



HOW SERVANT LEADERSHIP AND EMPLOYEE RELATIONS DRIVE EMPLOYEE ENGAGEMENT: A SEQUENTIAL MEDIATION STUDY IN AN INDONESIAN ENERGY COMPANY

Reinardus Dwi Prio Christianto¹, Ahmad Syarifudin Sukasih², Muhammad Nur Ali³

^{1,2,3}Universitas Pamulang, Indonesia

Email: dosen03398@unpam.ac.id¹, dosen03017@unpam.ac.id², dosen03397@unpam.ac.id³

Abstract

This study aims to analyze the influence of servant leadership and employee relations on employee engagement at PT PLN Indonesia Power UBP Suralaya, with career development and job satisfaction as mediating variables. Using a quantitative causal associative approach, data were collected via questionnaires from 150 employees and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The results showed that servant leadership significantly influences employee engagement both directly ($\beta = 0.342$, $p < 0.05$) and indirectly through career development and job satisfaction. Similarly, employee relations significantly affect Engagement directly ($\beta = 0.285$, $p < 0.05$) and via job satisfaction. Career development and job satisfaction were found to be partial mediators. This research contributes to human resource management theory by offering an integrated mediation model. It provides practical recommendations for improving employee engagement through leadership development, relationship building, and systematic career and satisfaction programs.

Keywords: Employee Engagement, Servant Leadership, Employee Relations, Career Development, Job Satisfaction, PLS-SEM.

INTRODUCTION

Employee engagement has become a central focus for organizational leaders worldwide, as it significantly impacts productivity, retention, and competitiveness (Bailey et al., 2023). In the context of state-owned enterprises in Indonesia, such as PT PLN Indonesia Power UBP Suralaya, fostering high Engagement is crucial for operational excellence and facing dynamic market challenges. Previous studies have identified servant leadership (Eva et al., 2020) and positive employee relations (Men & Yue, 2023) as key drivers of Engagement. However, empirical findings remain inconsistent, with some research showing direct significant effects (Chen et al., 2019; Valdivia et al., 2019), while others indicate nonsignificant or indirect relationships (Aboramadan et al., 2020; Gómez et al., 2020; Toksöz, 2021).

This inconsistency suggests the presence of underlying mediating mechanisms that bridge the gap between leadership behaviors and employee engagement outcomes. Career development and job satisfaction emerge as two critical pathways that help explain how leadership and relational dynamics shape a more profound attachment to work and the organization (De Vos et al., 2021; Suhag et al., 2023). Servant leaders emphasize personalized support, empowerment, and growth, which signals to employees that their future aspirations are valued. When employees perceive strong opportunities for skill development and career progression, they experience higher levels of meaningfulness and psychological investment in their roles. These conditions directly enhance Engagement and commitment to organizational goals.

Furthermore, the workplace relational environment plays a central role in shaping emotional responses and work satisfaction. A supportive climate characterized by fairness, trust, and high-quality

communication strengthens employees' perceptions of belonging and appreciation. As Suhag et al. (2023) assert, job satisfaction is a robust and consistent antecedent of employee engagement across various organizational settings. When employees feel respected, supported, and treated with dignity, they are more likely to exhibit vigor, dedication, and absorption in their tasks. Therefore, the mediating roles of career development and job satisfaction provide a comprehensive explanation of the relationship among servant leadership, employee relations, and employee engagement.

This research addresses the identified gap by proposing and empirically testing a comprehensive mediation model. The study aims to: (1) analyze the direct effects of servant leadership and employee relations on employee engagement; (2) examine the direct effects of these independent variables on the mediators (career development and job satisfaction); (3) investigate the direct effects of the mediators on Engagement; and (4) test the mediating roles of career development and job satisfaction in the relationship between the independent variables and Engagement. The research was conducted at PT PLN Indonesia Power UBP Suralaya, providing context-specific insights for the energy sector.

LITERATURE REVIEW

Servant Leadership

Servant leadership prioritizes the interests and growth of followers through service, empathy, and empowerment. According to Canavesi (2021), "Servant leadership is a holistic approach grounded in morality and empowerment, enabling followers to grow and reach their full potential." Furthermore, Kenek (2024) states that "Servant leadership significantly enhances work engagement when the alignment of values between the employee and the organization is strong." Servant leadership creates a favorable work climate that encourages employee engagement.

Employee Relations & Social Exchange Theory

Employee relations refer to the quality of work relationships built through participation, fairness, communication, and trust. Cai et al. (2024) assert that "Positive employee-organization relationships foster trust and support, creating psychological conditions for higher Engagement. Aligns with social exchange theory, where reciprocity determines employee responses. As Zhang & Sun (2023) state, "Strong relational exchanges lead employees to reciprocate through greater affective commitment and engagement." Thus, the quality of work relationships is an important mediator.

Employee Engagement

Employee engagement is a positive psychological state characterized by enthusiasm, dedication, and full involvement in work. Nurmalitasaria & Puspitarini (2024) explain that "Work engagement emerges when employees perceive meaningfulness and alignment between their tasks and personal values." Meanwhile, Putra (2022) emphasizes that "Engaged employees demonstrate vigor, dedication,

and absorption, which consequently drive performance outcomes in organizations.” This variable is a key outcome influenced by leadership and the quality of work relationships.

METHODS

Research Design and Population

This study employed a quantitative, causal, associative design using a survey method. The population comprised all permanent employees of PT PLN Indonesia Power UBP Suralaya, totaling 280 people. The sampling technique used was proportionate stratified random sampling by work unit, yielding a sample of 150 respondents. The response rate was 92%.

Research Instrument and Variable Measurement

Data were collected using a structured questionnaire with a 1–10 interval scale (1 = Strongly Disagree, 10 = Strongly Agree). All constructs were measured reflectively using adapted instruments from previous studies:

1. Servant Leadership (SL): 5 indicators from Blanchard & Broadwell (2019) SLAI (Compassion, Empowerment, Vision, Humility, Trust).
2. Employee Relations (ER): 4 indicators from Anggreani (2017) & Men & Yue (2023) (Open Management, Mutual Appreciation, Two-Way Communication, Trust).
3. Career Development (CD): 4 indicators from Ahyar et al. (2017) & De Vos et al. (2021) (Training & Development, Career Pathing, Performance, Developmental Support).
4. Job Satisfaction (JS): 4 indicators modified from Hasibuan (2015) & Suhag et al. (2023) (Attitude towards Job, Work Morale, Discipline & Involvement, Satisfaction with Contextual Factors).
5. Employee Engagement (EE): 4 indicators from Schaufeli & Bakker (2004) via Bailey et al. (2023) (Vigor, Dedication, Absorption, Understanding of Work).

A pilot test was conducted on 30 employees to ensure instrument validity and reliability before full deployment.

Data Analysis Technique

Data analysis followed a two-stage PLS-SEM approach using SmartPLS 4:

1. Measurement Model (Outer Model) Assessment: Evaluating convergent validity (indicator loadings > 0.7 , Average Variance Extracted - AVE > 0.5), discriminant validity (HTMT ratio < 0.85), and reliability (Composite Reliability - CR > 0.7 , Cronbach's Alpha > 0.7).
2. Structural Model (Inner Model) Assessment: Evaluating the model's predictive power using R^2 and Q^2 (predictive relevance), effect size (f^2), and testing the proposed hypotheses via bootstrapping with 5,000 subsamples. A hypothesis is supported if the t-statistic > 1.96 ($\alpha=5\%$) and the p-value < 0.05 .

RESULTS AND DISCUSSION

Descriptive Statistics and Respondent Profile

The majority of respondents were male (78%), aged 31-40 years (45%), with 6–10 years of tenure (52%), holding a Bachelor's degree (65%), and working in staff positions (60%). The mean scores for each variable were: Servant Leadership (8.42), Employee Relations (8.15), Career Development (7.89), Job Satisfaction (8.20), and Employee Engagement (8.35), all indicating a relatively high perception among respondents.

Measurement Model (Outer Model) Results

The assessment confirmed the validity and reliability of all constructs. All indicator loadings were above the threshold of 0.708 (range: 0.721 to 0.895). The AVE values for SL, ER, CD, JS, and EE were 0.632, 0.598, 0.611, 0.645, and 0.670, respectively, all exceeding 0.5. Discriminant validity was established as all HTMT ratios were below the conservative threshold of 0.85. Composite Reliability (CR) values ranged from 0.842 to 0.901, and Cronbach's Alpha values ranged from 0.815 to 0.887, all above 0.70, confirming excellent reliability. These results are summarized in Table 1.

Table 1. Measurement Model Results

Construct	Items	Loading Range	AVE	CR	Cronbach's Alpha
Servant Leadership	5	0.721 – 0.872	0.632	0.887	0.842
Employee Relations	4	0.735 – 0.860	0.598	0.865	0.829
Career Development	4	0.745 – 0.880	0.611	0.872	0.815
Job Satisfaction	4	0.768 – 0.895	0.645	0.901	0.877
Employee Engagement	4	0.780 – 0.890	0.670	0.892	0.845

Structural Model (Inner Model) and Hypothesis Testing

The structural model demonstrated strong predictive power and robustness in explaining employee engagement outcomes. The R² value for Employee Engagement reached 0.628, suggesting that 62.8% of the variance is accounted for by the proposed antecedent variables, which is categorized as substantial according to the benchmark established by Hair et al. (2019). This result indicates that the combination of leadership and relational variables meaningfully contributes to predicting engagement levels. Additionally, the Q² value of 0.412, which is greater than zero, confirms that the model has adequate predictive relevance and can forecast outcomes beyond mere explanatory accuracy.

The results of the bootstrapping procedure for direct effects are presented in Table 2.

Table 2. Hypothesis Testing Results for Direct Effects

Hypothesis	Path	Original Sample (β)	T-Statistics	P-Values	Result
H1	SL → EE	0.342	4.215	0.000	Supported
H2	ER → EE	0.285	3.768	0.001	Supported
H3	SL → CD	0.401	5.112	0.000	Supported

H4	SL → JS	0.376	4.856	0.000	Supported
H5	ER → JS	0.298	3.924	0.000	Supported
H6	CD → EE	0.318	4.103	0.000	Supported
H7	JS → EE	0.410	5.334	0.000	Supported

The analysis revealed that all hypotheses (H1–H7) were supported. Specifically, Servant Leadership had a significant positive effect on Employee Engagement ($\beta = 0.342$), Career Development ($\beta = 0.401$), and Job Satisfaction ($\beta = 0.376$). Employee Relations also had a significant direct effect on Engagement ($\beta = 0.285$) and Job Satisfaction ($\beta = 0.298$). Career Development ($\beta=0.318$) and Job Satisfaction ($\beta=0.410$) significantly influenced Engagement.

Mediation Analysis

The mediation test using the specific indirect effect in PLS-SEM was conducted. The results, shown in Table 3, indicate that Career Development significantly mediates the relationship between Servant Leadership and Employee Engagement ($\beta = 0.128$, $p < 0.05$). Job Satisfaction also mediates the relationship between Servant Leadership and Engagement ($\beta=0.154$, $p<0.05$) and between Employee Relations and Engagement ($\beta=0.122$, $p<0.05$). It confirms the role of Career Development and Job Satisfaction as partial mediators.

Table 3. Mediation Test Results (Specific Indirect Effects)

Mediation Path	Original Sample (β)	T-Statistics	P-Values	Result
SL → CD → EE	0.128	3.456	0.001	Significant
SL → JS → EE	0.154	3.789	0.000	Significant
ER → JS → EE	0.122	3.211	0.001	Significant

Discussion

The findings confirm that Servant Leadership is a robust direct and indirect predictor of Employee Engagement at PT PLN Indonesia Power UBP Suralaya. Leaders who demonstrate compassion, empowerment, and humility foster a sense of attachment, both directly and indirectly, by creating opportunities for career growth and enhancing job satisfaction. Aligns strongly with the core philosophy of servant leadership (Eva et al., 2020) and underscores its relevance in the Indonesian context.

The significant direct effect of Employee Relations on Engagement (H2) suggests that positive communication, trust, and mutual appreciation among colleagues directly contribute to deeper engagement. This finding supports the role of social exchange and relational climate in fostering employee attachment (Men & Yue, 2023). The mediating roles of Career Development and Job Satisfaction highlight the importance of these psychological mechanisms. Employees who perceive that the organization and their leader invest in their long-term growth (CD) and who derive emotional fulfillment from their work (JS) are more likely to reciprocate with higher engagement. Engagement

provides empirical support for the integrated model proposed by De Vos et al. (2021) and Suhag et al. (2023).

CONCLUSION

This study successfully developed and tested a mediation model linking Servant Leadership and Employee Relations to Employee Engagement via Career Development and Job Satisfaction. The primary conclusion is that Servant Leadership exerts a powerful overall effect on Engagement, with both Career Development and Job Satisfaction significantly mediating this effect. Employee Relations also influences Engagement, both directly and indirectly, through Job Satisfaction.

Theoretically, this research resolves part of the inconsistency in previous literature by demonstrating the crucial mediating pathways, thereby advancing the understanding of the “how” behind leadership and relational impacts on Engagement. Practically, for PT PLN Indonesia Power UBP Suralaya and similar organizations, the implications are clear: 1) Leadership Development Programs focused on servant leadership competencies should be prioritized. 2) Structured Career Pathing Systems that are transparent and supported by training must be implemented. 3) Job Satisfaction Surveys and Interventions should be conducted regularly to identify and address key dissatisfiers. A holistic strategy combining these three areas will be most effective in sustainably boosting employee engagement.

A limitation of this study is its cross-sectional design, which prevents causal inference. Future research should adopt a longitudinal design and explore additional potential mediators (e.g., psychological safety, organizational trust) and moderators (e.g., generational differences, personality traits) to enrich the model.

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