growth. Meanwhile, according to Luthans & Avolio, (2003), authentic leadership is a process rooted in positive psychological capabilities and a highly evolved context organizational, which leads to increased self-awareness and self-regulated positive behavior among leaders and their peers, nurturing positive self-development. According to Walumbwa et al., (2010), authentic leadership is characterized by four key indicators, which include:

a. Self-awareness
   Self-awareness relates to the extent to which leaders understand their own strengths, weaknesses, and motivations, and their capacity to recognize how others perceive their leadership. Leaders who exhibit a heightened level of self-awareness are recognized for their ability to harness both their self-knowledge and their understanding of how others perceive them to improve their effectiveness as leaders.

b. Relational transparency
   Relational transparency refers to involving personal disclosure, such as sharing information openly and expressing true thoughts and feelings.

c. Balanced processing
   Balanced processing involves the practice of objectively analyzing all pertinent information before arriving at a decision. Leaders known for a balanced processing approach actively seek input and perspectives from others, even when those viewpoints challenge their current position.

d. Internalized moral perspective
   Internalized moral perspective signifies that a leader's behavior is guided by their own internal moral standards and values, rather than being swayed by external pressures like peer expectations, organizational norms, or societal influences.

Psychological Capital

Psychological capital is built on the concepts of positive organizational scholarship (POS) and positive organizational behavior (POB), which is the study and application of management that is positively oriented towards the psychological strengths and abilities of human resources in order to develop and improve performance (Luthans, 2002). According to Luthans et al., (2015) Psychological capital (PsyCap) is a state of positive psychological development of individuals characterized by: (1) having self-confidence (self-efficacy) in completing challenging tasks; (2) making positive attributions
(optimism) about current and future success; (3) having perseverance in achieving goals and redirecting how to achieve these goals if needed to succeed (hope); and (4) when faced with a problem and difficulty, individuals can survive and bounce back to achieve success (resiliency). According to Luthans & Youssef-Morgan, (2017) stated that psychological capital has four dimensions, namely, hope, self-efficacy, resilience and optimism, which are abbreviated as HERO.

1. Hope
   Hope represents a constructive state of motivation rooted in the belief of achievable success, which arises through the interactive combination of (a) agency, characterized by goal-driven energy, and (b) pathways, involving the planning to attain those goals (Snyder et al., 1991, in Luthans & Youssef-Morgan, 2017).

2. Self-efficacy
   Self-efficacy is defined as "an individual's beliefs or convictions about his or her ability to mobilize the motivation, cognitive resources or actions necessary to successfully carry out a particular task in a particular context" (Stajkovic & Luthans 1998b, in Luthans & Youssef-Morgan, 2017).

3. Resilience
   Resilience is the ability to rebound, recover, or adapt in the face of challenges, adversity, conflict, failure, or even in response to positive events, progress, and heightened responsibilities (Luthans 2002b, in Luthans & Youssef-Morgan, 2017).

4. Optimism
   Carver et al., (in Luthans & Youssef-Morgan, 2017) describe optimism defined as a pervasive positive perspective that leads to overall positive anticipations. In simpler terms, optimists are individuals who anticipate favorable outcomes and expect good things to happen in various aspects of life. (Luthans & Youssef-Morgan, 2017).

**Hypothesis**

Based on the background, theoretical studies, problem formulations, and conceptual framework, the authors can formulate the following hypotheses:

H1: Authentic Leadership has a positive and significant effect on Work Engagement.
H2: Authentic Leadership has a positive and significant effect on Psychological Capital.
H3: Psychological Capital has a positive and significant effect on Work Engagement.
H4: Psychological Capital mediates the relationship between Authentic Leadership and Work Engagement.

In order to streamline research and foster meaningful discussion, a research model or framework is developed based on the theory and hypotheses described as follows:

![Conceptual Framework](image)

**METHOD**

The research design employed in this study falls into the category of descriptive causative research. Causative descriptive research aims to determine the orientation of the cause-and-effect relationship between the independent variable and the dependent variable. Specifically, this study's
objective is to assess the impact of authentic leadership on the work engagement of employees in the finance department of PT SP Manufacturing Padang City, with the mediating variable being psychological capital. The sample size for this study was determined using the total sampling technique (Sugiyono, 2018). Total sampling is a sampling technique with the same number of samples as the population. So, the number of samples in this study were 46 samples equal to the total population. The data used in this study were obtained through primary and secondary data. The data collection method in this study uses a Likert scale. Meanwhile, this study will use data analysis techniques, namely SEM-PLS (Partial Least Square) using SmartPLS 4 software.

HASIL DAN PEMBAHASAN/ RESULT AND DISCUSSION

Descriptive Analysis

Based on the frequency distribution calculations for the work engagement variable, utilizing 3 indicators with 16 statement items, the average score was found to be 4.17 with a TCR of 83%. This suggests that work engagement among the finance department employees of PT SP Manufacturing Padang City is categorized as high. It is essential to maintain and further enhance this high level by encouraging employees to exhibit greater enthusiasm, dedication, and absorption in their work.

Similarly, for the authentic leadership variable, the calculations involved 4 indicators with 8 statement items, resulting in an accumulated average score of 4.07 and a TCR of 81%. This implies that authentic leadership among the finance department employees of PT SP Manufacturing Padang City is also categorized as high, and it is important to sustain and further enhance it.

Lastly, the psychological capital variable was measured using 4 indicators with 8 statement items, leading to an accumulated average score of 4.17 and a TCR of 83%. This indicates that psychological capital among the finance department employees of PT SP Manufacturing Padang City falls into the high category. To maintain and further improve this high level, employees should be encouraged to have confidence in their abilities, hold high expectations for their work, exhibit resilience when facing challenging situations, and maintain optimism in their work.

Inferential Analysis

Test The Measurement Model (Outer Model)

Instrument tests are used to assess the validity and reliability of a model. This test usually includes validity and reliability assessments. In the validity test, each indicator is evaluated based on outer loading and average variance extracted (AVE), while the reliability test can be seen based on composite reliability (CR).

1. Validity Test
Picture 2. Outer Models

From the picture above, which is the final result of outer loading, it appears that the final results of the outer loading analysis demonstrate that all indicators for each variable exhibit high convergent validity. This is evident as all the indicators exhibit loading factor values greater than 0.5.

Table 1. Average Variance Extracted

<table>
<thead>
<tr>
<th>Variables</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authentic Leadership (X)</td>
<td>0.579</td>
</tr>
<tr>
<td>Psychological Capital (Z)</td>
<td>0.539</td>
</tr>
<tr>
<td>Work Engagement (Y)</td>
<td>0.519</td>
</tr>
</tbody>
</table>

Based on table 1 above, it can be seen that the Average Variance Extracted (AVE) values for all variables meet generally accepted rules of thumb, which usually require an AVE value greater than 0.5. It can be concluded that the construct has a good level of validity. Thus, each variable in this study can be stated to have met the convergent validity test criteria.
2. Reliability Test

Table 2. Reliability Test

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Cronbach’s Alpha</th>
<th>Composite reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authentic Leadership (X)</td>
<td>0.897</td>
<td>0.932</td>
</tr>
<tr>
<td>Pyschological Capital (Z)</td>
<td>0.939</td>
<td>0.942</td>
</tr>
<tr>
<td>Work Engagement (Y)</td>
<td>0.937</td>
<td>0.942</td>
</tr>
</tbody>
</table>

Based on table 2 above, it can be seen that the composite reliability and cronbach’s alpha values of each variable are greater than 0.7. When applying the rule of thumb for composite reliability and cronbach’s alpha values, which suggests that values greater than 0.7 indicate reliability, it can be concluded that all variables in the study are considered reliable (Hair et al., 2017).

Structural Model Test (Inner Model)

Table 3. R-Square

<table>
<thead>
<tr>
<th>Variable</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Engagement (Y)</td>
<td>0.755</td>
</tr>
<tr>
<td>Pyschological Capital (Z)</td>
<td>0.260</td>
</tr>
</tbody>
</table>

The presented table above that the R-Square value for the work engagement variable is 0.755, indicating that 75.5% of the variance in the work engagement variable can be explained by the authentic leadership and psychological capital variables studied. The remaining portion of the variance is attributed to factors or variables that are not addressed in this study. Additionally, the R-Square value for psychological capital is 0.260, signifying that 26% of the variability in psychological capital can be accounted for by authentic leadership, while the remaining influence comes from variables not considered in this study.

Hypothesis Testing

Table 4. Calculation of the Direct Effect of Authentic Leadership Variables (X), Work Engagement (Y), Psychological Capital (Z)

| Variabel                               | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics (|O/STDEV|) | P Values |
|----------------------------------------|---------------------|-----------------|-----------------------------|--------------------------|----------|
| Authentic Leadership (X) -> Work Engagement (Y) | 0.179               | 0.176           | 0.089                       | 2.012                    | 0.000    |
| Authentic Leadership (X) -> Pyschological Capital (Z) | 0.510               | 0.554           | 0.101                       | 5.045                    | 0.000    |
| Psychological Capital (X) -> Work Engagement (Y) | 0.764               | 0.772           | 0.064                       | 11.934                   | 0.045    |

According to the information provided in the table above, the outcomes of the hypotheses are presented as follows:

1. Hypothesis 1: Authentic leadership variables affect work engagement, with a t-statistic value of 2.170 > 1.96 and a coefficient of determination of 0.179. This means that there is a significant
influence between authentic leadership and work engagement in the finance department of PT SP Manufacturing Padang City.

2. Hypothesis 2: Authentic leadership variable affects psychological capital, with a t-statistic value of 5.045 > 1.96 and a coefficient of determination of 0.510. This means that there is a significant influence between authentic leadership and psychological capital in the finance department of PT SP Manufacturing Padang City.

3. Hypothesis 3: Psychological capital affects work engagement, with a t-statistic value of 11.934 > 1.96 and a coefficient of determination of 0.764. This means that there is a significant influence between psychological capital and work engagement in the finance department of PT SP Manufacturing Padang City.

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Original sample (O)</th>
<th>Sample mean (M)</th>
<th>Standard deviation (STDEV)</th>
<th>T statistics (O/STDEV)</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authentic Leadership (X) -&gt;</td>
<td>0,389</td>
<td>0,429</td>
<td>0,091</td>
<td>4,264</td>
<td>0,000</td>
</tr>
<tr>
<td>Psychological Capital (Z) -&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work Engagement (Y)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on the calculations provided in the table above, particularly with regard to the coefficient of the indirect variable, the t-statistic value for the indirect effect of authentic leadership on work engagement through psychological capital is 4.264, which exceeds the critical value of 1.96. This indicates that authentic leadership has a statistically significant and positive impact on work engagement through the mediating variable of psychological capital. In other words, if employees in the finance department of PT SP Manufacturing Padang City perceive authentic leadership positively, it will significantly enhance their psychological capital. Higher psychological capital, in turn, positively influences the work engagement of these employees. Conversely, if authentic leadership is low, resulting in lower psychological capital, it will have a negative impact on the work engagement of the employees in the finance department of PT SP Manufacturing Padang City.

**CONCLUSION**

This study's objective was to examine and analyze the influence of authentic leadership on work engagement, with psychological capital acting as a mediating variable among the financial employees of PT SP Manufacturing Padang City. To explore and understand the relationships between these variables, SmartPLS 4 was utilized as the analytical tool. Drawing upon the analyses and discussions offered in the earlier sections, can derive the following conclusions:

1. There is a direct, positive, and significant influence between authentic leadership on work engagement in the finance department employees of PT SP Manufacturing Padang City. This means that if authentic leadership in the organization is higher, it will improve the condition of work engagement in the employees of the finance department of PT SP Manufacturing Padang City.

2. There is a direct, positive and significant influence between authentic leadership on psychological capital in the employees of the finance department of PT SP Manufacturing Padang City. This means that if authentic leadership in the organization is higher, it will improve the condition of psychological capital felt by the employees of the finance department of PT SP Manufacturing Padang City.

3. There is a direct, positive, and significant influence between psychological capital on work engagement in the employees of the finance department of PT SP Manufacturing Padang City. This means that if the condition of psychological capital of employees in the organization is
higher, it will increase the condition of work engagement felt by the employees of the finance department of PT SP Manufacturing Padang City.

4. There is an indirect (mediating), positive, and significant influence between authentic leadership on work engagement through psychological capital as a mediating variable in the employees of the finance department of PT SP Manufacturing Padang City. This means that if the level of authentic leadership is getting better, it will increase psychological capital, if psychological capital increases or is positive it will automatically increase the work engagement of the employees of the finance department of PT SP Manufacturing Padang City.

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