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Leadership Styles as Moderators in the Relationship Between Corporate Governance, Internal Control, Corporate Reputation, and Employee Engagement

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Abstract

This research examines the relationships among Corporate Governance, Internal Control, Corporate Reputation, and Employee Engagement, with particular attention to how leadership styles influence these dynamics. The findings reveal that strong governance practices, robust internal controls, and a positive corporate reputation all contribute to higher levels of employee engagement. Moreover, the study identifies that leadership style significantly shapes these relationships. Specifically, democratic leadership enhances the impact of organizational mechanisms on engagement, while bureaucratic and laissez-faire leadership selectively influence the effects of internal controls and reputation. Authoritarian leadership, on the other hand, plays a decisive role in strengthening the link between governance, internal controls, and engagement. These results underscore the importance of tailoring leadership approaches to maximize the effectiveness of organizational practices in fostering employee engagement. The study provides actionable insights for both scholars and practitioners seeking to improve workforce motivation and organizational performance.

Keywords: Leadership style, Employee engagement, Corporate governance, Internal control, Corporate reputation, Organizational effectiveness

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Introduction

Employee engagement is increasingly recognized as a vital driver of organizational effectiveness, linking human capital to long-term performance and innovation. Recent research suggests that factors such as corporate governance, internal control, and corporate reputation play a critical role in shaping employees' commitment, motivation, and overall engagement at work [1, 2]. These organizational elements not only define operational processes and compliance standards but also influence the psychological and emotional environment in which employees operate, highlighting the interconnected nature of structural, cultural, and reputational aspects in modern organizations [3, 4].

Corporate governance provides the framework for organizational accountability, ethical behavior, and decision-making processes. Strong governance mechanisms ensure that the organization functions transparently and aligns stakeholder interests, including those of employees, with broader corporate objectives. Internal controls complement governance by establishing checks and balances, enhancing efficiency, and reducing risks [5]. Meanwhile, corporate reputation serves as an intangible asset that shapes employees' perceptions of their organization, fostering pride, loyalty, and motivation when the organization is viewed positively by stakeholders [6, 7]. Together, these dimensions create the conditions for a supportive workplace where engagement can flourish.

Leadership is another key factor influencing employee engagement, particularly in how it interacts with governance, controls, and reputation. Different leadership styles—including democratic, bureaucratic, laissez-faire, and authoritarian—can either strengthen or weaken the effectiveness of organizational mechanisms. Democratic leaders, for instance, encourage participation and collaboration, potentially amplifying the positive effects of governance and reputation on engagement. In contrast, authoritarian or rigid leadership approaches may limit employees' sense of autonomy and diminish engagement, even in organizations with strong governance and reputational assets [8, 9].

This study aims to examine two primary research questions. First, it investigates how corporate governance, internal controls, and corporate reputation collectively influence employee engagement, moving beyond a narrow focus on compliance and performance metrics to consider employees' psychological and motivational responses. Second, it explores the moderating effect of leadership style on these relationships, seeking to understand how leaders can facilitate or hinder the translation of governance, control, and reputation into higher engagement levels.

The study is grounded in three complementary theoretical perspectives. Stakeholder Theory [10] emphasizes the need to balance the interests of all stakeholders, including employees, in governance practices. Agency Theory [11] highlights the importance of aligning the goals of managers and employees to prevent conflicts and ensure effective organizational control. The Resource-Based View (RBV) frames governance, controls, and reputation as strategic assets that, when effectively leveraged through leadership, can enhance employee engagement and organizational competitiveness [12, 13].

By integrating these theories, this research provides a holistic perspective on the mechanisms through which governance, controls, and reputation influence engagement, and the role leadership style plays in shaping these outcomes. Understanding these dynamics is critical for organizations seeking to foster a motivated and committed workforce capable of driving sustainable performance in an increasingly complex business environment [14, 15].

Although internal control systems are traditionally examined for their financial and compliance functions, their influence on employee engagement remains largely underexplored, particularly when considered alongside corporate governance. Existing literature often overlooks how internal controls contribute to employee trust, morale, and organizational commitment, highlighting a gap in understanding the broader human-centric effects of these mechanisms. Similarly, corporate reputation has been extensively studied for its external impact on consumers and market perception, yet its internal effects on employees—shaping their engagement, loyalty, and sense of pride—have received limited attention [16, 17].

Another gap in prior research lies in the fragmented study of corporate governance, internal control, and reputation. Most studies examine these factors individually, which prevents a holistic understanding of their combined impact on employee engagement. Moreover, the role of leadership styles in moderating these relationships is insufficiently addressed, leaving an important dimension of organizational behavior underexplored. Addressing these gaps is both theoretically and practically significant, as it can provide a more integrated perspective on how organizational structures, cultural perceptions, and leadership approaches collectively drive employee engagement, a key determinant of performance and sustainability [7, 18].

This study advances knowledge by emphasizing the psychological and behavioral implications of corporate governance on employees. Beyond regulatory compliance and operational outcomes, governance mechanisms are conceptualized as tools that can influence employee motivation, satisfaction, and commitment, framing governance as a strategic lever for engagement [19]. Similarly, internal control systems are considered not only as risk mitigation instruments but also as frameworks that create a secure, transparent, and supportive environment, which enhances employee confidence and involvement [20].

The investigation further highlights the role of corporate reputation in shaping internal stakeholder perceptions. Employees' views of their organization's reputation—formed by ethical practices, social responsibility, and market positioning—can significantly influence their engagement and sense of organizational identity [21]. By incorporating this dimension, the study moves beyond traditional external-focused perspectives to examine how reputation fosters intrinsic motivation and commitment among employees.

An additional contribution of this research is the exploration of leadership styles as a moderating factor in the relationship between governance, internal controls, reputation, and engagement. By examining democratic, bureaucratic, laissez-faire, and authoritarian leadership, the study provides insights into how leadership can amplify or attenuate the effectiveness of organizational mechanisms on employee engagement [22]. This analysis addresses a critical gap, revealing that leadership approaches are instrumental in translating organizational policies and reputational advantages into tangible employee outcomes.

Finally, by integrating corporate governance, internal control, corporate reputation, and leadership styles into a unified framework, this study offers a comprehensive view of the antecedents of employee engagement. Unlike prior research that treats these factors in isolation, this approach emphasizes their interdependence and collective influence, providing practical insights for managers, policymakers, and organizational leaders on fostering a motivated, committed, and high-performing workforce.

Background

This study aims to examine the interconnected roles of corporate governance, internal control, and corporate reputation in influencing employee engagement, while emphasizing the moderating effect of leadership styles. In contemporary organizational contexts, these factors are increasingly recognized as key drivers of both performance and workforce motivation. Corporate governance frameworks, shaped by evolving regulations and policies, play a critical role in defining organizational culture and ethical standards. Similarly, robust internal control systems ensure operational reliability and organizational stability, which in turn influence employees' perceptions of fairness and security. At the same time, corporate reputation has emerged as a pivotal element affecting employee morale and engagement, given the increasing attention stakeholders pay to organizational conduct and public image. By exploring how these elements collectively shape employee engagement, this study seeks to provide a comprehensive understanding of the mechanisms through which corporate policies and structures influence workforce behavior and attitudes, particularly in conjunction with varying leadership approaches.

Corporate governance refers to the structures, rules, and practices that guide organizational decision-making and accountability. Effective governance mechanisms, including clear hierarchies, transparent procedures, and ethical standards, foster a supportive work environment where employees feel valued and motivated [23, 24]. Grounded in agency theory, which examines the alignment between principals (owners) and agents (managers), strong corporate governance mitigates conflicts of interest and promotes harmony within the workplace [25, 26]. Transparency and accountability in governance further enhance employees' trust in management, strengthening their engagement and commitment [27].

Internal control systems serve a broader purpose than merely ensuring financial accuracy and regulatory compliance. Well-designed internal controls contribute to creating an organized, secure, and predictable work environment, which positively affects employee engagement [28]. As emphasized by the Committee of Sponsoring Organizations of the Treadway Commission [29], internal controls safeguard organizational assets while providing employees with a sense of stability and protection. Employees who perceive their workplace as structured and reliable are more likely to develop a sense of belonging and dedication, which is particularly critical in high-risk, complex operational contexts [30, 31].

Corporate reputation, defined as the collective perception of an organization's past behavior and future prospects, plays a significant role in influencing employee engagement [32]. A strong and favorable reputation not only attracts talent but also fosters pride, loyalty, and commitment among employees [33, 34]. Working for a reputable organization can enhance employees' sense of self-worth and identification with their company, leading to higher levels of engagement and performance. In today's competitive environment, reputation serves as a strategic asset that impacts both external and internal stakeholders, reinforcing employees' motivation and attachment to the organization [35].

Leadership style is a critical factor in shaping how governance, internal control, and corporate reputation influence employee engagement. Leaders serve as catalysts, translating organizational policies and practices into tangible employee experiences [36]. Depending on whether leadership is democratic, bureaucratic, laissez-faire, or authoritarian, the impact of governance mechanisms, control systems, and reputation on engagement may vary significantly [37, 38]. Effective leaders motivate, inspire, and empower employees, fostering an environment where organizational structures and reputational assets can achieve their full potential in promoting engagement. This study specifically investigates how leadership styles can enhance or mitigate the effects of corporate governance, internal controls, and reputation on workforce engagement.

The complexity of contemporary business environments—characterized by globalization, digital transformation, and evolving workforce expectations—adds another layer of significance to this investigation. Organizations now operate in highly dynamic and interconnected contexts, where effective governance, reliable control systems, and a positive reputation are essential for sustaining employee engagement. Understanding how these factors interact in modern settings is crucial for developing strategies that enhance workforce motivation, commitment, and overall organizational performance.

The research context was carefully selected to reflect recent shifts in corporate governance regulations, internal control practices, and reputational considerations within the corporate sector. These changes offer a fertile ground to study the proposed relationships, as organizations increasingly adapt to global and local regulatory pressures. The moderating influence of leadership styles in this context provides a nuanced perspective on how governance, controls, and reputation translate into employee engagement. By examining these dynamics, the study contributes both theoretically and practically to knowledge in corporate governance, organizational behavior, and human resource management.

Theoretical Literature Review

Stakeholder theory

Stakeholder theory emphasizes that organizations are accountable not only to shareholders but also to a broader group of stakeholders, including employees, customers, suppliers, and the wider community [10]. This perspective shifts the focus from purely financial objectives to the quality of relationships and responsibilities toward all stakeholders. Within this framework, corporate governance, internal control, and corporate reputation can be understood as mechanisms that shape employees' perceptions and engagement. Companies that consider employees as key stakeholders and integrate their interests into governance practices tend to foster trust, commitment, and higher engagement levels [39].

Furthermore, the organization's reputation acts as a signal to employees regarding its ethical standards, reliability, and values. Positive reputations can enhance pride and loyalty among staff, encouraging them to invest more effort in their work [40].

Leadership style further moderates these effects by determining how governance, control, and reputational mechanisms are implemented and perceived by employees. Leaders who actively engage, support, and communicate effectively strengthen the connection between organizational practices and employee engagement [41].

Agency theory

Agency theory focuses on the potential conflicts and information asymmetries that can arise between principals (owners) and agents (managers) [11]. It highlights the need for effective governance structures and control mechanisms to align the interests of management with those of stakeholders, including employees. Well-designed internal controls reduce uncertainty and ensure that managerial actions serve the organization's broader goals, fostering an environment where employees feel secure and motivated [42].

Corporate reputation also plays a role in mitigating perceived agency risks. When employees perceive the organization as reputable and trustworthy, they are more likely to respond positively to governance practices and internal controls, resulting in higher engagement [43]. Leadership style further influences this dynamic by either reinforcing alignment and trust or, if poorly applied, exacerbating perceptions of misalignment between management and employees [44]. Hence, agency theory provides a useful lens to examine how governance, controls, and reputation collectively shape employee engagement outcomes.

Resource-Based View (RBV)

The Resource-Based View posits that an organization's unique internal resources and capabilities form the foundation for sustainable competitive advantage [12]. In this context, corporate governance structures, internal control systems, and corporate reputation represent critical intangible and tangible resources that influence employees' motivation and engagement. Governance and controls create stable and transparent operational processes, which enhance employees' trust and commitment [1].

A strong corporate reputation, as an intangible asset, increases employees' sense of pride and identification with the organization, fostering engagement and discretionary effort [45]. Leadership style moderates how these resources translate into employee engagement: transformational and participative leadership styles are particularly effective at maximizing the benefits of governance, controls, and reputation, while more authoritarian or transactional approaches may not fully harness these resources [46]. By integrating leadership as a moderating factor, RBV highlights the interaction between organizational resources and human capital in driving engagement and overall organizational performance.

Leadership Style

Leadership style plays a pivotal role in shaping the way corporate governance, internal controls, and corporate reputation affect employee engagement. Different approaches to leadership can either strengthen or weaken these relationships, acting as a moderating force in organizational dynamics.

Democratic leadership

Democratic leadership, defined by participative decision-making, open dialogue, and inclusive communication [47], promotes an environment where employees feel valued and empowered. By actively involving employees in organizational decisions, this leadership style enhances transparency and builds trust in corporate governance and internal control systems [48, 49]. Moreover, democratic leadership tends to foster ethical practices and stakeholder-focused strategies, positively influencing the company's reputation and reinforcing employee engagement [50]. Thus, leaders adopting this style can amplify the effectiveness of governance and control mechanisms while cultivating a more committed workforce. Further empirical research is warranted to clarify the precise mechanisms through which democratic leadership moderates these relationships.

Bureaucratic leadership

Bureaucratic leadership emphasizes adherence to rules, formal hierarchies, and structured procedures [51]. This style can enhance the consistency and reliability of corporate governance and internal control practices, ensuring that policies are uniformly applied and regulatory standards maintained [52, 53]. However, its rigid and procedural nature may limit organizational flexibility and stifle innovation, which can negatively affect corporate reputation and employee motivation [54, 55]. Therefore, while bureaucratic leadership supports operational stability, its impact on employee engagement is nuanced, balancing order and compliance against creativity and participatory involvement.

Laissez-Faire leadership

Laissez-faire leadership, characterized by minimal intervention and a hands-off management approach [56], presents both opportunities and challenges for organizational dynamics. On one hand, it fosters autonomy, self-direction, and empowerment, which can enhance employee engagement by allowing individuals to take ownership of their work [57]. On the other hand, limited supervision may weaken the implementation of corporate governance and internal control systems, potentially undermining organizational accountability and reputation [58]. Consequently, laissez-faire leadership creates a complex dynamic: it encourages engagement through freedom but may compromise governance effectiveness and corporate image, necessitating careful management in practice.

Authoritarian leadership

Authoritarian leadership centralizes decision-making and relies on a top-down management approach, emphasizing strict compliance with established rules and procedures [59]. This leadership style can enhance the effectiveness and predictability of corporate governance and internal control systems, ensuring consistent adherence to organizational standards [60]. However, its rigid nature may suppress employee autonomy, limit innovation, and reduce job satisfaction, potentially affecting corporate reputation and engagement negatively [59, 60]. These contrasting effects highlight the importance of balancing strong governance enforcement with strategies that maintain employee morale and engagement.

Empirical Literature Review and Hypothesis Development

Corporate governance and employee engagement

Corporate governance has been widely acknowledged as a crucial factor influencing employee engagement, with several theoretical perspectives providing insight into this relationship. Agency theory emphasizes the alignment of interests between shareholders (principals) and managers (agents), suggesting that robust governance mechanisms help synchronize organizational objectives with employee goals, indirectly enhancing engagement [61]. Meanwhile, stakeholder theory broadens this focus to include all organizational stakeholders, highlighting that governance structures sensitive to employee needs and concerns can foster higher levels of engagement [62].

Empirical research largely supports a positive association between corporate governance and employee engagement. For instance, Harter *et al.* [63] demonstrated that clear governance expectations and involving employees in decision-making processes are linked to increased engagement. Zhenjing *et al.* [64] further emphasize that transparency, fairness, and accountability in governance significantly enhance employee satisfaction, a precursor to engagement. Studies by Colquitt *et al.* [65], Baquero [66], and Islam *et al.* [67] indicate that employees' perceptions of ethical leadership and organizational transparency significantly boost engagement. Similarly, Schnackenberg & Tomlinson [68] and Jiang & Luo [50] highlight that trust-building through transparent governance processes fosters a committed workforce.

Research also underscores the importance of participative governance. Zhang & Bartol [69] found that leadership styles encouraging employee involvement in decision-making significantly elevate engagement. Amah and Ahiauzu [70] reinforced that employee participation cultivates a sense of ownership and commitment. Parent & Lovelace [71] and Ansell *et al.* [72] demonstrated that inclusive governance structures positively shape organizational culture, further enhancing employee engagement. Collectively, these findings suggest that governance practices characterized by transparency, ethical leadership, inclusivity, and employee involvement are instrumental in promoting engagement.

H1: Corporate governance is positively associated with employee engagement.

Internal control and employee engagement

Internal control systems are another critical organizational mechanism that influences employee engagement. From an agency theory perspective, employees (agents) and owners or shareholders (principals) may have divergent objectives and risk preferences, which can lead to conflicts of interest [42]. Internal controls—including policies, procedures, performance metrics, and reporting mechanisms—serve to align employee actions with organizational goals, thereby mitigating these conflicts [4, 73].

Effective internal controls foster accountability and responsibility by ensuring employees understand that their actions are monitored and evaluated [74-76]. This alignment encourages employees to feel that their contributions are recognized and valued, enhancing commitment and engagement [77, 78]. By linking individual efforts to organizational outcomes, internal control systems not only support compliance and operational efficiency but also cultivate a sense of purpose and belonging among employees.

Empirical studies provide further evidence of this relationship. Lin *et al.* [2] found that well-structured internal controls create a secure and transparent working environment, enhancing employees' perceived value and fostering engagement. Andriono *et al.* [79] and Haryanto *et al.* [20] similarly highlight that clear internal control mechanisms improve morale, motivation, and engagement. Otoo *et al.* [4] argue that internal controls establish trust and openness within organizations, which are essential for employees' willingness to commit fully to their roles. Overall, these studies confirm that effective internal control systems positively influence employee engagement by providing a structured, transparent, and supportive environment.

H2: Internal control is positively associated with employee engagement.

Corporate reputation and employee engagement

Within the framework of the Resource-Based View (RBV), corporate reputation is increasingly regarded as a strategic and valuable resource [80]. Its significance lies in its ability to shape stakeholders' perceptions and behaviors, including those of current and prospective employees [81]. Building and sustaining a strong reputation requires consistent commitment to quality, reliability, and ethical conduct, making it difficult for competitors to imitate or replace. Consequently, organizations with a robust reputation can attract top talent [34], particularly in industries where employee expertise constitutes a key competitive advantage. Once recruited, employees are more likely to remain committed, as a favorable corporate reputation fosters job satisfaction, pride, and organizational loyalty [82]. RBV theory posits that such unique and valuable resources can be leveraged to achieve superior organizational outcomes, including enhanced employee engagement, as engaged employees demonstrate higher levels of motivation, commitment, and productivity [12, 83].

Empirical evidence supports this perspective. Shirin & Kleyn [32] found that employees working in firms with strong reputations exhibit higher engagement, driven by a sense of pride in their organization. Similarly, Almeida & Coelho [84] reported that employees in well-regarded organizations are more motivated and committed. Hadi & Ahmed [85] highlighted that a positive corporate image improves employee retention, while Ali *et al.* [86] noted that strong reputations reduce fatigue and turnover intentions, even under challenging work conditions. Gatzert & Schmit [87] also observed that companies with favorable reputations attract more highly qualified talent. However, the effect of corporate reputation on engagement can vary depending on contextual factors. Cultural norms, for example, influence the degree to which employees value organizational affiliation [88]. Leadership practices also moderate this relationship; transformational leaders can amplify the positive effects of reputation on engagement by reinforcing organizational pride and commitment [89-91].

H3: Corporate reputation is positively associated with employee engagement.

Moderating role of leadership style

Leadership style plays a pivotal role in shaping the relationship between corporate governance, internal control, corporate reputation, and employee engagement. Democratic leadership, characterized by participative decision-making and open communication, can enhance governance outcomes by fostering inclusivity and shared responsibility [92-94]. This approach encourages employees to provide input while retaining final decision-making authority, motivating them through a sense of control and autonomy rather than relying solely on extrinsic rewards [95]. Democratic leaders also promote ethical practices and employee-centered governance, enhancing organizational reputation and, in turn, positively impacting employee engagement [96-98].

Bureaucratic leadership, emphasizing strict adherence to rules and hierarchical structures, produces mixed effects. On one hand, it ensures compliance, uniformity, and implementation of internal controls [98, 99], enhancing organizational predictability. On the other hand, its rigidity may stifle creativity and employee autonomy, potentially reducing engagement [100]. Employees under bureaucratic leadership may place greater trust in formal systems than in leadership, which can inadvertently undermine motivation and morale.

Laissez-faire leadership, characterized by minimal supervision and a hands-off approach, grants employees high autonomy and decision-making authority [56, 98]. While this freedom can empower employees and foster engagement, the absence of structured guidance may weaken corporate governance and internal control practices, limiting accountability and organizational alignment [95, 99]. Laissez-faire environments can cultivate a "freedom-oriented" organizational culture, but the lack of oversight may compromise both governance and reputation, highlighting a nuanced trade-off in its effectiveness.

Authoritarian leadership, defined by centralized authority and minimal employee participation, can streamline decision-making and enhance operational efficiency. However, this style may limit open dialogue and reduce employee involvement, potentially undermining long-term governance effectiveness. Research indicates that leaders who adopt an authoritarian approach (ALS) expect strict compliance from subordinates without discussion, which diminishes collaborative input in decision-making [98]. This dynamic is critical in shaping corporate governance practices and influencing organizational outcomes [101]. Effective governance implementation relies on capable leadership, and authoritarian leaders often make unilateral decisions, providing instructions rather than engaging employees in deliberations [99, 102]. They prioritize task execution and adherence to rules, including internal control procedures, which can enhance operational compliance. Strong internal control systems under authoritative leaders have been linked to improved employee engagement, as structured oversight communicates clear expectations [103, 104]. Nevertheless, excessive dominance may negatively affect team morale, diminish collaboration, and potentially harm the organization's reputation.

Moderating Hypotheses:

H4: Democratic leadership strengthens the positive impact of corporate governance on employee engagement.

H5: Democratic leadership strengthens the positive impact of internal control on employee engagement.

H6: Democratic leadership strengthens the positive impact of corporate reputation on employee engagement.

H7: Bureaucratic leadership strengthens the positive impact of corporate governance on employee engagement.

H8: Bureaucratic leadership strengthens the positive impact of internal control on employee engagement.

H9: Bureaucratic leadership strengthens the positive impact of corporate reputation on employee engagement.
H10: Laissez-faire leadership strengthens the positive impact of corporate governance on employee engagement.
H11: Laissez-faire leadership strengthens the positive impact of internal control on employee engagement.
H12: Laissez-faire leadership strengthens the positive impact of corporate reputation on employee engagement.
H13: Authoritarian leadership strengthens the positive impact of corporate governance on employee engagement.
H14: Authoritarian leadership strengthens the positive impact of internal control on employee engagement.
H15: Authoritarian leadership strengthens the positive impact of corporate reputation on employee engagement.

To illustrate the relationships outlined in hypotheses H1–H15, **Figure 1** presents the research model. Hypotheses H1–H3 depict the direct effects of corporate governance, internal control, and corporate reputation on employee engagement, while H4–H15 capture the moderating influence of leadership style.

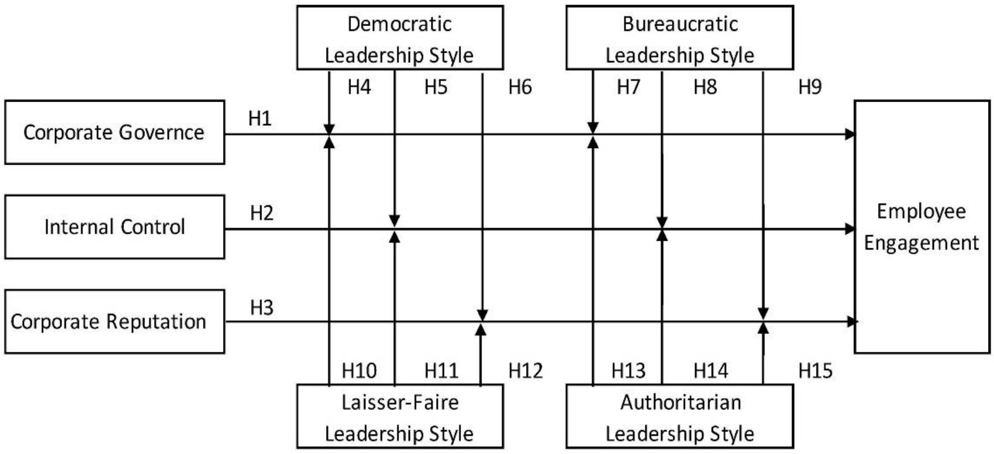

Figure 1. Research model. Research Design

Data Collection

Data for this study were gathered using structured questionnaires distributed via Google Forms to employees of logistics firms affiliated with the Indonesian Logistics Association (ILFA). The study employed a purposive sampling approach, targeting respondents who held supervisory positions and possessed at least a vocational-level education. Out of the 3,412 ILFA-registered companies, a total of 802 questionnaires were returned. Following a validity check, 37 responses were deemed incomplete or invalid, leaving 765 questionnaires suitable for analysis. A summary of the data collection process is provided in **Table 1**.

Table 1. Description of the data collection process

Population and Sample	Total	Percentage
Questionary sent to target population	3412	100%
Questionary return and completed	802	23,5% of total population
Invalid Questionary	37	4,6% of total returned questionary
Questionary used for analysis (Sample)	765	95,4% of total returned questionary

Variables and their measurement

In this research, employee engagement is treated as the outcome variable, whereas corporate governance, internal controls, and corporate reputation are examined as predictors. The study also considers leadership style as a moderating factor, categorized into four types: Democratic, Bureaucratic, Laissez-Faire, and Authoritarian.

The construct of corporate governance is based on the five principles outlined by the Indonesian Corporate Governance Guidelines [105], which include transparency, accountability, responsibility, independence, and fairness. For internal controls, the study adopts the COSO framework [29], covering control environment, risk assessment, control activities, information and communication, and monitoring processes. The assessment of corporate reputation relies on six dimensions proposed by Morsing *et al.* [106], namely: emotional appeal, product/service quality, workplace environment, financial performance, vision and leadership, and social responsibility initiatives.

Employee engagement is measured following Imandin *et al.* [107], incorporating 11 dimensions such as emotional and behavioral engagement, sense of value and involvement, leadership engagement, trust and integrity, nature of work, interpersonal connections, organizational performance, career growth opportunities, stress management, and adaptability to change. For the leadership style variables, each style (Democratic, Bureaucratic, Laissez-Faire, Authoritarian) is evaluated using three indicators—decision-making approach, interaction patterns, and employee motivation—based on Kelly & MacDonald [99]. An overview of all variables and their measurement indicators is summarized in **Table 2**.

Table 2. Variable description

Variables	Variable Role	Indicators of Measurement	References
Employee Engagement	Dependent Variable	• Emotional engagement • Behavioral engagement • Feeling valued and involved • Engaged leadership team • Trust and integrity • Nature of job • Employee connections • Organizational performance • Growth opportunities • Stress-free environment • Change management	Imandin *et al.* [107]
Corporate Governance	Independent Variable	• Transparency • Accountability • Responsibility • Independence • Fairness	KNKG [105]
Internal Control	Independent Variable	• Control environment • Risk assessment • Control activities • Information and communication • Monitoring	Committee of Sponsoring Organizations of the Treadway Commission (COSO) [29]
Corporate Reputation	Independent Variable	• Emotional attraction • Products and services • Working environment • Financial performance • Vision and leadership • Social responsibility	Morsing *et al.* [106]
Leadership Style (Democratic, Bureaucratic, Laissez-faire, Authoritarian)	Moderating Variable	• Decision-making • Interactions • Employee motivation	Kelly and MacDonald [99]

Data analysis

The relationships among the variables were examined using Structural Equation Modeling (SEM), with data processed through SmartPLS 4.0 (trial version). To ensure the measurement model was robust, a Confirmatory Factor Analysis (CFA) was carried out, assessing the reliability and validity of all latent constructs. Both convergent validity and discriminant validity were verified, alongside measures of internal consistency reliability, to confirm that the constructs accurately reflected the intended variables.

Two analytical procedures were conducted. The first focused on direct effects, evaluating how corporate governance, internal control mechanisms, and corporate reputation influence employee engagement. The second addressed moderating effects, specifically examining how various leadership styles modify the impact of governance, controls, and reputation on engagement. This dual analysis allowed for a comprehensive understanding of the main relationships as well as the conditional influence of leadership.

Empirical Findings and Discussion

Descriptive statistics

The demographic profile of respondents is presented in **Table 3**, covering position, tenure, and education. Employees were classified into five categories: supervisory, managerial, general managerial, director, and commissioner, comprising 42.22%, 45.49%, 6.01%, 4.84%, and 1.44% of participants, respectively.

Regarding job tenure, participants were grouped into three ranges: less than two years (3.01%), between two and five years (62.35%), and more than five years (34.64%). Most employees had two to five years of experience, reflecting a workforce with moderate organizational familiarity.

For educational background, respondents were divided into Vocational, Undergraduate, and Postgraduate (Master/Doctorate) levels, accounting for 16.34%, 50.72%, and 32.94% of the sample, respectively. This indicates a predominantly undergraduate-educated population, complemented by a substantial proportion of postgraduate-qualified employees.

Table 3. Respondents profile

Characteristics	Total	Percentage
Working Position:		
Supervisory	323	42.22%
Managerial	348	45.49%
General Managerial	46	6.01%
Director	37	4.84%
Commissioner	11	1.44%
Total	765	100%
Working Experiences		
Less than two years	23	3.01%
2 to 5 Years	477	62.35%
Above 5 Years	265	34.64%
Total	765	100%

Education Level		
Vocational	125	16.34%
Undergraduate	388	50.72%
Master/Doctorate	252	32.94%
Total	765	100%

Table 4 presents the geographic distribution of the participating logistics companies. The majority of respondents were located on Java and Bali, representing 84.38% of the sample. This was followed by firms situated on Borneo (Kalimantan) at 4.93%, Sumatra at 5.48%, and Sulawesi (Celebes) at 3.29%. Companies from other regions of Indonesia constituted the remaining 1.92%.

Table 4. Sample's geographic location.

Region	Total	Percentage
Bali and Java	308	84.38%
Borneo	18	4.93%
Sumatra	20	5.48%
Celebes	12	3.29%
Others	7	1.92%
Total	365	100.00%

Table 5 presents the leadership style distribution among the logistics firms included in this study. The firms were categorized into four types: democratic, laissez-faire, bureaucratic, and authoritarian. The majority of organizations, accounting for 75.89%, exhibited a democratic leadership approach. In contrast, laissez-faire leadership was the least common, observed in only 4.93% of the companies. Bureaucratic and authoritarian styles were identified in 13.42% and 5.75% of firms, respectively. These results highlight a clear preference for democratic leadership within the sampled logistics sector.

Table 5. Leadership style of sample firm

Leadership Style	Total	Percentage
Democratic	277	75.89%
Laissez-faire	18	4.93%
Bureaucratic	49	13.42%
Authoritarian	21	5.75%
Total	365	100.00%

Outer model evaluation

Table 6 displays the outcomes of the measurement analysis, revealing that all indicators for the independent and dependent variables achieved factor loadings above 0.7. The Average Variance Extracted (AVE) for each construct also surpassed the 0.5 threshold, confirming that the indicators reliably capture the intended latent variables [108]. Reliability testing further indicated strong consistency, with all latent constructs exceeding 0.7 for both Composite Reliability (CR) and Cronbach's Alpha (CA), demonstrating dependable measurement across items [108]. These results collectively suggest that the instruments employed in this study provide robust and trustworthy measures for the constructs under investigation.

Table 6. Convergent validity and reliability test

Construct Validity				Construct Reliability			
Construct (s)	**Item (s)**	**Loadings**	**Sig. Loadings**	**CA**	**CR (rho_a)**	**CR (rho_c)**	**AVE**
Corporate Governance (CG)	X1.1	0.811	0.000	0.869	0.871	0.905	0.657
	X.1.2	0.795	0.000				
	X.1.3	0.809	0.000				
	X.1.4	0.850	0.000				
	X.1.5	0.786	0.000				
Internal Control (IC)	X.2.1	0.807	0.000	0.925	0.926	0.944	0.771
	X.2.2	0.883	0.000				
	X.2.3	0.913	0.000				
	X.2.4	0.885	0.000				
	X.2.5	0.897	0.000				
Corporate Reputation (CR)	X.3.1	0.816	0.000	0.907	0.909	0.928	0.683
	X.3.2	0.843	0.000				
	X.3.3	0.853	0.000				
	X.3.4	0.861	0.000				

	X.3.5	0.851	0.000				
	X.3.6	0.730	0.000				
Employee Engagement (EE)	Y.1.1	0.783	0.000	0.940	0.942	0.948	0.626
	Y.1.2	0.720	0.000				
	Y.1.3	0.778	0.000				
	Y.1.4	0.805	0.000				
	Y.1.5	0.781	0.000				
	Y.1.6	0.779	0.000				
	Y.1.7	0.776	0.000				
	Y.1.8	0.819	0.000				
	Y.1.9	0.841	0.000				
	Y.1.10	0.850	0.000				
	Y.1.11	0.766	0.000				

Table 7 shows the findings from the Fornell-Larcker test, where the Employee Engagement (EE) construct exhibits a square root of AVE of 0.891, which is higher than those of Internal Control, Corporate Reputation, and Corporate Governance. This indicates that the constructs in the model are well-differentiated and the measurement model has good discriminant validity [108].

Table 7. Fornell lacker criterion test. (Table view)

	Employee Engagement	Internal Control	Corporate Reputation	Corporate Governance
Employee Engagement	0.891			
Internal Control	0.855	0.878		
Corporate Reputation	0.806	0.779	0.827	
Corporate Governance	0.780	0.736	0.736	0.811

Figure 2 presents the results of the inner model analysis. The analysis shows that Corporate Governance, Internal Control, and Corporate Reputation play a major role in shaping employee engagement, explaining 80.2% of its variation. The remaining 19.8% is influenced by factors not captured in the model. When including the moderating impact of leadership style, the explanatory power slightly rises, with an R^2 of 0.805. In this scenario, the three key variables account for 80.5% of employee engagement, while the remaining 19.5% is affected by additional factors such as employee motivation, organizational culture, and compensation practices.

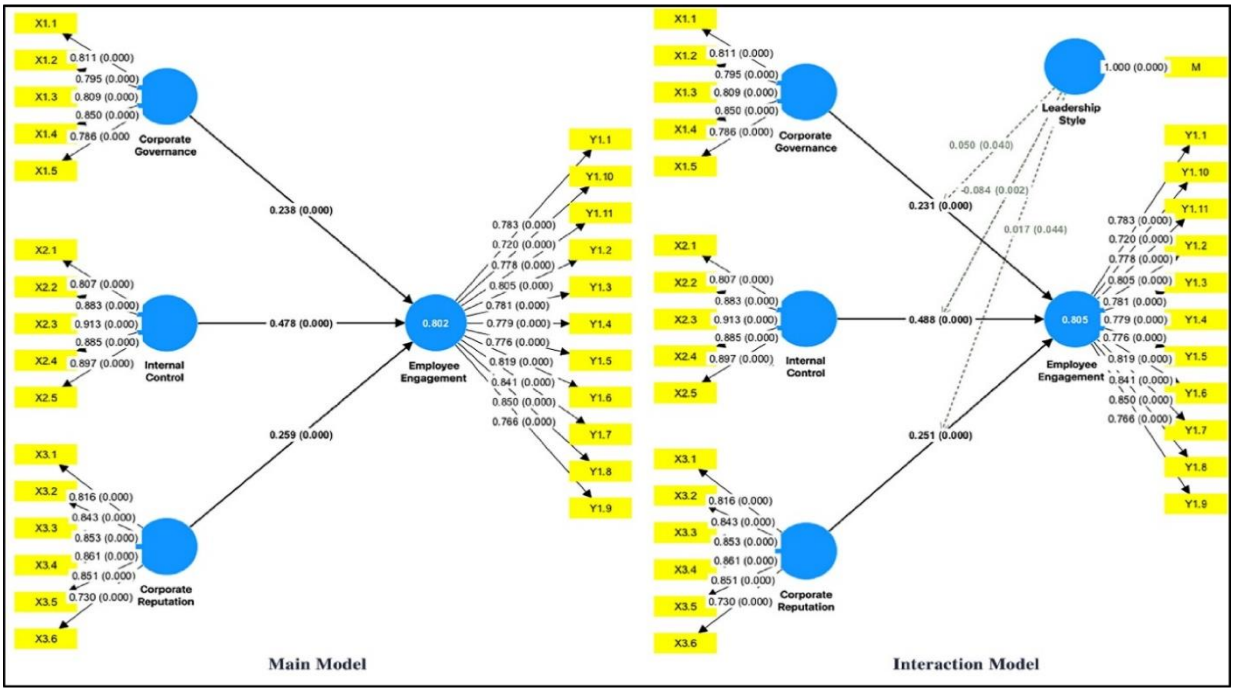

Figure 2. Bootstrapping results

The predictive relevance of the model was assessed using the PLSpredict method to evaluate how well the independent variables can forecast the dependent variable. According to Hair *et al.* [108], a Q^2 value greater than zero for any latent dependent variable indicates that the PLS model has predictive relevance [109]. The results of this analysis are presented in **Table 8**.

Table 8. PLSpredict (Q-Square)

Observed Variables	PLS		LM		PLS-LM		Q²_predict
	RMSE	MAE	RMSE	MAE	RMSE	MAE	
Main Model							
Y1.1	0.680	0.485	0.699	0.493	−0.019	−0.009	0.465
Y1.10	0.716	0.519	0.727	0.528	−0.010	−0.009	0.385
Y1.11	0.680	0.484	0.688	0.485	−0.008	−0.001	0.481
Y1.2	0.650	0.487	0.654	0.487	−0.004	0.000	0.507
Y1.3	0.688	0.503	0.697	0.503	−0.009	−0.001	0.488
Y1.4	0.615	0.438	0.692	0.511	−0.077	−0.073	0.466
Y1.5	0.659	0.474	0.675	0.482	−0.017	−0.008	0.465
Y1.6	0.596	0.328	0.600	0.418	−0.004	−0.090	0.554
Y1.7	0.520	0.386	0.613	0.470	−0.093	−0.085	0.605
Y1.8	0.541	0.393	0.563	0.401	−0.022	−0.009	0.584
Y1.9	0.607	0.445	0.707	0.535	−0.100	−0.091	0.476
Interaction Model							
Y1.1	0.682	0.486	0.701	0.495	−0.019	−0.008	0.462
Y1.10	0.716	0.518	0.728	0.529	−0.012	−0.011	0.385
Y1.11	0.679	0.484	0.689	0.487	−0.010	−0.003	0.483
Y1.2	0.651	0.487	0.656	0.488	−0.005	−0.001	0.507
Y1.3	0.688	0.502	0.698	0.504	−0.010	−0.002	0.487
Y1.4	0.716	0.539	0.794	0.613	−0.078	−0.074	0.465
Y1.5	0.660	0.475	0.676	0.483	−0.016	−0.008	0.463
Y1.6	0.602	0.432	0.602	0.620	0.000	−0.188	0.547
Y1.7	0.526	0.390	0.614	0.672	−0.089	−0.282	0.595
Y1.8	0.543	0.396	0.565	0.403	−0.022	−0.007	0.580
Y1.9	0.612	0.448	0.708	0.657	−0.096	−0.209	0.467

Table 8 demonstrates that the RMSE values obtained from the PLS-SEM models, both with and without interaction terms, were lower than those from the simple linear model (LM), indicating strong predictive capability. Moreover, all endogenous variable indicators produced Q^2 values above zero, suggesting that the PLS-based predictions improved the accuracy of out-of-sample forecasts, leading to smaller prediction errors across all measures.

Model fit was assessed using two criteria. First, the standardized root-mean-square residual (SRMR), which evaluates the discrepancy between the observed and predicted correlation matrices, and second, the normed fit index (NFI), which compares the model fit relative to a baseline model. A well-fitting model should have an SRMR below 0.08 (or 0.10) and an NFI above 0.90 [108].

As shown in **Table 9**, the saturated model without interaction met these criteria, with an SRMR of 0.075 (<0.08) and an NFI of 0.982 (>0.90). Similarly, the model including moderation showed an SRMR of 0.073 (<0.08) and an NFI of 0.979 (>0.90), confirming that the model demonstrates a good fit and is suitable for the study's analysis.

Table 9. Model fit

	Cut off	Saturated Model	Estimated Model	Conclusion
Main Model				
SRMR	< 0.08 – 0.10	0.075	0.075	Good Fit
d_ULS	na	2.135	2.135	na
d_G	na	1.020	1.020	na
Chi-Square	na	1989.655	1989.655	na
NFI	0.90	0.982	0.982	Good Fit
Interaction Model				
SRMR	< 0.08 – 0.10	0.073	0.073	Good Fit
d_ULS	na	2.176	2.178	na
d_G	na	1.038	1.038	na
Chi-Square	na	2021.532	2021.700	na
NFI	0.90	0.979	0.979	Good Fit

Hypothesis testing

The outcomes of the hypothesis testing, presented in **Table 10**, reveal several key insights into the relationships among the study variables. Corporate governance (CG), internal control (IC), and corporate reputation (CR) each demonstrate a significant and positive influence on employee engagement (EE), confirming the validity of hypotheses H1, H2, and H3. These findings suggest that well-structured governance, robust internal controls, and a strong corporate reputation play crucial roles in fostering higher levels of engagement among employees.
The analysis of leadership as a moderating factor shows that several hypotheses are supported. Democratic leadership enhances the effects of CG, IC, and CR on EE (H4, H5, H6), while bureaucratic and laissez-faire leadership styles strengthen select relationships (H8, H9, H11, H12). Authoritarian leadership also positively moderates some relationships (H13, H14), indicating that leadership approach can amplify the influence of organizational practices on employee engagement.
Nonetheless, not all proposed moderating effects were significant. Specifically, bureaucratic and laissez-faire leadership did not significantly boost the effect of corporate governance on employee engagement (H7, H10). Similarly, authoritarian leadership did not significantly enhance the influence of corporate reputation on employee engagement (H15). These results underscore that the impact of leadership styles is conditional and varies depending on the type of organizational factor being considered, highlighting the complexity of how leadership interacts with governance, controls, and reputation in shaping employee engagement.

Table 10. Hypothesis testing

Hypothesis	Path Direction	Path Coefficient	t-value	P-Values	Conclusion
H1	CG → EE	0.231	4.375	0.000	Accepted
H2	IC → EE	0.488	10.292	0.000	Accepted
H3	CR → EE	0.251	4.754	0.000	Accepted
H4	CG × DLS → EE	0.273	4.545	0.000	Accepted
H5	IC × DLS → EE	0.441	8.911	0.000	Accepted
H6	CR × DLS → EE	0.265	4.386	0.000	Accepted
H7	CG × BLS → EE	0.148	1.205	0.114	Rejected
H8	IC × BLS → EE	0.533	4.005	0.000	Accepted
H9	CR × BLS → EE	0.298	2.035	0.021	Accepted
H10	CG × LLS → EE	−0.011	0.043	0.483	Rejected
H11	IC × LLS → EE	0.655	2.011	0.022	Accepted
H12	CR × LLS → EE	0.323	1.727	0.042	Accepted
H13	CG × ALS → EE	0.465	2.186	0.014	Accepted
H14	IC × ALS → EE	0.486	1.747	0.040	Accepted
H15	CR × ALS → EE	0.010	0.043	0.483	Rejected

Discussion

Impact of corporate governance on employee engagement

Stakeholder Theory frames corporate governance as a mechanism that should account for the interests of all parties involved in an organization, not solely shareholders [110]. It emphasizes that balancing the priorities of various stakeholders, including employees, is key to promoting their welfare and engagement [111]. By advocating a long-term perspective, this theory links financial performance with ethical and sustainable business practices, which naturally cultivates a more committed workforce. Moreover, the theory encourages participatory decision-making and open communication [112], enabling employees to feel acknowledged and respected. This inclusive approach not only strengthens engagement but also enhances the organization's reputation and long-term viability, underscoring that valuing employees as stakeholders is crucial for sustainable and ethical growth [113-115].
Agency Theory, which explores the dynamics between principals (shareholders) and agents (managers or employees), provides another perspective on corporate governance and employee engagement. It asserts that aligning employee objectives with organizational goals is essential. Effective governance can achieve this through clear goal-setting, transparent performance evaluation, and reward systems such as bonuses or equity incentives that motivate employees to act in the company's best interest. Furthermore, addressing information gaps through open communication and feedback reinforces trust and strengthens engagement. However, poorly calibrated incentives may foster short-term thinking and undermine ethical behavior. Thus, Agency Theory highlights how robust governance practices can synchronize employee and company interests, enhancing motivation and productivity while reducing conflicts inherent in principal-agent relationships.
Empirical evidence consistently links strong corporate governance to higher employee engagement. Studies by Harter *et al.* [63], Zhenjing *et al.* [64], Colquitt *et al.* [65], Baquero [66], Islam *et al.* [67], Schnackenberg & Tomlinson [68] and Jiang & Luo [50] indicate that firms with well-defined governance structures tend to have more satisfied and engaged employees. Factors such as transparent communication, ethical conduct, and fair treatment of staff are often cited as key drivers of this

relationship [116-119]. Nevertheless, the effect varies across sectors and organizational cultures, suggesting that governance's impact on engagement is context-dependent [118, 120].
These findings carry several implications. Strategically, integrating governance principles into HR practices can significantly enhance employee engagement [61, 62]. Policymakers are encouraged to consider employee welfare as part of corporate governance regulations [61, 121]. Conceptually, these results suggest a shift in how governance is viewed—not merely as a compliance tool but as an ethical framework that prioritizes employee well-being [122]. Finally, the relationship between governance and engagement opens avenues for further research, particularly to explore causality and how cultural or organizational contexts shape this interaction [123, 124].

Impact of internal control on employee engagement
Agency theory provides insight into how internal controls shape employee engagement by addressing conflicts between principals (organizations) and agents (employees) and bridging gaps in information [11]. When implemented effectively, internal control systems guide employees toward behaviors that support organizational objectives, offering clarity on roles and expectations while discouraging opportunistic or self-serving actions [42, 125]. Beyond compliance, these systems foster a culture of fairness and trust, creating an environment where employees feel their contributions are meaningful and recognized [28, 44]. By integrating ethical standards and structured feedback mechanisms, internal controls not only ensure organizational accountability but also support employee development, enhancing security, autonomy, and overall engagement [126-128].
Research on the relationship between internal controls and engagement highlights a nuanced picture. Studies by Ashraf & Siddiqui [129], Mapuranga *et al.* [130], and Haryanto *et al.* [20] indicate that controls designed to empower employees—rather than restrict them—can enhance engagement and job satisfaction. Conversely, overly rigid or prescriptive controls may suppress motivation, as noted by Xu *et al.* [131], Rasool *et al.* [132], and Oliveira & Najnudel [133] These contrasting findings underscore the importance of carefully designing internal control systems to balance organizational oversight with employee empowerment. The current study supports a generally positive impact of internal controls on engagement, emphasizing that context, perception, and implementation are critical determinants.
From a practical perspective, these insights suggest that managers and HR practitioners should approach internal control design holistically. Controls should ensure operational efficiency while being perceived as supportive and fair. Embedding such controls within organizational culture and aligning them with employees' values can boost engagement. Elmghaamez & Ntim [134] highlight that internal governance effectiveness also depends on employees' technical and interpersonal capabilities, including IT auditing, report preparation, and communication skills. Training initiatives and feedback systems that enhance these skills and clarify the purpose of internal controls can maximize their positive effect on engagement, linking organizational goals with employee development.

Impact of corporate reputation on employee engagement
The Resource-Based View (RBV) offers a lens to understand the role of corporate reputation as a driver of employee engagement. Reputation is an intangible resource that is valuable, rare, difficult to imitate, and cannot easily be substituted, making it a key factor in sustaining competitive advantage [12]. It develops gradually through consistent stakeholder interactions, organizational culture, and historical performance, creating a unique asset that competitors cannot replicate [21, 135, 136]. A strong reputation provides strategic advantages, such as enhancing customer loyalty, enabling premium pricing, and attracting skilled talent [34].
Internally, employees who perceive their organization as reputable tend to experience greater pride, commitment, and motivation [137]. Engagement is reinforced by job security, career advancement prospects, and a sense of personal contribution to organizational success [138]. Importantly, the relationship between reputation and engagement is reciprocal: a respected corporate image enhances employee engagement, and engaged employees in turn reinforce the organization's performance and reputation [139, 140].
Empirical evidence supports this connection. Research involving 509 employees at a major South African bank found that perceptions of corporate reputation strongly predict engagement levels [32]. Similarly, Khuong *et al.* [141] reported that engagement, including that of employees, is closely tied to reputation. Reputation reflects the organization's reliability and ability to deliver value to stakeholders; when employees recognize this, they are more likely to invest effort and commitment in their work. Quantitative studies by Jiang *et al.* [142] and Frare & Beuren [33] further confirm that strong corporate reputation is positively associated with higher employee engagement.

Corporate reputation and employee engagement
Employee engagement reflects the emotional and cognitive connection that employees have with their organization and the work they perform. Highly engaged employees tend to be more productive, demonstrate loyalty, provide superior customer service, and act as advocates for their company, enhancing its public image. The findings of this study indicate that corporate

reputation plays a substantial role in shaping employee engagement. Organizations with strong reputations are more likely to cultivate fully engaged workforces, which in turn contributes to sustaining and further enhancing their public image. This dynamic suggests a reciprocal relationship: a positive corporate reputation fosters engagement, and engaged employees reinforce and protect the company's reputation.

It is important to emphasize that employee engagement extends beyond mere job satisfaction. Engagement entails alignment with organizational objectives and values, fostering a sense of belonging, and equipping employees with the resources necessary to perform effectively. When employees are truly engaged, they contribute in ways that uphold and strengthen the organization's reputation.

The practical implications of these results are multifaceted. Business leaders and human resource practitioners should integrate reputation management into strategic planning, recognizing that reputation is not solely an external concern but a critical driver of internal morale and performance. Effective internal communication is essential to convey the company's achievements and positive standing to employees, whether through newsletters, team meetings, or social media channels. Such communication can cultivate pride, belonging, and motivation among employees. From an academic perspective, these findings open avenues for further research. Future studies could examine the mechanisms through which different dimensions of corporate reputation—such as ethical practices or financial performance—affect engagement, as well as the moderating influences of organizational culture, leadership style, or individual employee characteristics.

The moderating role of leadership styles

The analysis of the fourth, fifth, and sixth hypotheses reveals that a democratic leadership style significantly moderates the relationship between independent variables and employee engagement. Consistent with contingency theory, which emphasizes that optimal actions depend on internal and external situational factors, democratic leadership fosters engagement by incorporating employee input into decision-making. In contexts such as implementing internal control, leaders who actively listen and integrate feedback can enhance both compliance and engagement. Prior research supports this finding, demonstrating that democratic leadership positively influences employee outcomes by creating an environment of fairness, moral integrity, and collaborative problem-solving [143]. Employees under democratic leaders often feel valued, which strengthens commitment and satisfaction.

In contrast, the seventh hypothesis indicates that bureaucratic leadership does not moderate the effect of corporate governance on engagement. However, hypotheses eight and nine show that bureaucratic leadership amplifies the influence of internal controls on engagement. By enforcing adherence to rules and consistent procedures, bureaucratic leaders can strengthen both internal control effectiveness and employee compliance, which may increase engagement. Similarly, bureaucratic leadership can enhance corporate reputation by signaling organizational reliability and predictability, although excessive rigidity or micromanagement can diminish employee satisfaction [90].

The tenth hypothesis shows that laissez-faire leadership does not strengthen the relationship between corporate governance and engagement, while hypotheses eleven and twelve demonstrate its positive moderating effect on the link between internal controls and engagement. Laissez-faire leadership grants employees freedom and autonomy, which can encourage self-regulation, innovation, and stronger engagement with internal control processes. However, excessive freedom without oversight can risk governance lapses, aligning with contingency theory's assertion that the appropriateness of a leadership style depends on situational factors.

Overall, the findings highlight that each leadership style carries distinct advantages and drawbacks. Democratic leadership promotes collaboration and employee voice, bureaucratic leadership enforces structure and reliability, and laissez-faire leadership encourages autonomy and initiative. Each style also impacts corporate reputation differently, shaping employees' perceptions and engagement. For example, democratic leaders may foster a sense of security and support, whereas laissez-faire leaders may signal trust in employees' self-governance. Notably, these results partially contrast with prior studies suggesting that laissez-faire leadership can harm engagement under certain conditions [144], underscoring the importance of contextual factors in leadership effectiveness.

Authoritarian leadership and employee engagement

The thirteenth and fourteenth hypotheses indicate that authoritarian leadership significantly moderates the relationships between corporate governance, internal control, and employee engagement. In contrast, the fifteenth hypothesis shows that this leadership style does not influence the effect of corporate reputation on engagement. These findings suggest that as the degree of authoritarian leadership increases, the impact of corporate governance and internal controls on employee engagement becomes more pronounced. Authoritarian leaders maintain strict control, often making decisions without consulting employees. While this can strengthen adherence to governance policies and internal control procedures, it can also create discomfort among employees, potentially leading to disengagement due to perceived rigidity or lack of voice.

This study reinforces the notion that leadership styles play a critical role in shaping the effectiveness of corporate governance and internal controls in driving engagement [104]. Strong leaders establish clear standards and enforce compliance, and by modeling expected behaviors, they encourage employees to follow suit, thereby promoting engagement. However, leadership approaches should be adapted to contextual needs. For instance, certain organizational or team environments may require a combination of strict guidance and opportunities for employee input. Authoritarian leadership can be particularly effective in strengthening internal controls, as employees are more likely to comply when leaders exercise substantial authority, resulting in improved control adherence and engagement outcomes.

Conclusions

Summary of findings

This study highlights the critical interplay between corporate governance and employee engagement, emphasizing the importance of aligning organizational oversight with employee welfare. Such alignment is essential for sustaining long-term business success. The research further underscores the significance of internal control systems, illustrating that the way controls are designed, implemented, and perceived can influence employee motivation and engagement. These findings illuminate the broader organizational implications of control mechanisms, extending beyond compliance to impact overall performance and workplace culture.

Corporate reputation also emerges as a vital determinant of employee engagement. Organizations with strong reputations foster a sense of pride, motivation, and commitment among employees, creating a feedback loop in which engaged employees further enhance the company's reputation. This demonstrates the dual role of corporate reputation as both an external strategic asset and an internal driver of workforce engagement.

Leadership style plays a critical moderating role in these dynamics. The study demonstrates that democratic leadership significantly enhances the positive effects of corporate governance, internal controls, and corporate reputation on employee engagement. By fostering inclusivity, participation, and transparency, democratic leaders amplify the effectiveness of governance mechanisms, strengthen internal control adherence, and reinforce engagement aligned with organizational values and reputation.

Similarly, bureaucratic leadership affects the relationship between internal controls and engagement. Its structured, hierarchical approach can either support or hinder the effectiveness of internal control mechanisms, depending on how policies are communicated and implemented. Bureaucratic leadership may also influence how corporate reputation translates into engagement, acting as a stabilizing force when aligned with employee expectations, but potentially creating disengagement if perceived as overly rigid or disconnected from employee values.

Authoritarian leadership, as noted, strengthens the impact of corporate governance and internal controls on engagement through strict oversight, yet it may not enhance engagement related to corporate reputation. Finally, laissez-faire leadership demonstrates mixed effects: while it can encourage autonomy and self-regulation, excessive freedom without guidance can undermine governance and engagement outcomes.

Overall, the study emphasizes that effective employee engagement depends not only on strong governance, internal controls, and reputation management but also on the adaptive application of leadership styles suited to organizational context and employee needs.

Laissez-Faire and authoritarian leadership effects

The study indicates that in organizations where laissez-faire leadership predominates, the ability of internal control systems to enhance employee engagement is considerably affected. The hands-off approach characteristic of this leadership style often leads to reduced oversight, weaker enforcement of internal controls, and less direct guidance for employees. Consequently, internal control mechanisms may have a diminished or inconsistent effect on motivating engagement. Similarly, laissez-faire leadership can moderate the relationship between corporate reputation and employee engagement. Minimal leader involvement may result in employees forming independent interpretations of the organization's reputation, which could weaken or vary the influence of reputation on engagement depending on employees' individual alignment with organizational values.

Authoritarian leadership, in contrast, exerts a more directive influence on engagement outcomes. The findings show that this leadership style strengthens the impact of corporate governance and internal controls on employee engagement. Under authoritarian leadership, centralized decision-making and strict enforcement of policies ensure compliance and alignment with organizational objectives. However, while such oversight can reinforce internal control adherence and engagement, it can also lead to reduced autonomy and employee motivation if applied too rigidly. Interestingly, authoritarian leadership does not appear to significantly affect the relationship between corporate reputation and employee engagement, suggesting that reputation-driven engagement is less sensitive to top-down control. These results underscore that the effects of leadership style are context-dependent, influencing how governance and control mechanisms translate into employee engagement.

Implications

This study contributes to the literature by integrating multiple constructs—corporate governance, internal control, corporate reputation, and leadership style—within the framework of employee engagement. By examining these factors collectively, it challenges traditional approaches that often consider them in isolation and provides a holistic perspective on their interconnections. Future research could explore these dynamics across different industries, cultures, and organizational sizes to uncover unique contextual effects, thereby extending the generalizability of the findings and enriching our understanding of organizational behavior and management.

Leadership style emerges as a critical factor in determining the effectiveness of corporate governance and internal controls in fostering engagement. Democratic leadership, in particular, enhances inclusivity, transparency, and employee participation. Organizations should prioritize leadership development programs that cultivate these qualities, encouraging leaders to balance organizational objectives with employee welfare. Regular training, open communication channels, and participative decision-making processes can help embed a culture of engagement and collaboration.

The findings also suggest rethinking corporate governance and internal control systems beyond mere compliance. Organizations should design these systems to be adaptive, transparent, and participatory, actively involving employees in policy development and ethical decision-making. Such an approach fosters a sense of value, fairness, and ownership among employees, which in turn strengthens engagement.

Corporate reputation is identified as a key strategic asset that directly influences employee engagement. Organizations should actively manage their reputation by aligning public image with internal practices, promoting ethical behavior, and committing to social responsibility initiatives. Transparency, regular feedback mechanisms, and engagement in community or social programs can reinforce employees' identification with the company, encouraging them to act as ambassadors of its reputation.

Finally, the study emphasizes the importance of aligning leadership style, organizational structure, and HR practices. In democratic environments, organizational structures should support collaboration, flexibility, and empowerment, while HR practices should focus on development, performance feedback, and employee autonomy. In contrast, more authoritarian contexts benefit from clear hierarchies, defined roles, structured evaluations, and strict adherence to policies. Tailoring organizational practices to complement leadership style ensures coherence, enhances employee engagement, and fosters a productive and harmonious workplace.

Employee Engagement Strategies Aligned with Leadership Style

The findings underscore the importance of tailoring employee engagement initiatives to fit the prevailing leadership style and organizational culture. In democratic environments, engagement strategies may emphasize collaborative projects, recognition programs, and open channels for feedback and idea-sharing, fostering participation and inclusivity. Conversely, in authoritarian settings, engagement may be driven more effectively through clearly defined goals, structured performance feedback, and reward systems directly tied to measurable outcomes. The key is to ensure that engagement approaches resonate with employees' perceptions, values, and expectations while reflecting the leadership practices and cultural norms of the organization.

Limitations and Future Research Directions

This study has several limitations that should be considered when interpreting the findings. First, the research was conducted within the logistics sector, which may limit the generalizability of results to other industries. Organizational dynamics, including leadership styles and engagement practices, can vary considerably across sectors, cultures, and economic contexts. As noted by Handoyo *et al.* [145, 146], an organization's response to external pressures is shaped by its unique characteristics. Therefore, the findings may not fully capture the dynamics present in different industrial or cultural settings.

Second, the study relied on self-reported measures of leadership style and employee engagement, which are susceptible to social desirability and response biases. Participants may provide answers they perceive as favorable or expected, potentially overestimating or underestimating the strength of the observed relationships. Additionally, categorizing leadership into discrete styles can oversimplify the complex spectrum of actual leadership behaviors. In reality, leaders often exhibit hybrid or overlapping styles, which may influence engagement in nuanced ways that are not fully captured by categorical classification.

Third, the study primarily employed quantitative methods, which, while effective for identifying patterns and statistical relationships, may not fully reflect the complexity of human behavior and organizational phenomena. Constructs like employee engagement are influenced by subjective perceptions, emotions, and social interactions, while corporate governance involves intricate stakeholder dynamics shaped by ethical and cultural factors. Quantitative metrics alone may overlook these subtleties, limiting the depth of understanding of the phenomena under investigation.

Fourth, the study's scope, which encompassed corporate governance, internal controls, corporate reputation, employee engagement, and the moderating role of leadership style, presents challenges in achieving detailed exploration of each

construct. While providing a comprehensive overview, the breadth of the study may limit the granularity of findings in individual areas. Methodological constraints, such as survey design and data collection approaches, may also restrict the ability to capture the full complexity of organizational behavior and interactions among variables.
For future research, longitudinal study designs are recommended to examine how the relationships between leadership, governance, reputation, and employee engagement evolve over time. Such designs can provide insights into the sustainability and long-term effects of organizational practices on engagement. Expanding research to include diverse cultural and economic contexts would enhance the applicability of the findings. Comparative studies across global settings could illuminate how cultural norms, business practices, and leadership expectations shape the interplay between corporate governance, leadership styles, and employee engagement [147, 148]. These directions would contribute to a more nuanced and globally relevant understanding of organizational dynamics.

Directions for Future Research

Incorporating qualitative research methods, such as in-depth interviews or detailed case studies, could provide richer insights into the subtleties of leadership, corporate governance, and employee engagement. Such approaches allow for exploration of the nuanced and context-dependent aspects of these relationships that quantitative methods may not fully capture. Future studies could also examine a broader spectrum of leadership behaviors, moving beyond fixed categories to recognize the fluid and multifaceted nature of leadership in organizational settings. This would enable researchers to uncover more intricate associations between leadership styles and employee engagement.
Expanding the scope to include additional variables—such as organizational culture, external environmental pressures, or individual employee characteristics—could offer a more holistic understanding of how these factors interact with governance and leadership to shape engagement. Such contextualization is crucial for understanding the mechanisms through which corporate governance and leadership styles influence employee behavior and organizational outcomes.
Future research could also adopt a more focused approach by investigating the specific effects of particular leadership styles on the relationship between corporate governance and employee engagement. Comparative studies across different cultural, industrial, or organizational contexts would shed light on which findings are universal and which are context-specific. Longitudinal research designs would be particularly valuable for examining how these dynamics evolve over time, especially in response to changes in economic conditions, technology, and societal expectations. These approaches would enhance the robustness and applicability of the findings, providing deeper insights into the complex interplay between governance, leadership, and employee engagement.

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