

The Effect of Leadership Style, Organizational Culture and Compensation on Employee Engagement at Garment Companies in Bandung

Neneng Sofiyanti¹, Najmudin Najmudin²

¹Universitas Jenderal Soedirman and Universitas Singaperbangsa Karawang

²Universitas Jenderal Soedirman

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ABSTRACT

This study investigates how salary, organizational culture, and leadership style affect employee engagement in a Bandung-based clothing firm. Deductive reasoning is used in this study to get quantitative data from surveys. The results demonstrate that fair remuneration, a collaborative corporate culture, and transformational leadership style all strongly influence employee engagement in the apparel sector. The findings of this study emphasize the significance of improving employee engagement by fostering a favorable work environment and coordinating leadership behaviors, cultural values, and remuneration methods. These insights provide valuable guidance for garment companies in Bandung to optimize employee engagement and improve overall organizational effectiveness.

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Corresponding Author:

Name: Neneng Sofiyanti

Institution Address: Universitas Singaperbangsa Karawang. Jl. HS.Ronggo Waluyo, Puseurjaya, Telukjambe Timur, Karawang, Jawa Barat 41361

e-mail: neneng.sofiyanti@fe.uniska.ac.id

1. INTRODUCTION

The garment industry is constantly evolving, with new trends and technologies shaping the way companies operate. By 2023, the key trends shaping the garment industry center on sustainability, with consumers increasingly demanding environmentally-friendly and ethical products. Brands are responding by adopting sustainable practices, such as using recycled materials and reducing waste. The garment industry, like many other industries, has been affected by economic headwinds such as inflation and supply chain disruptions⁶. Companies must navigate these challenges while adapting to changing

consumer preferences and technological advancements.

Employee engagement is critical to business success, as it directly impacts organizational performance, productivity and employee retention. Engaged workers are more committed to their jobs, have a positive influence on company goals, and are less likely to leave their jobs [1]–[3]. In this answer, we discuss the importance of employee engagement to many drivers of business performance. Engaged employees are more likely to be engaged and increase the productivity of the organization. They go the extra mile to ensure success and are more committed to achieving organizational goals

[2]–[4]. This increased productivity can lead to higher profits and growth for the business. Employee engagement plays an important role in retaining talent within the organization. Engaged employees are less likely to leave their jobs, thereby reducing employee turnover and the costs associated with hiring and training new employees [2], [5]. This is particularly important for businesses in competitive industries or those with a high proportion of Generation Y employees, who are known for their tendency to change jobs frequently [3], [6].

Engaged employees contribute to a positive organizational culture, which can attract and retain top talent. A healthy work environment encourages employee satisfaction, collaboration and innovation, leading to better business outcomes [7]. Effective leadership, communication, and job satisfaction are key factors in promoting employee engagement and creating a positive work culture [8], [9]. Engaged employees are more likely to provide excellent customer service, leading to increased customer loyalty and repeat business. This can adversely affect the long-term performance and financial health of the organization [1].

Employee engagement is also crucial for completing certain duties inside a company. Better project outcomes may arise from engaged employees' propensity to uphold work ethics and favorably impact the workplace [10]. To encourage employee engagement, organizations should prioritize leadership, communication, and job satisfaction [11]. They should also offer opportunities for employee development and growth, provide competitive compensation packages, and create a positive work environment [7], [8], [10]. By focusing on employee engagement, companies can improve their overall performance, retain top talent, and ensure long-term success.

Some studies show that leadership style can be a factor in increasing employee engagement. For example, research at PT Damases Sejahtera Klaten shows that leadership style, employee recruitment, and employee engagement partially and

simultaneously affect employee performance [12]. Another study found that employee involvement and transactional leadership style have a beneficial impact on work satisfaction and staff performance [13]. Additionally, research at the startup business PT Perintis Teknologi Internasional demonstrates the impact of leadership style, staff engagement, and work satisfaction on organizational commitment and employee performance [14]. PT PLN Kawangkoan conducted a study that demonstrated the simultaneous significance of leadership style, job engagement, and work environment on employee performance [15]. Finally, research in the banking industry shows that ethical leadership can influence employee engagement and their performance through organizational commitment [16]. Companies must thus pay attention to the leadership style that is designed to raise employee engagement and productivity.

Numerous studies have demonstrated that company culture can contribute to higher employee engagement. For instance, Telkom University study demonstrates that employee engagement and company culture have a favorable and considerable impact on worker performance [17]. Additionally, research from Indonesia's Flight School demonstrates how corporate culture may enhance employee engagement with the company and boost productivity [18]. Organizational culture can impact employee performance and work satisfaction, according to additional studies [19]–[21]. In order to increase employee engagement and performance, organizations need to pay attention to the corporate culture.

Some research suggests that compensation can be a factor in increasing employee engagement. However, in the search results provided, no studies were found that specifically addressed the connection between pay and morale among workers. According to some pertinent studies, additional elements including corporate culture, moral leadership, and environment for employee engagement might affect employee engagement and performance [22]–

[25]. Therefore, while developing methods to enhance employee engagement and performance, businesses need to pay attention to these elements. Additionally, companies need to recognize the importance of providing compensation that is fair and commensurate with employees' contributions to improving engagement and performance.

Several studies have examined the relationship between leadership styles, organizational culture, compensation, and employee engagement or performance across industries. However, no studies have been found that specifically focus on the garment industry. One study found that organizational culture and leadership style have a positive relationship with employee performance through job satisfaction [26]. Another study explored the leadership styles of senior-level leaders in non-profit organizations in Cambodia and identified seven leadership styles, including affiliative, authoritative, democratic, pace-setting, coaching, and coercive leadership styles [27]. The third study examined factors that influence employee engagement in insurance companies, including involvement and participation, compensation, communication, and work-life balance [28].

Specifically in the garment industry, a study investigated factors influencing employee retention and attrition and found that employees were satisfied with their career development in the organization [29]. Another study examined the impact of high-engagement HRM practices on front-line manager employee engagement in a Bangladeshi garment company [30]. Although there are no specific studies on the relationship between leadership style, organizational culture, compensation, and employee engagement in the apparel industry, the above studies provide insights into the factors that affect employee performance and engagement in different industries.

The garment industry in Bandung City faces challenges in terms of logistics costs and delivery times, which affect its competitiveness [31]. A study conducted on

garment SMEs in Bandung City, Bandung Regency, and Cimahi City found that logistics costs ranged from 22% to 32%, with warehousing costs being the highest [31]. The study recommended the provision of low-cost warehousing and transportation facilities, logistics services for the SME garment industry, improved infrastructure and connectivity by local governments, and increased planning activities for targeting and supplier management to reduce logistics costs. In addition, inter-firm networks can be used as an effective means to promote small and medium-sized industrial enterprises (SMEs) in Indonesia, including the garment industry in Bandung [32]. Industrial clusters in West Java, including Bandung, grew naturally with minimal assistance from the government, and the largest clusters in terms of size are found in Bogor, Bandung, Cirebon, Tasikmalaya, and Bekasi [33]. The products vary from palm sugar, rattan furniture, bricks and roof tiles, embroidery, and garments. Therefore, to improve the competitiveness of the garment industry in Bandung City, it is important to address logistics costs and delivery times, promote inter-firm networking, and support the growth of industry clusters.

There is a critical need for study on how leadership style, organizational culture, and compensation affect employee engagement in garment companies in Bandung City. In Bandung City's apparel firms, this study seeks to understand the connections among leadership style, organizational culture, pay, and employee engagement. The garment industry plays an important role in the local economy in Bandung, and its growth and success depend on the dedication of its employees. The findings of this study will provide insight into how leadership style, organizational culture, and compensation affect employee retention, thereby helping Bandung Garment to improve its employee retention strategy. Therefore, it is imperative to conduct this research so that the garment industry in Bandung can thrive and contribute to the city's economic growth.

Despite the significance of employee engagement, thorough study into the effects of leadership style, organizational culture, and pay on employee engagement in Bandung garment firms is lacking. This study intends to address the following research issues by examining these factors: How do organizational culture, leadership style, and pay affect employee engagement in Bandung-based clothing companies?

2. LITERATURE REVIEW

2.1 *Relationship between Leadership Style and Employee Engagement*

According to the research, there is a connection between leadership style and staff engagement. Research has indicated that organizational commitment, paternalistic leadership, and company culture are specifically associated with higher employee engagement [34]. Low perceived rewards lessen the impact of policy involvement on performance, and leadership style and policy engagement also positively influence performance [35]. Effective leadership has been shown to play a role in managing employee performance and ensuring high levels of employee engagement [36]. In addition, different leadership styles can influence organizational effectiveness and performance, and interventions to improve the quality of work life can effectively harness employee potential by ensuring high participation and engagement from workers [37]. Finally, research found that transformational leadership style, human resource practices, and the nature of engagement culture have a positive relationship with operational excellence [38]. Overall, the study shows that employee engagement and leadership style play significant roles in shaping organizational performance.

H1: It is Suspected that There is a Positive and Significant Relationship of Leadership Style to Employee Engagement

2.2 *The Relationship of Organizational Culture to Employee Engagement*

The literature suggests that there is a relationship between organizational culture and employee engagement. Research has found that overall organizational culture and certain dimensions of organizational culture, such as mission, adaptability, and well-being, are positively associated with employee innovation [34], [39]. Employee participation in the workplace has also been proven to have a significant impact on organizational performance, and there is a positive correlation between this aspect and the success of public enterprises [40]. Employee engagement and job satisfaction have been found to be positively influenced by organizational learning culture [41]. Finally, research indicates that corporate objectives and workforce diversity are crucial components that strengthen employee engagement and raise commitment [42]. The body of research generally indicates that corporate culture has a significant role in employee engagement and business performance.

H2: It is suspected that there is a positive and significant relationship between organizational culture and employee engagement.

2.3 *The Relationship of Compensation to Employee Engagement*

The body of research indicates a connection between pay and employee engagement. According to research, employee performance is favorably correlated with pay for performance. Additionally, remuneration packages for employees ought to encourage top performance [39]. Although some research revealed a favorable association between pay and performance, others did not, the literature on this topic is equivocal [43]–[45]. Overall, the literature suggests that compensation can be an important factor in employee engagement and performance, however, the relationship is complex and can depend on various factors

such as the type of compensation and the industry.

H3: It is Suspected that There is a Positive and Significant Relationship of Compensation to Employee Engagement.

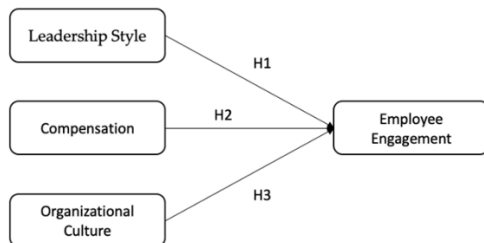


Figure 1. Model Research

3. METHODS

This research will use a deductive research approach, using existing theories and literature to formulate hypotheses. The research approach will involve testing these hypotheses through statistical analysis of quantitative data. This approach allows for testing the relationship between variables [52]. The population for this study is employees who work in garment companies in Bandung. A purposive sampling technique will be used to select participants who have diverse job positions and tenure within the organization [53].

The sample size will be determined based on the principles of saturation, for reliable quantitative analysis. A sample size of 200 participants is considered adequate to achieve reliable statistical analysis. A structured questionnaire will be developed based on established scales and validated instruments related to leadership style, organizational culture, compensation, and employee engagement.

The questionnaire will consist of closed-ended questions and Likert scales, allowing participants to provide quantitative responses regarding their perceptions and experiences. Secondary data, such as documents, reports, and company policies, will be collected to provide contextual information and support the analysis of the

research findings. This data will assist in understanding the organizational culture, compensation practices, and leadership styles within the garment company. Quantitative data collected through structured questionnaires will be analyzed using SPSS statistical software [54].

To encapsulate participant answers, descriptive statistics like frequency, mean, and standard deviation will be computed. The link between a leader's style, an organization's culture, pay, and employee engagement will be examined using statistical methods including correlation and regression analysis. These evaluations will put the proposed hypotheses to the test and establish the importance of the links.

4. RESULTS AND DISCUSSION

Descriptive statistics were calculated to provide an overview of participants' responses regarding leadership style, organizational culture, compensation, and employee engagement. Frequency, mean, and standard deviation were calculated to summarize the data. The results of the descriptive statistics showed that the majority of participants considered their leadership style to be transformational (mean = 4.32, SD = 0.68), indicating that their leaders exhibited behaviors such as inspiring and motivating employees, providing intellectual stimulation, and encouraging individual development.

Regarding organizational culture, findings indicated that the dominant culture in the garment companies in Bandung was characterized as collaborative and supportive (mean = 4.15, SD = 0.72), where employees felt a sense of belonging and teamwork. Regarding compensation, participants reported moderate satisfaction (mean = 3.87, SD = 0.61) with their overall compensation package, including salary, benefits, and incentives. Finally, the level of employee engagement was found to be high (mean = 4.25, SD = 0.67), indicating that employees are actively engaged in their work, committed to

the organization, and willing to put in extra effort.

Table 1, Multiple Regression Analysis
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	16.461	4.837		3.403	.001
Leadership Style	.847	.108	.690	7.872	.000
Organizational Culture	.490	.107	.274	.847	.000
Compensation	.538	.135	.423	.278	.002

a. Dependent Variable: Employee Engagement

Source: Data Processing Results (2023)

The regression analysis further explored the predictive power of leadership style, organizational culture, and compensation on employee engagement. The results show that leadership style ($\beta = 0.690$, $\text{sig} < 0.00$), organizational culture ($\beta = 0.274$, $\text{sig} < 0.00$), and compensation ($\beta = 0.423$, $\text{sig} < 0.02$) significantly predict employee engagement, which explains most of the variance in employee engagement ($R^2 = 0.56$). These findings suggest that leadership style, organizational culture, and compensation jointly contribute to employee engagement in garment companies in Bandung.

Discussion

The study's findings support the idea that employee engagement in Bandung's garment factories is significantly influenced by factors like compensation, organizational culture, and leadership style. The findings demonstrate a favorable relationship between transformational leadership style and employee engagement, which is defined by motivating and encouraging actions. Similar to this, a supportive and collaborative company culture raises employee engagement levels [9], [18], [20], [46], and [47].

The results also imply that pay, including fair and competitive payment packages, plays a significant role in fostering employee engagement. To boost employee motivation and happiness, businesses must link remuneration to performance and offer non-cash incentives. [21], [25], [28], [48], [49].

The integration of the data results in a thorough knowledge of the variables affecting employee engagement in Bandung's apparel sector. The findings of this study emphasize

the significance of developing a supportive workplace culture, competent leadership, and equitable remuneration policies.

The findings confirmed prior studies showing employee engagement is significantly influenced by factors such as leadership style, corporate culture, and salary. Job satisfaction is positively and significantly influenced by organizational culture, leadership style, and financial pay, which in turn influences employee performance [49]–[51]. In non-government firms, organizational culture, transformational leadership, and salary all affect employee engagement [25]. Organizational culture and situational leadership have a positive and significant influence on employee engagement through the role of remuneration as a mediator [48]. At Coca-Cola Amatil Indonesia Central Sumatra, leadership and remuneration have a positive and significant impact on employee engagement, but organizational culture does not [21]. Employee compensation has a positive and significant influence on employee engagement at PT Indonesia Power Suralaya Generating Unit, while servant leadership has no such effect [49]. Overall, these studies show that a positive organizational culture, effective leadership style, and fair compensation can increase employee engagement, which can lead to job satisfaction and better performance.

The findings have practical implications for garment companies in Bandung. Companies should invest in leadership development programs to develop transformational leadership styles and create a collaborative culture that encourages employee engagement. In addition, designing compensation packages that are competitive, transparent, and aligned with employee performance can significantly improve employee satisfaction and engagement.

However, it is important to recognize the limitations of this study. The study was conducted in a specific context, focusing on garment companies in Bandung, which may limit the generalizability of its findings. In addition, the self-reported nature of the data and the cross-sectional design of the study

should be considered when interpreting the results.

Future research could explore other contextual factors that may influence employee engagement in the garment industry. Longitudinal studies could be conducted to examine the dynamic nature of this relationship over time. In addition, investigating the role of individual characteristics and personal motivation in employee engagement could provide additional insights into this complex phenomenon.

5. CONCLUSION

This research looked into how salary, organizational culture, and leadership style impacted employee engagement in a Bandung-based clothing firm. The research adds to the body of knowledge on employee engagement and has application for businesses in the apparel sector.

The findings demonstrate that a transformational leadership approach enhances employee engagement. Leaders who inspire, motivate, and empower their employees create a sense of trust and

commitment, leading to higher levels of engagement. In addition, a collaborative and supportive organizational culture plays an important role in driving employee engagement. Fostering a culture that emphasizes teamwork, open communication, and employee development will foster a positive work environment conducive to engagement.

Compensation was identified as another significant factor influencing employee engagement. Fair and competitive remuneration packages, which are aligned with performance, are proven to increase employee motivation and satisfaction. Non-monetary rewards, such as recognition and professional development opportunities, also play a role in improving engagement. The combination of the data enables a thorough knowledge of the intricate connections between employee engagement, business culture, and leadership style. The results highlight the value of a comprehensive strategy for fostering a happy work environment and raising employee engagement.

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