

Employee engagement in logistics industry: a perspective in Indonesia

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Abstract: Indonesia has a lower employee engagement rate than other nations in Southeast Asia, and this phenomenon applies to all industries, including the logistics sector. The logistics industry generally contributes a critical portion of a nation's economy, so further study of the management effectiveness in logistics companies is essential. Any company requires a reliable workforce to function at its best. This research investigates some variables influencing employee engagement in the Indonesian logistics industry. The first variable is corporate governance; the second variable is internal control; corporate reputation is the third, where all these three are set as independent variables. The research also examines whether leadership style moderates the influences of the three independent variables on employee engagement. This study collected data research by distributing questionnaires to 742 respondents from 353 logistics firms. Statistical results came from the Partial Least Square-Structural Equation Modelling (PLS-SEM) method used in this study. The findings revealed that the three independent variables positively and significantly impacted employee engagement. The leadership style functioned as the moderating role in corporate governance's impact and the corporate reputation's effect proven in this research; in contrast, it did not apply to internal control's impact. These results suggest that logistics companies in Indonesia can improve employee engagement by ensuring exemplary implementation of the three independent variables while adopting a leadership style that supports these efforts.

1 Introduction

An important field of any national economic growth contributor is the logistics industry. According to [1], Indonesia's logistics industries contributed 21.3% of the Gross Domestic Product (GDP) 2021. It indicates that this sector significantly contributes to the country's economy, and its survival is critical. In 2018, Indonesia's logistics performance index was ranked 46th globally by The World Bank [2], categorizing it as one of the lowest regions. It indicates that this sector has substantial room for future growth, which must come from the government and private organizations. Companies must use their resources optimally to achieve corporate goals due to the increasing business competition [3]. This fact is also in addition to the need for change from conventional to digital-based companies with employee support. The pandemic also accelerated the necessity of transforming into a digital world, forcing all sectors to switch to digital-based operations immediately.

The quality of human resources can be measured through employee engagement (EE), which shows how much they are psychologically and physically available

[4]. High employee loyalty improves performance within the corporate space. This finding proves that a solid employee is required to strengthen the organization's competitiveness [5]. The new trend that emphasizes the necessity for employee engagement study is the frequent change of jobs by the millennial generation due to their lack of loyalty and concern about the work atmosphere rather than building a career and getting promoted while staying in the same workplace [6]. Secondly, most companies with open job vacancies need applicants with various work experience, and they expect newly recruited employees to adapt quickly to the environment without basic training [7]. Based on empirical evidence, most innovative companies with better customer service have higher stock performance and fewer employee resignations than their competitors [8]. Most leaders usually focus on the corporation's positive impact of high employee engagement because it significantly contributes to organizations, given its substantial role and numerous advantages. Gallup [9] stated that companies having more solid employee engagement grades outperform firms with low engagement rates in absenteeism, well-being, safety

incidents, patient safety, quality, depreciation, profitability, productivity, output, sense of belonging to the establishment, and customer loyalty or engagement.

When it comes to employee engagement, top management must also understand the critical factors for the success of its company. Corporate governance (CG) fosters a positive working environment that increases employees' effectiveness and efficiency. According to Saratun [10], modifying organizational culture will encourage the employees' growth while maintaining high trust and justice. Good corporate governance and internal control (IC) create an excellent working environment and boost the employees' comfort, which can keep their psychological health while working in the company, thus creating a more substantial possibility of engagement. An exceptional corporate reputation (CR) leads to significant engagement because employee seeks not only physical wealth, such as money but also psychological wealth, such as their reputation, when working in a reputable company, thus can become why they get more engaged. In the logistics industry, the three variables mentioned play a critical role in daily operations. They are not solely based on past research but are an integral part of actual business processes. Therefore, considering them as research variables is a logical option.

Therefore, these establishments must implement top-notch corporate governance to achieve solid employee engagement. Strict internal control promotes attaining business goals and reduces uncertainty, which employees generally dislike. Mutnuru [11] reported that applying internal control in small entities' workplaces directly connects to employee engagement. Meijman and Mulder [12] further stated that effective IC implementation contributes to a positive work environment. A company's reputation is crucial because employees must feel secure in their working environment. The business's reputation influences its confidence in attaining sustainability, comfort, and other related factors. Ali and Ali [13] reported that it significantly impacts employee engagement. Similarly, Shirin and Kleyn [14] stated that this variable is an essential determinant of employee engagement. Even in volatile working situations, corporate reputation minimizes employee tiredness and desire to leave [15].

This research investigates whether exemplary corporate governance implementation improves employee engagement. The research investigates whether strict internal control practice enhances employee engagement and whether corporate reputation value has the same impact. The study also further assesses whether leadership style (LS) improves the effects of the three independent variables on employee engagement in the Indonesian logistics industry. There is limited past research that studies the impacts of the three independent variables on employee engagement; notably, there are no past researches that examine the impact of leadership style as the moderating variable between these independent variables and employee engagement. Indonesia is known

for its diverse culture; thus, leadership became one of the most critical variables because diverse cultures mean various leadership styles that can be implemented, thus becoming this study's originality. Therefore, the findings of the research can enrich body knowledge about employee engagement in logistics industry, especially in Indonesia context.

2 Literature review

2.1 Corporate governance

Indonesia has a national committee that oversees the implementation of good corporate governance pillars, including related policies, called *Komite Nasional Kebijakan Governansi* (KNKG). This committee helps to encourage healthy economic growth and create a conducive business climate [16]. KNKG strongly encourages companies operating in the country to adhere to five fundamental business pillars, called TARIF. The TARIF stands for transparency, accountability, responsibility, independence, and fairness, generally standard rules or principles in good corporate governance.

2.2 Internal control

Internal control is a set of procedures to ensure accurate and reliable business performance in compliance with prevailing rules and regulations [17]. The senior management team implements the procedures using various tools and techniques to achieve the objectives related to reporting and compliance. Smaller organizations will likely experience financial issues [18]. The quality of corporate internal control is determined based on how a company's different units or departments are organized, its owners, the audit process, and other factors. These include the board characteristics, committees, ownership structure, internal audit quality, and regulatory and market environments [19]. Vijayakumar and Nagaraja [20] stated that sound internal control is essential in a corporation because it mitigates the possibility of risk. This variable also ensures that employees adhere to company policies and ascertains it is smoothly run [21].

2.3 Corporate reputation

Corporate reputation is the image portrayed based on the activities carried out by the organization. Martineau [22] stated that a product's appearance combines functional and psychological characteristics. This statement aligns with the finding from Scott Cutlip that images are pieces of information containing essential attributes, such as beliefs, ideas, or impressions [23]. Corporate reputation portrays an organization as critical personnel, such as employees, customers, etc. Specific actions like procrastination can damage it and take many years to rebuild. Corporate reputation is an evaluation of stakeholders by their direct experiences with the organizations, including the use of all communication

channels that provide information on their actions and activities, according to Gotsi and Wilson [24].

2.4 Employee engagement

Kahn [25] stated employee engagement involves utilizing workers' abilities in their job tasks, demonstrated through their physical, cognitive, and emotional actions. Employee engagement implies being physically present at work and participating in various activities. An organization must succeed amid increasingly fierce competition and growing external uncertainty. After all, employee engagement reduces the companies' challenges during economic volatility and promotes future growth [26].

2.5 Leadership style

Mullins and Christy [27] defined leadership style as the specific method leaders employ and how they behave toward their subordinates. Leadership style is a series of methods or unique ways for leaders to influence their subordinates in achieving set vision or goals. Bandura and Schunk [28] reported that this variable is crucial to produce a conducive workplace because employees respond to their organization based on the leaders' values, emotions, attitudes, and behaviors. Past research studied many leadership styles, but this research is limited to four types: authoritarian, democratic, laissez-faire, and bureaucratic. Additionally, the research set this variable as a dummy in the statistical approach due to possible changes based on situational contexts.

Authoritarian leadership reflects a process in which leaders wield significant power and authority and often impose their will on others. This leadership style reflects a dominant attitude causing a different team morale and effectiveness level [29]. Meanwhile, a democratic leader invites employees and team members to share their input on decisions but ultimately retains decision-making. This technique enables these individuals to take control of their destinies and promotions and are motivated to work hard instead of being financially rewarded [30]. The laissez-faire management approach allows employees to work freely without interference and does not establish specific goals [30]. Bureaucratic leadership is associated with procedures or policies; if the rules do not protect them, leaders can refer to their superiors [31].

2.6 Conceptual framework and hypothesis development

2.6.1 Framework and hypothesis for corporate governance and employee engagement

Good corporate governance fosters a healthy working environment, which increases employees' productivity level of attachment. Indonesia's Committee for Corporate Governance, or KNKG [16], reported that this variable adheres to five fundamental principles: transparency, accountability, responsibility, independence, and fairness.

Preliminary studies reported that consistent and transparent communication increases employee engagement [32]. Transparency fosters trust between employees and management, thereby causing them to become more engaged [33]. Men and Hung-Baesecke [32] reported that accountability positively affects employee engagement. Chaudhary [34] stated that leaders optimize corporate social responsibility as a talent management program to develop a committed workforce. In the pillar of independence, when a corporation is managed professionally without the intervention of other parties, better strategic decisions are achieved [35], and employees' wishes are considered [36]. O'Connor and Crowley-Henry [37] reported that procedural, interactional, and distributive justice affect employee engagement in the pillars of fairness. In addition, the study of Mura [38] concluded that more than 90% of small business people believe a firm culture that values ethics aids employee retention. This finding strengthens the necessity of good corporate governance practices in boosting employee engagement.

The following hypothesis was derived from the above discussion:

H1: Corporate governance impacts employee engagement in a positive and significant way.

2.6.2 Framework and hypothesis for internal control and employee engagement

Strict internal control supports achieving corporate goals and reduces uncertainty generally detested by employees. Mutnuru [11] stated that implementing this variable is significantly related to employee engagement. Meijman and Mulder [12] further noted that an exemplary IC implementation contributes to a conducive work environment. Meanwhile, Kumar and Sia [39] reported that the work environment positively affects employee engagement. In such an environment, tasks are more likely to be completed successfully, reducing work goals and thereby making the employees feel more involved with the organization [40].

The following hypothesis was derived from the above discussion:

H2: Internal control impacts employee engagement in a positive and significant way.

2.6.3 Framework and hypothesis for corporate reputation and employee engagement

A company's reputation is essential and boosts employees' confidence in their working environment. This variable tends to affect their confidence in achieving sustainability, work comfort, etc. Ali and Ali [13] stated that corporate reputation significantly affects employee engagement. Peer the study by Men [41], this statement shows that it significantly and positively affects employee engagement [42]. Perceived corporate reputation is an essential predictor of employee engagement. It reduces employee fatigue and the intention to resign, even in

unstable working conditions [15]. Furthermore, companies with good reputations have advantages in hiring employees due to higher quality job applicants [43].

The following hypothesis was derived from the above discussion:

H3: Corporate reputation impacts employee engagement in a positive and significant way.

2.6.4 Moderating role of leadership style in corporate governance

A leader initiates corporate governance, and it simply indicates that the leadership style is likely to affect its implementation. The transformational leadership style is most likely to employ a type of corporate governance that pays attention to the employees' opinions. Meanwhile, authoritarian leadership styles conduct corporate governance with little concern for employee opinions. This fact raises the question of whether leadership style can moderate corporate governance's impact on staff engagement. Angus-Leppan et al. [44] reported that leadership style affects corporate social responsibility and is part of corporate governance. This finding is vital in guiding corporate governance practices and strongly influences related matters [45]. Deliu [46] reported that corporate governance ensures everybody benefits from using companies' resources. Good leadership is vital to successfully implementing corporate governance [47]. A good leader creates systematic corporate governance that is easy for the employees to adhere [48], ultimately affecting employee engagement with the firm [33].

The following hypothesis was derived from the above discussion:

H4: Leadership style's positive and significant moderating role in corporate governance on employee engagement.

2.6.5 Moderating role of leadership style in internal control

Leaders decide how the corporation executes internal control, so their leadership style significantly dictates daily internal control practice. If the style fits the situation and condition of the organization, then it makes internal control effective and efficient [49]. This thought aligns with the finding of Dal Mas and Barac [50] that leadership styles affect internal control, especially internal audit effectiveness. Aziz [51] also found that, especially in democratic leadership, it will lead to engagement because they listen to employee voices. Meanwhile, internal control positively impacts employee engagement [11]. Good leaders tend to possess a robust internal control system [52], affecting employee engagement [37].

The following hypothesis was derived from the above discussion:

H5: Leadership style's positive and significant moderating role in internal control on employee engagement.

2.6.6 Moderating role of leadership style in corporate reputation

Leadership quality indicates how good the company's reputation is. The transformational leadership style makes the corporate reputable for being friendly to its employees. In contrast, authoritarian leadership enables strong corporation and reputation [52]. Alfalah [53] stated that both leadership skills positively affect corporate reputation. Stavrinoudis and Chrysanthopoulou [54] further reported that possessing a high charismatic leadership resonates with a significant corporate reputation. Influential and creative leaders with vision are essential in enhancing a company's reputation [55]. They need to understand the different dimensions of a crisis to manage the situation effectively [56]. Preliminary studies stated that corporate reputation positively impacts employee engagement [13]. Based on some literature and opinions, leadership style as a moderating variable affects corporate reputation with employee engagement.

The following hypothesis was derived from the above discussion:

H6: Leadership style's positive and significant moderating role in corporate reputation on employee engagement.

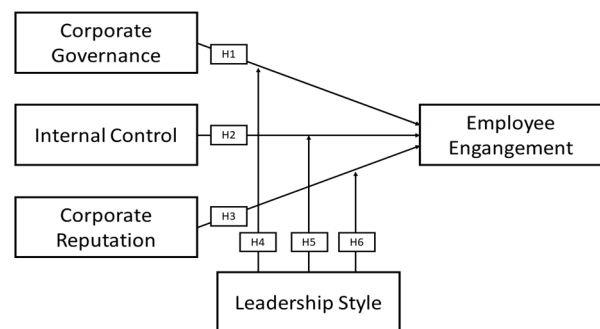


Figure 1 Conceptual framework

Figure 1 explains six hypotheses in this study, with three direct influences of three independent variables on employee engagement and the other three indirect influences of leadership style acting as moderating variables.

3 Methodology

3.1 Sample and data collection

Questionnaires were distributed to forwarders or logistics firms in Indonesia. The firms participating in this research must be the Indonesian Logistics and Forwarders Association (ILFA) members. An online Google Form link was sent to respondents from October 14, 2021, to February 22, 2022. However, of the 3412 companies registered as ILFA members, only 353 were selected. This study used purposive sampling method to select respondents; the population is limited to specific people who can provide the necessary information or meet the

criteria set by the study. The respondents comprised supervisors with at least two years' work experience and graduates with a Diploma 3 (D3) or above. The criteria are compromised because when working for over two years and with better education, respondents are assumed to know better about their working corporate and will have better judgment. It was discovered that, of the 802 respondents from the 380 companies who filled out the questionnaire, only 742 of them from 353 firms were valid based on sampling criteria.

3.2 Data analysis

The research used PLS-SEM with SmartPLS 4.0 software under outer and inner frameworks. The measurement of the outer model connects the latent variable with the manifest. Confirmatory factor analysis (CFA) measured the latent constructs' reliability and validity. Hair et al. [57] stated that the model test consists of convergent and discriminant validities as well as internal consistency reliability. The structural model describes the relationship among variables. Its evaluation consists of R2,

Prediction relevance – PLS predict coefficient, and f2 – effect size.

4 Research results

4.1 Characteristic analysis

Table 1 illustrates the breakdown of respondents' positions divided into five categories: 40.70% of those surveyed worked as a supervisor, 46.63% as a manager, 6.20% as a general manager, 4.99% as a director, and 1.48% as a commissioner. The distribution of respondents by tenure now includes employees with 2 to 5 years of service and employees with more than 5 years of service. Interestingly, 64.29% of respondents have worked for their current employers for 2-5 years, and 35.71% have joined their current organization over 5 years. The respondent's educational background went into three groups: below undergraduate (Diploma), undergraduate, and postgraduate (Master/Doctor) Degrees. Incidentally, 15.23% of the respondents had recently obtained a Diploma 3 degree, 51.89% had a Diploma 4 equivalent degree, and 32.88% were under a Master/Ph.D. qualification.

Table 1 Descriptive analysis (respondents)

Characteristics	Total	Percentage
Working Position		
Supervisor	302	40.70%
Manager	346	46.63%
General Manager	46	6.20%
Board of Directors	37	4.99%
Board of Commissioners	11	1.48%
Total	742	100.00%
Working Period		
Two to five years	477	64.29%
More than five years	265	35.71%
Total	742	100.00%
Recent Education		
Below Undergraduate	113	15.23%
Undergraduate	385	51.89%
Postgraduate	244	32.88%
Total	742	100.00%

Table 2 shows the division of companies in five locations representing the main islands in Indonesia. 84.42% of firms are in Java and Bali, 5.10% in Kalimantan, 5.38% in Sumatra, 3.40% in Sulawesi, and 1.70% in other parts of the country. Respondents from Java and Bali occupied the most significant portion as compared to other areas. These company breakdowns are based on four leadership styles adopted. This category includes

companies that apply democratic, laissez-faire, bureaucratic, and authoritarian leadership styles. Interestingly, 78.19% of companies applied democratic, 3.12% applied laissez-faire, 13.88% applied bureaucratic, and applied 4.82% authoritarian leadership styles, respectively. It showed that most logistics firms in Indonesia adopt a democratic leadership style.

Table 2 Descriptive analysis (company)

Descriptions	Total	Percentage
Company's Location		
Java and Bali	298	84.42%
Kalimantan	18	5.10%
Sumatra	19	5.38%
Sulawesi	12	3.40%
Others	6	1.70%
Total	353	100.00%
Leadership Style Implemented		
Democratic	276	78.19%
Laissez-faire	11	3.12%
Bureaucratic	49	13.88%
Authoritarian	17	4.82%
Total	353	100.00%

4.2 Common method bias

PLS-SEM states that common method bias will happen if the measurement method influences a value in SEM [58]. This step was done to make sure the collected data was not biased. The test was done by measuring the value of

collinearity statistics (VIF) in the inner VIF value. If the VIF value is higher than 3.3, then we can conclude that there is an indication of common method bias. Meanwhile, if VIF numbers are 3.3 or lesser, we can conclude the model is not under a common bias effect [59]. Table 3 validates that all constructs are common method bias-free.

Table 3 Common method bias

	CG	CR	EE	IT
CG		3.212	3.105	3.274
CR	3.244		3.273	3.204
EE	3.237	3.109		3.295
IC	3.236	3.123	3.197	

Based on Table 3, the VIF in each variable produces a value < 3.3, meaning that the data was not symptoms-biased.

AVE value > 0.5 and a loading factor higher than 0.7, meaning all indicators were valid to measure each latent variable [60]. From the reliability test results, it is evident that all latent variables have CR (Composite Reliability) and CA (Cronbach Alpha) values > 0.7 and are declared reliable [59]. This fact shows that all the dimensions used as measuring tools are valid and appropriate for each construct.

4.3 Outer model analysis

Table 4 shows the data processing results where all indicators of dependent and independent variables have an

Table 4 Convergent validity and reliability test

Constructs	Indicators	Loading Factor	AVE	CA	CR
Corporate Governance	X.1.1	0.879	0.757	0.920	0.940
	X.1.2	0.869			
	X.1.3	0.867			
	X.1.4	0.849			
	X.1.5	0.885			
Internal Control	X.2.1	0.823	0.754	0.918	0.939
	X.2.2	0.881			
	X.2.3	0.877			
	X.2.4	0.902			
	X.2.5	0.857			
Corporate Reputation	X.3.1	0.785	0.677	0.904	0.926
	X.3.2	0.843			
	X.3.3	0.810			
	X.3.4	0.857			
	X.3.5	0.842			

Constructs	Indicators	Loading Factor	AVE	CA	CR
	X.3.6	0.796			
	Y.1.1	0.903			
	Y.1.2	0.900			
	Y.1.3	0.847			
	Y.1.4	0.877			
	Y.1.5	0.827			
Employee Engagement	Y.1.6	0.890	0.773	0.971	0.974
	Y.1.7	0.881			
	Y.1.8	0.907			
	Y.1.9	0.891			
	Y.1.10	0.860			
	Y.1.11	0.885			

4.5 Inner model analysis

The coefficient determination value (R2) in Figure 2 shows that three independent variables strongly

contributed (0.800) to employee engagement. In other words, it explains 80% of these constructs.

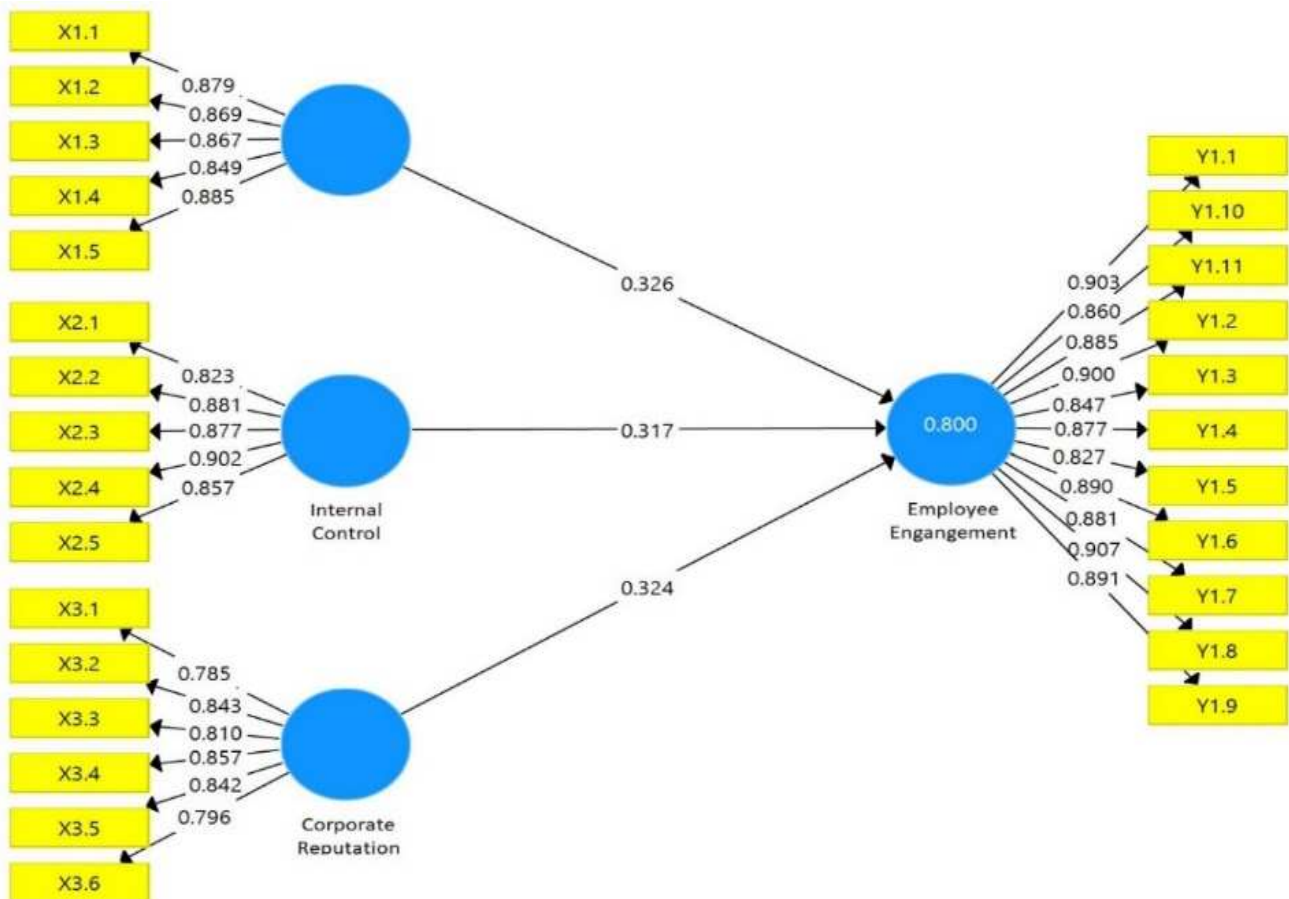


Figure 2 Structural model without moderation

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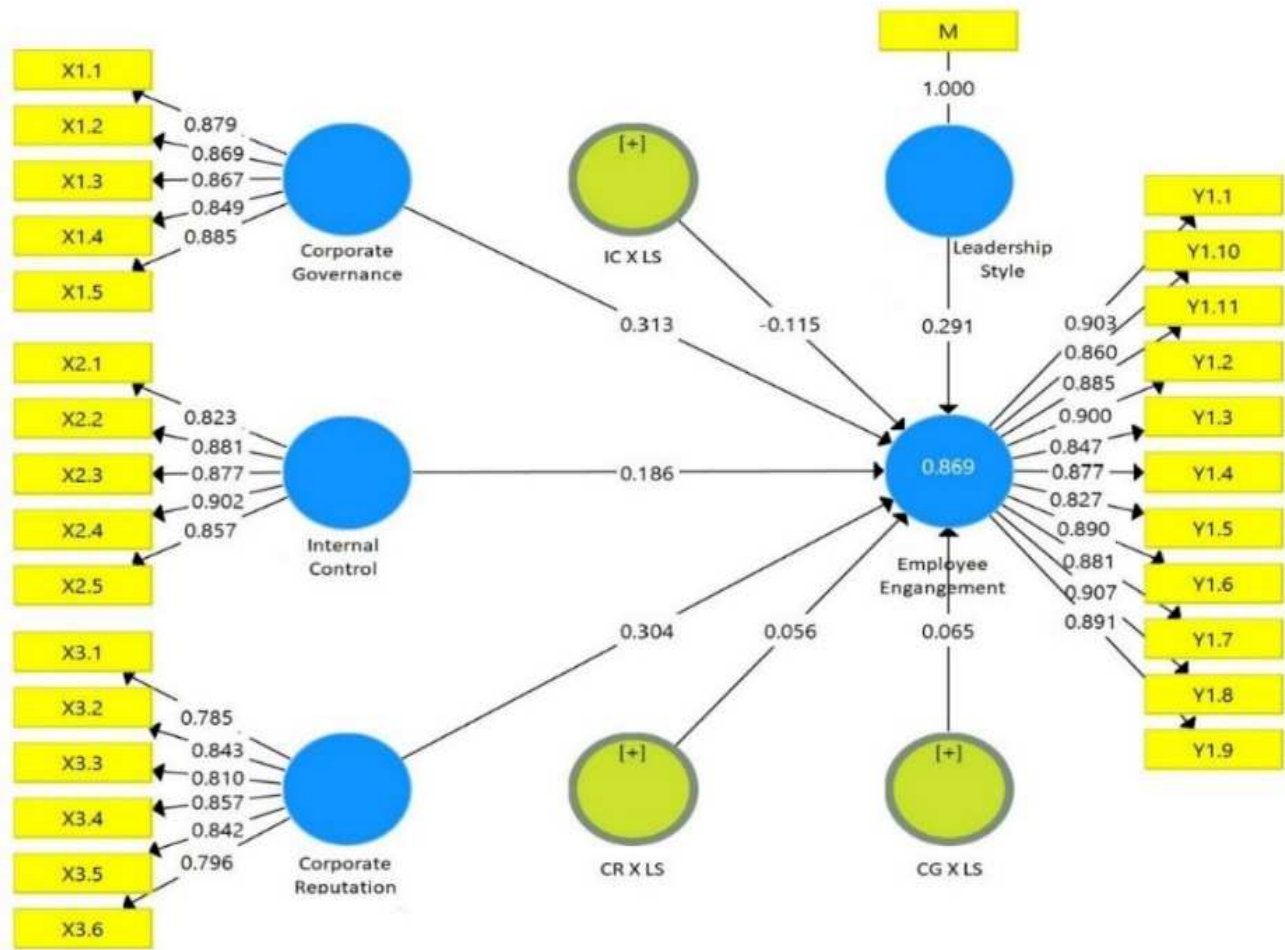


Figure 3 Structural model with moderation

The predictive-relevance value was tested using the PLSpredict technique to illustrate that each exogenous variable's indicators can predict the endogenous attributes.

The model is presumed to have good predictive power when the RMSE value in PLS is less than LM [59]. Table 5 illustrates the PLSpredict figures.

Table 5 PLSpredict analysis

Dimension	PLS			LM			PLS-LM		
	RMSE	MAE	Q ² _predict	RMSE	MAE	Q ² _predict	RMSE	MAE	Q ² _predict
Y.1.1	0.466	0.360	0.688	0.468	0.360	0.686	-0.002	0.000	0.002
Y.1.2	0.541	0.419	0.623	0.555	0.416	0.604	-0.014	0.003	0.019
Y.1.3	0.518	0.416	0.611	0.524	0.416	0.602	-0.006	0.000	0.009
Y.1.4	0.530	0.434	0.615	0.539	0.436	0.603	-0.009	-0.002	0.012
Y.1.5	0.561	0.452	0.552	0.581	0.462	0.520	-0.020	-0.010	0.032
Y.1.6	0.483	0.387	0.620	0.494	0.384	0.603	-0.011	0.003	0.017
Y.1.7	0.490	0.391	0.600	0.502	0.398	0.580	-0.012	-0.007	0.020
Y.1.8	0.501	0.403	0.633	0.515	0.409	0.613	-0.014	-0.006	0.020
Y.1.9	0.593	0.438	0.609	0.596	0.438	0.605	-0.003	0.000	0.004
Y.1.10	0.495	0.371	0.614	0.519	0.381	0.574	-0.024	-0.010	0.040
Y.1.11	0.584	0.429	0.550	0.595	0.446	0.533	-0.011	-0.017	0.017

Note: The letter in italics shows that RMSE PLS subtracts RMSE LM

The model is declared to have good predictive power because Table 5 data shows RMSE value lesser than the LM.

Table 6 f^2 – Effect size analysis

Path	F-Square	Category
CG on EE	0.171	Moderate
IC on EE	0.157	Moderate
CR on EE	0.155	Moderate

The f^2 test calculates each effect of exogenous variables on the endogenous variable. Based on the results of the f^2 – effect size calculation in Table 6 which shows the F-square (f^2) value is within the range of 0.15 to 0.34, it means the exogenous ones have moderate effects on the endogenous variable.

4.6 Hypothesis testing

Table 7 shows that hypotheses 1, 2, 3, 4, and 6 were accepted. On the other hand, the fifth hypothesis implied that leadership style did not enhance internal control's effect on the dependent variable in a positive and significant way.

Table 7 Hypothesis testing

Hypothesis	Path (Relationship)	Path Coefficient	t-value	P Values	Hypothesis Conclusion
H1	CG on EE	0.326	7.004	0.000	Accepted
H2	IC on EE	0.317	5.621	0.000	Accepted
H3	CR on EE	0.324	5.117	0.000	Accepted
H4	LS to CG on EE	0.065	1.970	0.025	Accepted
H5	LS to IC on EE	-0.115	3.772	0.000	Rejected
H6	LS to CR on EE	0.056	2.004	0.023	Accepted

5 Discussion

5.1 The discussion of hypothesis 1

The proven first hypothesis implies the better the corporate governance practice, the more employees are engaged. Good corporate governance informs employees of the establishment's rules, vision, and mission. This fact means companies need to ensure the value of their good corporate governance is following employee values. This fact aligns with the goal-setting theory that having specific and ambitious goals leads to enormous performance [5]. An increase in performance causes employees to feel comfortable at work, ultimately increasing their engagement. This result aligns with the research findings by Vogelsang et al. [61], and Yue et al. [33] on the ability of good governance to increase employee engagement through the implementation of the transparency dimension. Also, implementing accountability in good corporate governance increases employee engagement. When companies carry out their responsibilities with an excellent corporate governance dimension, they create a sense of pride in employees, ultimately increasing their engagement [62]. This fact is in line with the studies by Slåtten and Mehmetoglu [35] and Bandura and Lyons [36], those independent organizations carry out certain activities without being influenced by outsiders, thereby increasing the employees' sense of security at work. O'Connor and Crowley-Henry [37] and Saratun [10] stated that fair corporate practice must provide equal opportunities to every employee to boost their engagement.

5.2 The discussion of hypothesis 2

The second hypothesis proves that a properly implemented Internal Control system positively and significantly affects Employee Engagement. An exemplary implementation of this process leads to fairness and work effectiveness, thereby boosting employee comfort and

raising engagement. This fact means the company needs to strictly implement its internal control because it leads to the feeling of being treated fairly and thus increases employee engagement. This result aligns with Maslow's Theory, whereby people have needs, with a sense of fairness and security at the second level [8]. Meanwhile, when these needs are met, it leads to higher engagement.

Mutnuru [11] stated that internal control implementation directly relates to employee engagement level. This finding aligns with Meijman and Mulder [12] and Kumar and Sia [39] that implementing good internal control creates a more productive work atmosphere that keeps the employees engaged. Furthermore, Bakker [40] stated that a positive work environment where the employees feel involved and proud leads to more robust financial performance and lower employee resignations. The environment makes them feel happier, thereby leading to increased organizational performance and productivity. Saratun [10] stated that good internal control within the corporation increases the level of trust and fairness, which also affects employees' perception of the company.

5.3 The discussion of hypothesis 3

The third hypothesis shows corporate reputation positively and significantly impacts the dependent variable. This statement means if a company's reputation improves, its employees will be more engaged. Employees need material and non-material benefits, such as a sense of pride. Besides, any company with good branding also possesses better employee retention [14]. This fact means the company always needs to maintain its reputation positively because it leads to employee pride and engagement. This fact aligns with the expectancy theory that a person tends to act a certain way toward others [15]. Working for a reputable company boosts the employees' pride, which triggers engagement. This fact is consistent

with Maslow's hierarchy theory that employees have needs, with pride at the fourth level [8]. The studies by Ali [13], Men [41], Shirin [42], Shirin and Kleyn [14], and Şantaş et al. [63] stated that a positive corporate reputation makes staff more engaged. Furthermore, Ali et al. [64] reported that a good corporate reputation reduces employee fatigue, even in unstable working conditions, including the willingness to resign. This fact is under the study by Gatzert and Schmit [43] that companies with good reputations are advantageous in hiring employees with higher qualifications.

5.4 The discussion of hypothesis 4

The fourth hypothesis demonstrates that leadership style reinforces corporate governance's effect. This fact suggests that a more decisive leadership style will further boost corporate governance's effect on making staff feel more attached to the organization. This fact means leaders need to retain the style of leadership implemented because it positively affects how the corporate is governed and affects employee engagement. The application of leadership style shall follow the characteristics of an organization. This statement is consistent with the contingency theory that the best course of action is to rely on changes in internal and external situations [22]. However, applying a democratic leadership style is currently better because it makes the leader listen to input from subordinates capable of improving corporate governance, which aligns with the study done by Iqbal et al. [65]. This variable helps to guide corporate governance practices [46,66], leading to employee engagement [32,34]. O'Connell [47] reported that leadership style is the primary key to successfully implementing corporate governance frameworks, which tends to increase employee engagement [38]. Corporate governance's influence over employee engagement is enhanced by leadership style [66].

5.5 The discussion of hypothesis 5

The fifth hypothesis demonstrates that the leadership style significantly reduces the impacts of internal control on employee engagement. Each has its advantages and disadvantages in influencing internal control. However, the stronger the style, the weaker the internal control, so leadership style changes according to the situation and condition. For example, some need to be given strict rules, freedom, and greater listening opportunity. Ideally, the authoritarian leadership style strengthens the quality of the control mechanism.

On the contrary, the influence of the democratic style on the implementation of internal control significantly affects employees' competence and ability to make decisions. In a democratic leadership style, there is usually a conflict between the corporation and the interests of every individual. The leader's willingness to appreciate employees' feedback and make correct decisions is essential to maintaining good internal control. Therefore,

the democratic approach enables leaders to make firm decisions and implement internal control more effectively, and this result aligns with the finding of Iqbal et al. [65]. Grobler [49] and Dal Mas and Barac [50], stated that each leadership style influences corporate internal control.

Meanwhile, Mutnuru [11], and Kumar and Sia [39], reported that internal control makes staff feel more attached to their employer. This fact means leaders need to implement a compatible leadership style, mainly because this study was conducted in Indonesia, known for its diverse cultures; thus, the requirement of each individual in the company is different. The democratic leadership style became one of the best to implement because of its willingness to appreciate employees' feedback.

5.6 The discussion of hypothesis 6

The sixth proven hypothesis means that a stronger leadership style will moderate corporate reputation's effect on the dependent variable. The leader's activity affects the firm's reputation and staff engagement. These include that the leaders' coaching skills have pros and cons impacts on staff turnover intention and happiness, respectively, leading to employee engagement [33]. Each type of leadership style gives the corporation a different reputation. For instance, the authoritarian leadership style creates the impression of democratic safety and comfort, while Laissez-faire provides the trust with the impression of strict rules. This fact aligns with Men and Stacks [52] that leadership styles increase employee engagement depending on their application and portray different reputations. This means that leaders must implement their leadership to the extreme to lead to a more substantial reputation and employee engagement. Men and Stacks [52] and Dutot [67] stated that each leadership style affects employees' perceptions of an organizational reputation.

Meanwhile, Ali and Ali [13], Men [41], and Shirin [42] reported that corporate reputation has a direct effect on employee engagement. The findings also align with Olmedo-Cifuentes and Martínez-León [68] that a participatory and competitive leadership style positively affects employees' views of corporate reputation. According to Alfalah [53], wise leaders can quickly adopt different leadership styles in response to different situations. Previous results supporting this study by Lee [55] show that successful companies depend on influential and creative leaders with a vision to enhance their reputations.

6 Conclusion

In summary, research results have shown that good corporate governance positively and significantly increases employee engagement. The strict internal control practice also positively and significantly improved employee engagement. Similarly, an excellent corporate reputation was also proven to positively and significantly enhance employee engagement. Senior management teams in logistics companies in Indonesia need to put serious effort

into ensuring good governance practices and strict control programs in their respective firm to deliver reliable and trustworthy financial results and set up a more solid staff engagement level. As for corporate reputation, every employee must ensure the company's image is kept safe by doing all company activities per law and regulations.

The study also revealed that leadership style was influential in improving corporate governance and reputation's influences on employee engagement. On the contrary, it decreased internal control's effect on employee engagement. Indonesian logistics industry leaders must determine the most suitable leadership style under different conditions. This fact is because no single leadership style is compatible with all situations. There must be a balance among the selected leadership types to ensure a better engagement level. Finally, senior management teams will have to see a more comprehensive approach from a human resource perspective and accounting and business commercials to improve employee engagement quality in the office.

7 Limitations and future research

The present study only used four variables to discover factors affecting employee engagement in Indonesian logistics companies. There could be more variables to study their influence on employee engagement. Therefore, future studies must use additional or new variables to enrich prospective findings. Also, while this study was conducted only in the logistics industry, employee engagement may look different in other sectors. Therefore, future research can choose other various industries to test the research's generalizability effectively. The research also does not explicitly focus on groups of generations such as boomers, millennials, and generation Z. Future studies can use this room better to understand different levels of employee engagement among generations.

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