Enhancing Employee Engagement in Indonesian Logistics and Forwarders Industry: The Moderating Role of a Democratic Leadership Style

Haryanto Haryanto [1,*] , Harry Suharman [1], Poppy Sofia Koeswayo [1] and Haryono Umar [2]

[1] Department of Accounting, Faculty of Economics and Business, Padjadjaran University, Bandung 45363, Indonesia
[2] Department of Accounting, Faculty of Economics and Business, Perbanas Institute, Jakarta 12940, Indonesia
* Correspondence: haryanto2689@gmail.com or haryanto20001@mail.unpad.ac.id; Tel.: +62-8111517989

Abstract: The quality of employee skills and job commitments, measured based on their retention, is essential in the current rapidly changing technological world. This study aimed to identify the influences of corporate governance (CG), internal control (IC), and corporate reputation (CR) on employee engagement (EE) with democratic leadership style as the moderating variable. Data from 276 companies with 606 respondents were collected using a Google form questionnaire sent to logistics companies that are members of the Indonesian Logistics and Forwarders Association (ILFA) and analyzed using the Partial Least Square–Structural Equation Modeling (PLS–SEM) with the help of SmartPLS 4.0.7.8 software. The results showed that corporate governance, reputation, and internal control positively influence employee engagement. Furthermore, the democratic leadership style does not strengthen the effects of corporate governance, internal control, and corporate reputation on employee engagement. This implies that leaders of the Indonesian logistics and forwarders industry should find a more suitable leadership style for their respective organizations because democratic leadership may not always be the best choice.

Keywords: leadership style; corporate governance; internal control; corporate reputation; employee engagement

1. Introduction

One of the goals of every company is to maintain business continuity and survival, which requires them to have the resources to adapt to changes in their environment. This means that the quality of employee skills and job commitments, measured based on their retention rates, is essential in the current rapidly changing technological world. In line with this, employee engagement (EE) is reflected in urgency, intensity, focus, enthusiasm, persistence, role expansion, and adaptability (Macey et al. 2009). According to lastminute.com (2019), Indonesia is ranked first among the most chilled-out countries. This lastminute rank can lead to an indirect conclusion that Indonesian workers have a lower sense of urgency or work commitment. In addition, based on the record of Indonesia's Ministry of Manpower, the employee turnover rate in Indonesia is also recorded high. This fact was revealed by Mr. Marajohan, the Head of Infrastructure and IT Security at the Ministry of Manpower, by stating that an unconducive work environment is one of the dominant factors in delivering a high employee turnover rate in the country (Marajohan 2016). Low work commitment and high turnover rate are two main factors which directly relate to employee engagement level.

Employee engagement is important in order to provide the best environment, physically and psychologically, while working because it tends to influence the company's effectiveness and efficiency (Kahn 1990). This raises the question of whether Indonesians

work hard irrespective of the varied leadership styles. As the third-largest democracy country globally, the most used leadership style is democratic. Meanwhile, company leadership is the leading actor in creating a work ethic mentality and organizational culture. This study aims to determine the role of active, dynamic, and purposeful democratic movement in improving employee engagement.

A good leader (Turk 2010) with systematic corporate governance (CG) easily followed by employees (Stahl and de Luque 2014), an adequate internal control (IC) system framework (Otley 1999), and an excellent company reputation (Treviño et al. 2000) are needed for a company to achieve success. These three factors also affect employee engagement (Gatzert and Schmit 2015; Jiang and Shen 2020; Kumar and Sia 2012). Indonesia is the largest archipelagic country globally, making its logistics industry critical (Sunaryo 2019). According to Vilko et al. (2011), the logistics industry is a wheel of economic growth, specifically in developing countries such as Indonesia. Coordinating Minister for Maritime Affairs and Investment, Luhut Binsar Pandjaitan, noted that the logistics costs in Indonesia currently accounted for up to 26% of the GDP, while those of neighboring countries only stood at 13%. This shows that Indonesian products are expensive and less competitive as compared to those of other countries; hence, Mr. Pandjaitan targeted logistics costs in the country to account for 17% of the national gross domestic product (GDP) in 2024 (Sanya and Suharto 2022). Therefore, it is necessary to explore the capability of Indonesia, a chill country, to adapt to the fast-changing logistics industry.

This is the first study investigating democratic leadership's effect on employees' engagement through corporate governance, reputation, and internal control. The Indonesian logistics and freight forwarding industry were selected as the study subject.

2. Literature Review

2.1. Democratic Leadership Style

Leadership, an essential management skill in an organization, is a process of influencing people to achieve a common goal (Hilton et al. 2021). A good leader uses the available resources and directs employees' activities to achieve the company's predetermined goals. Leadership is the process of convincing and encouraging others to work as a team to perform a specific purpose. A leader's leadership style is unique in different situations and cannot be inherited automatically.

A democratic leader accepts and appreciates staff and subordinates' suggestions, opinions, and advice through deliberative forums to reach an agreement (Miloloza 2018). This type of leader is active, dynamic, purposeful and controls activities orderly and responsibly (Fiaz et al. 2017). Furthermore, task division is accompanied by a clear delegation of authority and responsibility, facilitating active member participation. Democratic leaders respect individuals' potential and listen to subordinates' advice and suggestions. They recognize specialists' expertise in effectively utilizing the members' capacities at the correct times and conditions.

2.2. Corporate Governance

Good corporate governance (GCG) is essential to any country's economic development because it improves financial performance and access to external resources. In emerging markets, GCG's policy objectives include minimizing the possibility of financial distress, strengthening property rights, reducing operational and capital costs, and developing efficient markets (Ali et al. 2019). GCG practices reduce investor risk, attract investment, and improve company performance (Chaudhary 2017). It reduces agency costs by protecting and realigning the principals' interests with the agents. It also minimizes information asymmetry between principals and agents and ensures adequate monitoring and direction. Therefore, GCG plays a significant role in ensuring company operations run smoothly.

2.3. Internal Control

Internal control prevents and detects fraud and protects physical and intangible resources, thereby leading to business efficiency and proper functioning. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as quoted by Suárez and Panamericana (2017), internal control is influenced by the board of commissioners, management, and other personnel within an entity. It is designed to provide reasonable assurance regarding achieving effective and efficient operations, report reliability, and compliance with regulations. Adegboyegun et al. (2020) stated that internal control is integral to the company's policy and risk management system. It is a fundamental factor in supporting the achievement of goals and protecting company owners' assets (Cika 2017).

2.4. Corporate Reputation (CR)

Corporate reputation refers to organizational conceptualization by external stakeholder groups or other interested parties (Tong 2013). It is an attractive and important intangible asset because it contributes significantly to the organization's long-term competitive advantage. It also builds and maintains a positive reputation and ensures the stakeholders' sustainable participation in the company's activities. Corporate reputation integrates the company with its environment as a basis for sustainable enterprise survival and profit (Luis et al. 2015). A good corporate reputation makes employees feel more valued and respected, motivating them to do their jobs.

In public relations, the company's reputation is expressed as a cognitive representation in a collective sense. Therefore, corporate reputation is considered a collective conception among corporate stakeholders (Tong 2013).

2.5. Employee Engagement

Performance is influenced by individual, organizational, and psychological factors. In line with this, employee engagement is a sense of attachment to their work or organization. According to Kular et al. (2008), it is a physical, emotional, and intellectual commitment to the organization and the efforts shown in completing work. Wellins and Concelman (2005) stated that employee engagement constitutes commitment, loyalty, productivity, and ownership. Xiao and Duan (2014) reported that it is a conceptualization that includes initiative, dedication, effectiveness, identity, and commitment to the company.

Employees feel genuinely engaged and enthusiastic about their work and organization. Engagement is the willingness to contribute to the company's success through employees' willingness to complete their work passionately and even work overtime.

In addition, the involvement of owners, particularly in small and medium enterprises (SMEs), in enhancing the employee engagement rate is also essential. This fact was proven by a research finding which shows that 90.9% of SME owners think that ethical company culture contributes to employee loyalty (Mura et al. 2021).

3. Study Framework and Hypothesis Development

Based on the study framework shown in Figure 1, the hypotheses development was constructed as follows.

3.1. Corporate Governance and Employee Engagement

Corporate governance creates transparent communications (Jiang and Shen 2020), pays attention to accountability (Men and Hung-Baesecke 2015), responds to the environment, and accepts employees' voices (Bandura and Lyons 2017). It also helps establish a transparent culture (O'Connor and Crowley-Henry 2019), resulting in employee comfort with increased engagement.
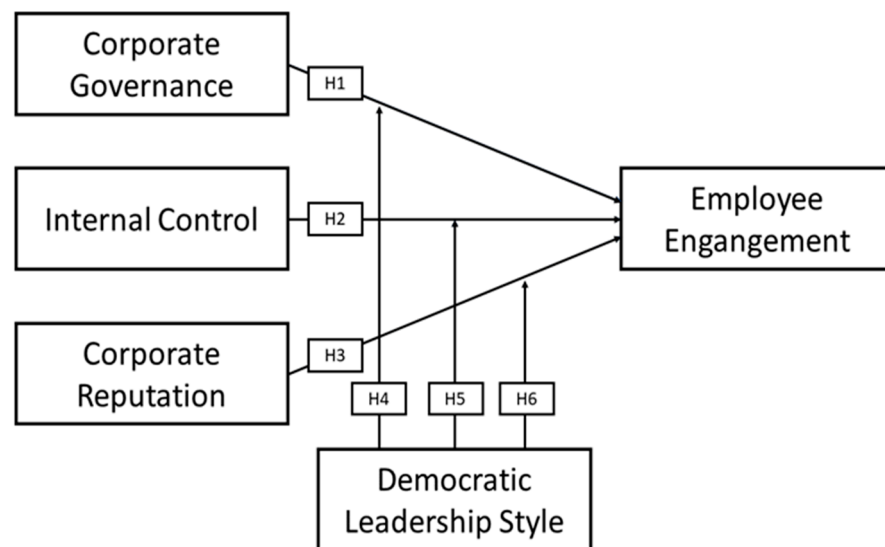
Figure 1. Study Framework.

Based on these previous studies, the first hypothesis was formulated as follows:

Hypothesis 1 (H1): *Corporate Governance positively influences Employee Engagement.*

3.2. Internal Control and Employee Engagement

Effective internal control creates a good working environment (Robinson 2006), leading to easier task completion (Bakker and Schaufeli 2008) and increased employee engagement.
Based on these previous studies, the second hypothesis was formulated as follows:

Hypothesis 2 (H2): *Internal Control positively influences Employee Engagement.*

3.3. Corporate Reputation and Employee Engagement

Corporate reputation is the ultimate result of company activity. A good corporate reputation makes employees proud while working, leading to increased engagement (Shirin and Kleyn 2017).
Based on these findings, the third hypothesis was formulated as follows:

Hypothesis 3 (H3): *Corporate Reputation positively influences Employee Engagement.*

3.4. Democratic Leadership Style, Corporate Governance, and Employee Engagement

Employee engagement (EE) shapes the organizations' general perception of how their contributions and well-being are valued. Employees believe the company loves their contributions, cares about their well-being, and meets socio-emotional needs. This shows that the democratic leadership style strengthens corporate governance's effect on employee engagement (Fiaz et al. 2017).
Therefore, the fourth hypothesis was formulated as follows.

Hypothesis 4 (H4): *Democratic Leadership Style strengthens Corporate Governance's effect on Employee Engagement.*

3.5. Democratic Leadership Style, Internal Control, and Employee Engagement

The employees' high commitment to their duties and outstanding behavior based on laws and regulations is built based on the trust in the organization's values and willingness to help it realize its goals. Employees who feel bound by corporate values are happy to work and increase their performance. Therefore, the democratic leadership style strengthens the internal control's effect on their engagement (Fiaz et al. 2017).

Based on these previous findings, the fifth hypothesis was formulated as follows:

Hypothesis 5 (H5): *Democratic Leadership Style strengthens Internal Control's effect on Employee Engagement.*

3.6. Democratic Leadership Style, Corporate Reputation, and Employee Engagement

Employees put more effort into their roles and duties, implying that companies must manage human resources. Higher employee engagement leads to better performance. In line with this, leadership implies inviting or influencing people to achieve common goals. Singh (2021) stated that transformational leadership leads to higher employee engagement in service sector companies in Pakistan. Meanwhile, democratic leadership strengthens the effect of corporate reputation on employee engagement (Fiaz et al. 2017).

A good leader creates a reputation that the company has good prospects (Men and Stacks 2013). This nurtures high self-confidence in employees, affecting their engagement with the company (Shirin and Kleyn 2017).

Based on these findings, the sixth hypothesis was formulated as follows:

Hypothesis 6 (H6): *Democratic Leadership Style strengthens the influence of Corporate Reputation on Employee Engagement.*

4. Methodology

4.1. Sample and Data Collection

The study sample comprised employees with a minimum education of D3 (Diploma) and graduates with at least two years of working experience in the Indonesian Logistics and Forwarders Association (ILFA) companies. Data were collected using a Google Form questionnaire sent to ILFA members and obtained from 276 logistics companies with 606 respondents as study participants. The data collection period was carried out from 14 October 2021, until 22 February 2022.

In conjunction with the quantitative study, where data were collected using a Google Form questionnaire, qualitative approaches, such as interviews, were conducted using the Zoom application for more information. The interviews provided insights into what is occurring in the Indonesian logistics and forwarders industry based on their experience. Table 1 describes the companies where the respondents operate.

Table 1. Variable Measures.

Name	Company	Position	Interview Date
Lita Wulandari	PT. Pos Logistics Indonesia	Human capital manager	1 April 2022
Erry F. Setianto	PT. Bina Sarana Samudera Jaya	Director	4 April 2022
Maruly Suryono	A joint venture, Indonesia, and Australia-based logistics company	Country manager	4 April 2022
Linda Cipta Anugrah	PT. GPI Logistics	Assistant general manager	5 April 2022
Subli Fikri Julis	PT. Pancaran Group	Head of human capital	5 April 2022
Eka Yannewaty Jayakusuma	A.P. Moller—Maersk	Area director	5 April 2022

4.2. Measurement

The variable of democratic leadership style used in this research was derived from the definition published by Kelly and MacDonald (Kelly and MacDonald 2016). Three indicators were used to reflect respondents' answers with a democratic style. The corporate governance variable was derived from basic principles issued by the Indonesian Corporate

Governance Committee (KNKG) (KNKG 2019). The good corporate governance principles consist of 5 points, namely, transparency, accountability, responsibility, independence, and fairness. The internal control variable was based on the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) which consists of five points. Corporate reputation variable was adopted from the publication of Morsing (Morsing et al. 2008) with six elements. As for the employee engagement variable, it was adopted from Imandin et al. (Imandin et al. 2015).

In answering questions for each variable, respondents were provided with five multiple choices based on facts in their company (see Appendix A). The respondent was allowed to choose more than one fact depending on the actual condition in their respective organization. Respondents' answers were tabulated with the following criteria, which refers to a five-point Likert scale. If a respondent selects a response of "None of the above facts," it is given a value of 1. If a respondent chooses one fact, it is given a value of 2. If a respondent selects two facts, it is given a score of 3. If a respondent chooses three facts, it is given a value of 4. If a respondent chooses four facts, it is given a value of 5. However, if any respondent selects all five multiple choices, the answer was considered invalid, and the data were not used in the analysis. Table 2 describes variables and measures used in this research.

Table 2. Variable Measures.

Variable	Measures
Democratic Leadership Style (Kelly and MacDonald 2016)	Decision making Motivating Employee interaction
Corporate Governance (KNKG 2019)	Transparency Accountability Responsibility Independence Fairness
Internal Control (COSO 2013)	Control environment Risk assessment Control activities Information and communication Monitoring
Corporate Reputation (Morsing et al. 2008)	Emotional attraction Products and services Working environment Financial performance Vision and leadership Social responsibility
Employee Engagement (Imandin et al. 2015)	Cognitive drivers Emotional engagement Behavioral engagement Feeling valued and involved Having an engaged leadership team Trust and integrity Nature of the job The connection between individual and company performance Career growth opportunities Stress-free environment Change management

4.3. Data Analysis

Data were analyzed using the Partial Least Square–Structural Equation Modeling (PLS–SEM) approach with SmartPLS 4.0.7.8 software. PLS–SEM consists of the outer and

inner models, which evaluate the measurement and structural models (Hair et al. 2017). The measurement model is evaluated using the PLS–algorithm technique, which consists of an internal consistency test (composite reliability) and a validity test (convergent validity, discriminant validity, and average variance extracted (AVE)) (Hair et al. 2017). The evaluation of the structural model was conducted using bootstrapping technique which consists of R2, Q2—predictive relevance, size and significance of the path coefficient and f2—effect size (Hair et al. 2017).

Limitations for assessing convergent validity are the standardized loading factor value > 0.7 and the AVE > 0.5 (Hair et al. 2017). Meanwhile, the measurement of discriminant validity uses the heterotrait–monotrait ratio of correlations (HTMT) method with the correlation limit between variables < 0.9 (Henseler et al. 2015). The item is declared reliable, assuming the composite reliability value (rho_a) > 0.7 and not more than 0.95 (Hair et al. 2017).

The value of R2 is the contribution of exogenous variables in explaining the endogenous. It is categorized as strong, medium and weak at values of 0.75, 0.5 and 0.25, respectively (Hair et al. 2017). The value of f2 is a substantial explanation of the effect of exogenous variables on the endogenous variables, where 0.02, 0.15, and 0.35 represent weak, moderate, and strong categories, respectively (Hair et al. 2017). The model has a good predictive value assuming the total value of Q2 > 0. Finally, the acceptance of the study hypothesis refers to the Sig value < 0.05 and the t-value > 1.96 (Hair et al. 2017).

5. Results

5.1. Descriptive Analysis

Table 1 shows that the distribution of respondents based on the company type consists of two groups, respondents work for private enterprise (98.84%) and respondents work for state-owned enterprises (1.16%). From the company's location, there were respondents working for companies located in Java and Bali (86.80%), respondents working for companies located in Kalimantan (4.13%), respondents working for companies located in Sumatra (7.26%), respondents working for companies located in Sulawesi (0.83%), and respondents working for companies located in other areas of Indonesia (0.99%).

The respondents' work position consists of five types, namely, employees who serve as supervisors, managers, general managers, boards of directors, and boards of commissioners. There were respondents who served as supervisors (41.91%), respondents who served as managers (44.88%), respondents who served as general managers (6.60%), respondents who served on the board of directors (4.95%), and respondents who served on the board of commissioners (1.65%). The most number respondents were those who served as managers, while the least were respondents who served on the board of commissioners.

The distribution of respondents based on the length of employment service at the company currently consists of those who have worked for 2–5 years and those who have worked for more than 5 years. There were respondents who have worked for 2–5 years (64.85%) and respondents who have worked for more than 5 years at the current company (35.15%). Most respondents were employees who have worked for 2–5 years at the current company.

The distribution of respondents based on their recent education consists of three types, namely, Diploma 3 degree, Diploma 4/bachelor's degree, and Master/Ph.D. degree. There were respondents whose recent education was Diploma 3 degree (15.02%), respondents whose recent education was Diploma 4/bachelor's degree (50.66%), and respondents whose recent education was Master/Ph.D. degree (34.32%). Most respondents' most recent education was Diploma 4/bachelor's degree. Table 3 describes the respondent's characteristics.

Table 4 shows that the division of companies based on company's type consists of two types, namely private company, and public company. There were private company (98.91%) and public company (1.09%). Based on the company's location, there were five types of namely companies located in Java and Bali, Kalimantan, Sumatra, Sulawesi, and other

parts of Indonesia. There were companies located in Java and Bali (89.13%), companies located in Kalimantan (3.62%), companies located in Sumatra (5.43%), companies located in Sulawesi (1.09%), and companies located in other parts of Indonesia (0.72%). Most of the research samples were companies located in Java and Bali.

Table 3. Descriptive Analysis (Respondents).

Characteristics	Total	Percentage
Type of Company:		
Private enterprise	599	98.84%
State-owned enterprise	7	1.16%
Total	606	100.00%
Location of Company:		
Java and Bali	526	86.80%
Kalimantan	25	4.13%
Sumatra	44	7.26%
Sulawesi	5	0.83%
Others	6	0.99%
Total	606	100.00%
Job Position:		
Supervisor	254	41.91%
Manager	272	44.88%
General manager	40	6.60%
Board of directors	30	4.95%
Board of commissioners	10	1.65%
Total	606	100.00%
Employment Period:		
2–5 years	393	64.85%
More than 5 years	213	35.15%
Total	606	100.00%
Education Level:		
Diploma 3	91	15.02%
Diploma 4/bachelor's degree	307	50.66%
Master/Ph.D. degree	208	34.32%
Total	606	100.00%

Table 4. Descriptive Analysis (Companies).

Characteristics	Total	Percentage
Type of Company:		
Private Sector	273	98.91%
State-Owned Enterprise	3	1.09%
Total	276	100.00%
Location of Company:		
Java and Bali	246	89.13%
Kalimantan	10	3.62%
Sumatra	15	5.43%
Sulawesi	3	1.09%
Others	2	0.72%
Total	276	100.00%

5.2. Common Method Bias

This study used an online distributed questionnaire, a common method bias, to ensure the data were free from bias during the collection process. Testing the level of bias is measured using the full collinearity test method with collinearity statistics (VIF) and applying the consistent PLS algorithm technique. Kock and Lynn (2012) proposed the full collinearity test as a comprehensive procedure for simultaneously assessing vertical and lateral collinearity. When the VIF value is greater than 3.3, it indicates that the model is contaminated by common method bias and vice versa (Kock 2015).

Table 5 shows that all study constructs produce a VIF value of less than 3.3; hence, it can be ascertained that all data are free from common method bias.

Table 5. Common Method Bias.

	Corporate Governance	Corporate Reputation	Internal Control	Employees' Engagement	Democratic Leadership
Corporate governance		2.515	2.451	2.257	2.558
Corporate reputation	2.903		2.700	2.580	3.043
Internal control	2.199	2.078		2.249	2.316
Employees' engagement	3.119	3.049	3.282		3.140
Democratic leadership	1.345	1.345	1.335	1.211	

5.3. Measurement Model Analysis (Outer Model)

The convergent validity test results in Table 6 show that all indicators in each latent variable produce a loading factor and average variance extracted (AVE) above 0.7 and 0.5. However, the X2.1 item in the internal control constructs, X3.1 and X3.3 on the corporate reputation construct, as well as Y1.3 and Y1.5 produce a loading factor value < 0.7, which is considered valid because it is above 0.5 (Hair et al. 2017). Furthermore, the value of composite reliability (rho_a) in each construct is above 0.7 and less than 0.95; hence, the items in each construct have a good level of consistency in measuring the variables.

Table 6. Validity and Reliability Analysis.

Variable	Item	Loading Factor	AVE	Composite Reliability (rho_a)
Democratic leadership	M1	0.902	0.817	0.846
	M2	0.902		
	M3	0.908		
Corporate governance	X1.1	0.796	0.619	
	X1.2	0.768		
	X1.3	0.803		
	X1.4	0.752		
	X1.5	0.814		
Internal control	X2.1	0.682	0.612	0.852
	X2.2	0.807		
	X2.3	0.804		
	X2.4	0.848		
	X2.5	0.760		
Corporate reputation	X3.1	0.692	0.548	0.839
	X3.2	0.779		
	X3.3	0.645		
	X3.4	0.795		
	X3.5	0.793		
	X3.6	0.724		
Employee engagement	Y1.1	0.828	0.577	0.928
	Y1.2	0.782		
	Y1.3	0.683		
	Y1.4	0.738		
	Y1.5	0.699		
	Y1.6	0.800		
	Y1.7	0.736		
	Y1.8	0.755		
	Y1.9	0.822		
	Y1.10	0.726		
	Y1.11	0.768		

Table 7 shows the summary results of the discriminant validity using the HTMT method. The correlation value between constructs is less than 0.9; hence, the questionnaire items in each construct produce good discriminant validity.

Table 7. Discriminant Validity—Heterotrait–Monotrait Ratio of Correlations (HTMT).

	Corporate Governance	Corporate Reputation	Democratic Leadership	Employees' Engagement
Corporate Governance				
Corporate Reputation	0.835			
Democratic Leadership	0.427	0.453		
Employee Engagement	0.842	0.876	0.574	
Internal Control	0.785	0.839	0.335	0.763

5.4. Structural Model Analysis (Inner Model)

The next stage in the PLS-SEM analysis is evaluating the structural model using a moderating variable, namely the democratic leadership style. The results are shown in Figure 2 and Table 8.
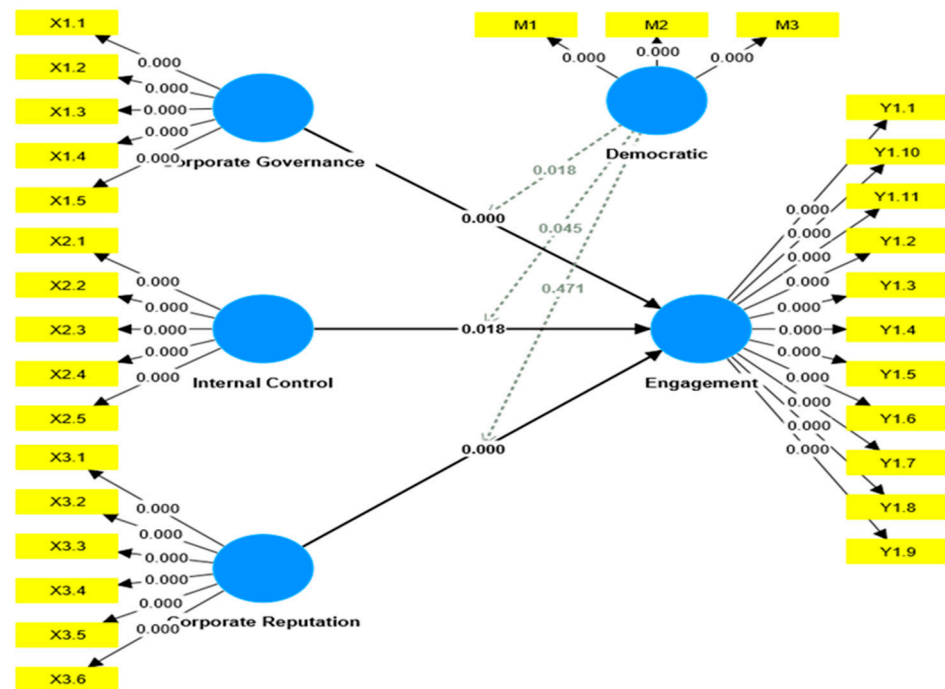
Figure 2. Structural Model Results (*p*-value).

In Table 8k, the R^2 value of employee engagement is 0.777, which indicates that the variability of corporate governance, corporate reputation, and internal control is 77.7% of employee engagement. This is because there is only one endogenous variable, and the value of R^2 is the same as Q^2, which is > 0. Therefore, the model has a good predictive relevance value. The f^2 values of corporate governance, internal control, and democratic on employee engagement are 0.089, 0.132, and 0.017 < 0.15, respectively, hence, the effect is low at the structural level. Meanwhile, corporate reputation on employee engagement has a moderate effect because the f^2 value is 0.167 > 0.15.

The next step is to prove the study hypothesis, as in Table 6, without contributing to the democratic leadership style variable. It is accepted because each relationship between variables produces a *p*-value < 0.05 and a t-statistic > 1.64 (one-tailed). Meanwhile, when moderated by a democratic leadership style, corporate reputation on employee engagement has an insignificant effect because the p-value is 0.471 > 0.05. The effect of corporate governance (β = 0.091; *p*-value = 0.045) and internal control (β = 0.092; *p*-value = 0.018)

when moderated by democratic leadership style are significantly negative. This means a democratic leadership style significantly weakens corporate governance and internal control's influence on employee engagement.

Table 8. Structural Model Summary.

Path	Std	STDEV	T-Stats	*p*-Values	R2	f2
Corporate governance → Employee engagement	0.231	0.052	4.457	0.000	0.777	0.089
Corporate reputation → Employee engagement	0.325	0.065	4.987	0.000		0.167
Democratic → Employee engagement	0.193	0.040	4.764	0.000		0.132
Internal control → Employee engagement	0.097	0.047	2.088	0.018		0.017
Democratic × Internal control → Employee engagement	−0.091	0.054	1.700	0.045		
Democratic × Corporate reputation → Employee engagement	0.005	0.063	0.074	0.471		
Democratic × Corporate governance → Employee engagement	−0.092	0.044	2.089	0.018		

Note: T-statistics = one-tailed.

5.5. Simple Slope Analysis

Figures 2 and 3 illustrate the negative effects of corporate governance (−0.091) and internal control (−0.092) on employee engagement, with the simple effects of 0.231 and 0.097, respectively. These results indicate that the relationship between corporate governance and internal control on employee engagement is 0.231 and 0.097 for the average level of democratic leadership style. For higher levels of democratic leadership style, which increases by one standard, the relationship between corporate governance and employee engagement decreases with the interaction measure (0.231 − 0.091 = 0.14). Meanwhile, the relationship between internal control and employee engagement decreased with the size of the interaction (0.097 − 0.092 = 0.005). On the other hand, for lower levels of democratic leadership style with one standard deviation point, the relationship between corporate governance and employee engagement was 0.231 + 0.091 = 0.322, and the relationship between internal control and employee engagement becomes 0.097 + 0.092 = 0.189.

A simple slope in Figures 3 and 4 visualizes the effects of a two-way interaction to better understand the moderator analysis results. The three lines shown in both figures represent the relationship between corporate governance and internal control (*x*-axis) and employee engagement (*y*-axis). The middle line denotes the relationship between the average levels of the moderator variable, namely, democratic leadership style. The other two lines represent the relationship between corporate governance and internal control as well as employee engagement for higher levels comprising a mean value of democratic leadership style plus one standard deviation unit. In addition, the mean value of perceived democratic leadership style minus one standard deviation unit is lower. The negative slope indicates that the relationship between corporate governance, internal control, and employee engagement is negative for all three lines. Therefore, lower levels of corporate governance and internal control are simultaneous with lower levels of employee engagement.
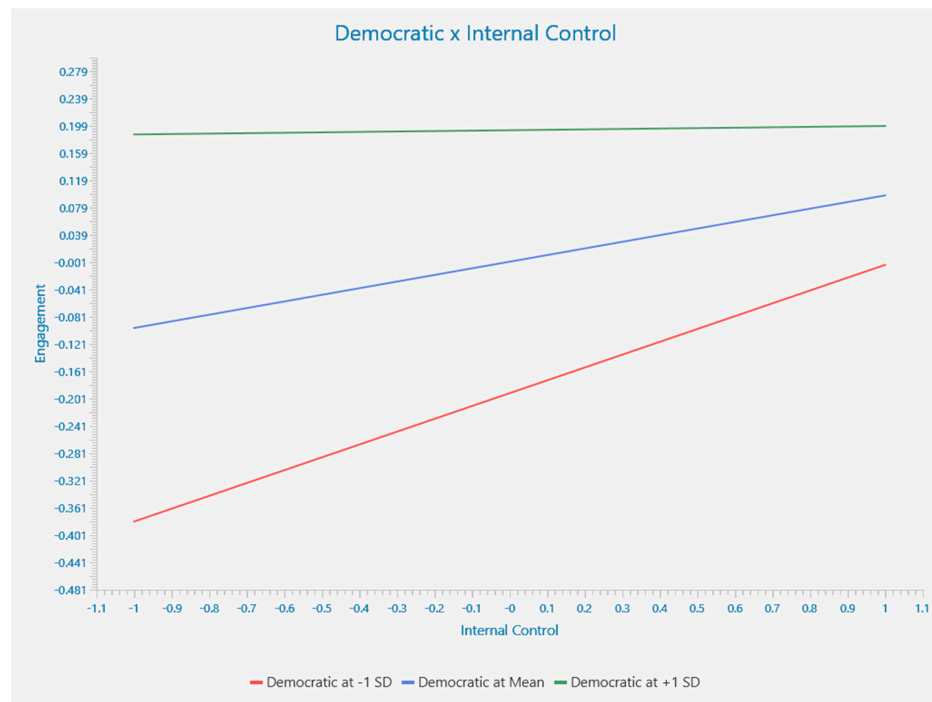
Figure 3. Simple Slope Democratic × Internal Control.
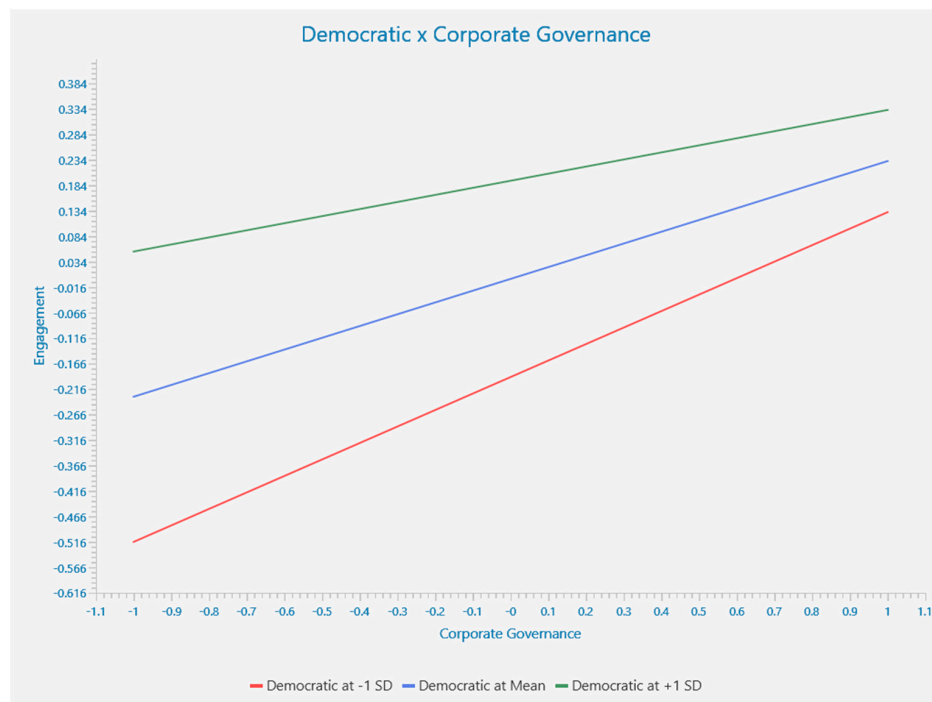
Figure 4. Simple Slope Democratic × Corporate Governance.

5.6. Result from the Interviews

Two arguments were obtained from interviews with the respondents on the advantages and disadvantages of implementing democratic leadership and one on the best leadership styles to implement in the Indonesian logistics and freight forwarders industry.

The advantage of democratic leadership is "receive feedback".

All respondents mentioned that the best feature when implementing democratic leadership is receiving feedback from stakeholders, employees, customers, shareholders, creditors, or local communities. All these feedback become the foundation for leaders

to increase knowledge, creativity, and ideas on how to execute the next move for their company. This tends to become the driver for employee engagement.

> "Leaders play a very big role in engaging the team. I know this because I work in a multinational company that is completely transparent and open. We can determine when the leader is listening to our needs and aspirations. When the leader cannot connect all the dots to help solve the problem, his subordinates will feel tired, which disengages them." (Interview with Mrs. Eka, A.P. Moller—Maersk)

> "What is more suitable at this time is a democratic leadership style, where the leaders not only do what they want but also listen to the aspirations as well as criticism and input from their subordinates." (Interview with Mrs. Linda, PT. GPI Logistics)

> "A democratic leadership style where the leaders listen and respond to input from subordinates is very helpful in implementing internal control and ultimately increases employee engagement." (Interview with Mr. Erry, PT. Bina Sarana Samudera Jaya)

The disadvantage of democratic leadership is "receive feedback".

A few respondents mentioned that the worst feature when implementing democratic leadership is also receiving feedback from stakeholders, such as employees, customers, shareholders, creditors, and local communities. This can disadvantage leaders who implement democratic leadership and are not competent and indecisive in making final decisions.

> "Very democratic leaders will potentially make many adjustments to the set rules." (Interview with Mrs. Lita, PT. Pos Logistics Indonesia)

> "In many cases, the democratic leadership style creates a level ground between the employees and the company."

> (Interview with Mr. Maruly, A joint venture, Indonesia and Australia-based Logistics Company)

> "But democratic leadership style does not always weaken internal control rather, it is very good for improving it, assuming the leader has good competence. Meanwhile, when the leader is incompetent and capable of going with the flow when discussing and receiving input from employees without being able to make a final decision, then the application of a democratic leadership style becomes bad." (Interview with Mr. Subli, PT. Pancaran Group)

The best leadership style to implement is situational leadership.

A few respondents stated that each leadership style has its advantages and disadvantages; hence, its implementation depends on the situation and conditions within the company.

> "Based on my experience of more than 10 years as a leader, you cannot adopt just one type of leadership style. Everyone is unique where there are many diversities, be it in gender, seniority, nationality, character, or competence, which requires varying methods of approach." (Interview with Mrs. Eka, A.P. Moller—Maersk)

> "The leadership style for increasing employee engagement can be democratic, authoritarian, etc. This is because applying leadership style depends on the situation and conditions within the company. All types can increase employee engagement depending on the application." (Interview with Mr. Subli, PT. Pancaran Group)

6. Discussion

6.1. Corporate Governance and Employee Engagement

Corporate governance positively affects employee engagement, meaning that good corporate governance increases employees' confidence that the company is responsible to its stakeholders, including employees. This increased confidence makes employees highly

attached to the company. These results are in line with the preliminary studies by Jiang and Shen (2020), Men and Hung-Baesecke (2015), Bandura and Lyons (2017) and O'Connor and Crowley-Henry (2019) that good governance guarantees the company's sustainability and employee engagement.

6.2. Internal Control and Employee Engagement

Internal control reflected through the control environment, risk assessment, control activities, information, and communication, and monitoring positively affect employee engagement. A sound control environment makes employees feel their competence is valued, and the management has set an example of good behavior. This would ultimately support employee engagement, and when the company conducts a risk assessment, they are assured that the organization has considered possible operational, business, and financial risks. Furthermore, adequate control activities ensure that the company's operations function correctly by creating regularity and proof that each movement is controlled to reduce accidental or intentional errors. This is in line with the preliminary studies by Robinson (2006) and Bakker and Schaufeli (2008) that good implementation of internal control makes employee relationships and divisions in the organization run well, thereby increasing their engagement.

6.3. Corporate Reputation and Employee Engagement

CR reflected through employee assessments indicates that the company is widely known by business players in the logistics industry and positively affects employee engagement. It also assesses that it has no record of crime and lawsuits and targets job seekers. Moreover, employees must feel satisfied with the products and services amid the market competition. This signifies that companies need to develop products and services based on customer feedback. Employees must also be contended with their working environment regarding their safety, security, office infrastructure, respect, and adequate health insurance. These factors would give employees high job satisfaction, with increased financial performance, yearly profits, smooth business growth prospects, and increased sales turnover or income. The results support the previous studies by Shirin and Kleyn (2017) that satisfaction in employees when working in a company with a good reputation increases their engagement which is also in line with the research result conducted by Machova et al. (2022).

6.4. Democratic Leadership Style, Corporate Governance, and Employees Engagement

A democratic leadership style does not strengthen the relationship between corporate governance in employee engagement as opposed to the study by Fiaz et al. (2017). This means that in Indonesia, democratic leadership makes employees overly relaxed, and added with Indonesian society being known as the coldest country (Lastminute 2019), this strengthens their relaxed attitude and makes them less serious at work, thereby increasing the difficulty in managing employees and reducing their engagement. Interviews with Mrs. Lita from PT. Pos Logistics Indonesia also revealed that democratic leadership will make many adjustments to the rules that have been set, thereby creating a situation where there is inconsistent governance that may lead to disengagement.

6.5. Democratic Leadership Style, Internal Control, and Employee Engagement

A democratic leadership style insignificantly strengthens the relationship between internal control and employee engagement as opposed to the study by Fiaz et al. (2017). This is because democratic leadership makes employees feel overly relaxed and ignore the rules that need to be strictly implemented, thereby creating an environment where internal control is ineffective and decreasing employee engagement. Interviews with Mr. Subli from PT. Pancaran Group also revealed that an indecisive leader may become the reason for ineffective internal control and lead to disengagement.

6.6. Democratic Leadership Style, Corporate Reputation, and Employee Engagement

The findings showed that a democratic leadership style does not strengthen the relationship between corporate reputation on employee engagement as opposed to the studies by Men and Stacks (2013), Fiaz et al. (2017), Shirin and Kleyn (2017), and Singh (2021). This means that democratic leadership with an indecisive leader receiving feedback may create a reputation of an inconsistent company, thereby decreasing its reputation and employee engagement. Interviews with Mr. Maruly from a joint venture, Indonesia and Australia-based logistics company, showed that the democratic leadership style creates a conflict between the interests of employees and the company, hence, they have to find a middle ground, and this may create a reputation of an indecisive company that leads to decreasing employee engagement.

7. Conclusions

This study investigated whether democratic leadership style moderates the influence of corporate governance, internal controls, and corporate reputation on employee engagement. The results showed that companies with good corporate governance, strong internal controls, and good reputation have better employee engagement. Furthermore, the democratic leadership style insignificantly strengthens the impact of corporate governance, internal control, and corporate reputation on employee engagement. The advantages and disadvantages of democratic leadership are associated with "receiving feedback". It can be an advantage when the leaders who implement democratic leadership are competent and decisive in making a final decision and vice versa. Therefore, if a leader tends to be too democratic in his actions, it will create unclear direction to subordinates which will eventually lead to a negative situation.

All types of leadership have their advantages and disadvantages. Based on these findings, the Indonesian logistics and freight forwarders industry should enhance corporate governance, internal control, and company reputation. In addition, leaders need to find a leadership style that suits the company's situation and conditions because there is no single type of leadership that will be applicable to all circumstances.

This study is limited because it is only conducted in the logistics and forwarders industry, while Indonesia has many other industrial sectors. To gain better generalizability, similar studies need to be conducted in other industries such as manufacturing, fast moving consumer goods, and banking. Even the logistics industry itself is very broad because there are sub-sectors within fields such as forwarding, warehousing, and transportation, express. The management styles in each of logistics sub-sectors may vary due to the different nature of activities. Therefore, it opens opportunity to conduct future research in more specific fields within the logistics industry.

The research was also carried out during the COVID-19 pandemic when the number of cases in Indonesia reached their peak, which resulted in limited interactions with people. This situation could also be a factor in the research findings as opposed to a normal situation where respondents provide their answers more freely. The pandemic situation did not give better flexibility for this research to have offline interviews with informants whereby it could provide deeper perspectives. Future study could consider having more offline discussions with logistics business leaders if the pandemic situation has been much more controllable for more comprehensive views.

This study only focused on logistics companies who are members of ILFA whereby there are also many logistics providers who do not join the association. Therefore, future research might include all respondents regardless of the membership factor to capture bigger coverage of the logistics population.

The collected demographic data in this study also did not portray the entire age of employees because it limits only workers with certain criteria such as supervisory role, education level, and work period. Therefore, further research could use broader demographic criteria for a more comprehensive view, especially on the "Z" generation who may have different approaches to work as compared to older generations.

Another limitation is the use of only a democratic leadership style in this study which reflects Indonesia's major leadership preference. As more leadership styles may be adopted by companies in other countries or regions, future research could consider incorporating more leadership types to obtain more complete findings. However, the use of a democratic leadership style in research from different countries may also bring new results.

In addition, the study only examined four of the many different variables potentially affecting employee engagement. Therefore, future studies need to complement these existing limitations by exploring other variables such as culture and education or other factors which can influence employee engagement level.

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Appendix A. Questionnaire

Variable	Item	Answer
Corporate Governance	In accordance with the principle of **Transparency**, the facts in the company where I work are as follows	○ It provides clear information about employee rights and responsibilities. ○ It reports employee income taxes honestly and accurately. ○ It has a clearly defined composition of the board of directors and commissioners. ○ It provides transparent information about the organizational structure. ○ None of the above facts.
	In accordance with the principle of **Accountability**, the facts in the company where I work	○ It has a clear mechanism for measuring employee performance. ○ It requires employees to be responsible for achieving given targets. ○ It has a code of conduct that every employee should obey. ○ It provides clear information about employee roles and responsibilities. ○ None of the above facts.
	In accordance with the principle of **Responsibility**, the facts in the company where I work are as follows	○ It complies with applicable labor and limited liability company laws. ○ It requires employees to comply with company rules and regulations. ○ It has a concern for the social environment. ○ It requires employees to comply with applicable laws and regulations. ○ None of the above facts

	In accordance with the principle of **Independence**, the facts in the company where I work are as follows	○ It makes decisions about career paths objectively. ○ It is free to determine company policies related to human resource management. ○ It manages its affairs without being influenced by personal interests. ○ It is free to determine policies related to business expansion. ○ None of the above facts.
	In accordance with the principle of **Fairness and Equality**, the facts in the company where I work are as follows	○ It does not discriminate in treating employees based on ethnicity, religion, and race. ○ It provides promotions based on employee performance. ○ It provides equal rights and opportunities for every employee to express opinions. ○ It provides access to information for employees according to the scope of their respective positions. ○ None of the above facts.
Internal Control	In accordance with the principle of **Control Environment**, the facts in the company where I work are as follows	○ It is committed to integrity and high ethical values. ○ It has a clear assignment of employee responsibilities. ○ It develops employee competencies with a straightforward program. ○ It has a clear organizational structure and job description. ○ None of the above facts
	In accordance with the principle of **Risk Assessments,** the facts in the company where I work are as follows	○ It has a clear assignment of company goals. ○ It has a dedicated department to deal with risk and compliance. ○ It considers risk aspects in operational activities. ○ It periodically conducts risk assessments and evaluations. ○ None of the above facts.
	In accordance with the principle of **Control Activities**, the facts in the company where I work are as follows	○ It selects operational control activities that follow the company's risk. ○ It implements technology-assisted general control activities. ○ Each department or division has a Standard Operating Procedure (SOP). ○ It conducts adequate segregation of functions. ○ None of the above facts.
	In accordance with the principles of **Information and Communication**, the facts in the company where I work are as follows	○ There is active communication between employees at the company where I work. ○ It communicates operational problems to employees regularly. ○ It communicates company performance plans, implementation, and achievement to employees. ○ It produces relevant and reliable information to support the company's internal control processes. ○ None of the above facts.

	In accordance with the principle of **Monitoring**, the facts in the company where I work are as follows	○ It conducts ongoing evaluations for the implementation of internal control. ○ It conducts follow-up actions on internal control weakness potential. ○ It monitors follow-up actions to correct detected internal control weaknesses. ○ It carries out adequate supervision activities. ○ None of the above facts.
Company Reputation	In accordance with the principle of **Emotional Attractiveness**, the facts in the company where I work are as follows	○ It is widely known by businesses in the logistics industry. ○ It does not have a bad record of crime. ○ It is one of the targets for job seekers. ○ It does not have a bad record of lawsuits. ○ None of the above facts.
	In accordance with the principle of **Products and Services**, the facts in the company where I work are as follows	○ It has high-quality products and services. ○ It develops innovative products and services. ○ It tries to beat the competition by making superior products and services. ○ It develops products and services based on customer feedback. ○ None of the above facts.
	In accordance with the principle of **Working Environment**, the facts in the company where I work are as follows	○ It guarantees the safety and security of its employees. ○ It has good office infrastructure. ○ It has employees who respect each other. ○ It has adequate health insurance. ○ None of the above facts.
	In accordance with the principle of **Financial Performance**, the facts in the company where I work are as follows	○ It has a positive trend of increasing financial performance. ○ It posts an increasing profit yearly. ○ It has smooth business growth prospects. ○ It has a trend of increasing sales turnover or income. ○ None of the above facts.
	In accordance with the principle of **Vision and Leadership**, the facts in the company where I work are as follows	○ The leader has a clear vision and mission. ○ It has a management team with proven qualifications. ○ It has a management team with high commitment and integrity. ○ The leader provides clear direction regarding company goals. ○ None of the above facts.
	In accordance with the principle of **Social Responsibility**, the facts in the company where I work are as follows	○ It assists victims of natural disasters. ○ It carries out environmental conservation. ○ It provides service to social institutions. ○ It provides assistance to the local community. ○ None of the above facts.

Employee Engagement	In accordance with the principle of **Cognitive Mover**, the facts in the company where I work are as follows	○ ○ ○ ○ ○	It recruits employees with good competency qualifications. It provides workloads in accordance with the competencies of the employees. It offers adequate training facilities for employees to develop work-related knowledge. It provides a means for employees to learn and improve their knowledge continuously. None of the above facts.
	In accordance with the principle of **Emotional Engagement**, the facts in the company where I work are as follows	○ ○ ○ ○ ○	It has a concern for the level of employee welfare. It absorbs the aspirations of employees regularly. It has a vision and mission that is in line with the values believed by employees. It rewards good employee behavior. None of the above facts.
	In accordance with the principle of **Behavioral Engagement**, the facts in the company where I work are as follows	○ ○ ○ ○ ○	It has employees who perform work assignments without any element of coercion. It has employees who are motivated to contribute to the achievement of company goals. It has employees with the initiative to develop innovation at work. It has employees who take the initiative to find more effective or efficient ways to complete work. None of the above facts.
	In accordance with the principle of **Feeling Appreciated and Involved**, the facts in the company where I work are as follows	○ ○ ○ ○ ○	It is willing to listen to the input of aspirations from employees. It rewards employees' tenure. It rewards employees' work contributions. It involves employees in making decisions that will involve employee welfare. None of the above facts.
	In accordance with the principle of **Having a Compact Leadership Team**, the facts in the company where I work are as follows	○ ○ ○ ○ ○	It has a top management team that works closely with each other. It has a top management team that interacts well with the middle management team. It has a middle management team that has good relations with lower-level employees. It has a middle management team that interacts well with other middle management teams. None of the above facts.
	In accordance with the principle of **Trust and Integrity**, the facts in the company where I work are as follows	○ ○ ○ ○ ○	It carries out consistent ethical and honest behavior. It is committed to providing employee rights fairly. It highly values honesty at work. It rewards the best employees. None of the above facts.

In accordance with the principle of **Job Characteristics**, the facts in the company where I work are as follows	○ It provides a clear description of work assignments. ○ It provides flexibility for employees to complete work assignments. ○ It makes the work results of employees a benchmark for performance appraisal. ○ It provides work that is in accordance with the employees' obligations. ○ None of the above facts
In accordance with the principle of **Employee Relations and Company Performance**, the facts in the company where I work are as follows	○ It appreciates the contribution of employees in achieving performance targets. ○ It gives a salary increase if the financial performance improves. ○ It gives a bonus if the financial performance reaches the target. ○ It provides adequate information about the progress of achieving performance to employees. ○ None of the above facts.
In accordance with the principle of **Promotion Opportunity**, the facts in the company where I work are as follows	○ It provides clear information about career paths for employees. ○ It provides promotions based on employee performance appraisal. ○ It provides every employee with a fair opportunity to get a promotion. ○ It provides transparent information about the promotion opportunity. ○ None of the above facts.
In accordance with the principle of **a Stress-Free Environment**, the facts in the company where I work are as follows	○ It carries out employee working hours according to labor regulations. ○ It provides a workload that can be completed by employees reasonably. ○ It carries out an event program for employee togetherness regularly. ○ It does not force employees to work overtime. ○ None of the above facts.
In accordance with the principle of **Change Management**, the facts in the company where I work are as follows	○ It communicates a change in company policies to employees openly. ○ It makes a change in company policies by considering the aspirations of employees. ○ It has a change in company policies that employees can easily follow or accept. ○ It evaluates the implementation of a change in company policies. ○ None of the above facts.

	Habits made by the leader related to the decision-making style in the company where I work are as follows	○	The leader encourages subordinates to participate in giving opinions in making decisions.
		○	The leader receives input from employees in making decisions.
		○	The leader involves employees in making decisions related to employee welfare.
		○	The leader respects differences of opinion.
		○	None of the above facts.
Democratic Leadership Style	Habits made by the leader related to the style of interaction with employees at the company where I work are as follows	○	The leader pays attention to other things about employees besides work matters.
		○	The leader communicates with an intonation that does not demean employees.
		○	The leader encourages communication and interaction between employees and superiors actively and courteously.
		○	The leader expects employees to always communicate about the challenges and achievements of their duties.
		○	None of the above facts.
	Habits made by the leader related to the style of motivating employees at the company where I work are as follows	○	The leader encourages subordinates to show high self-confidence.
		○	The leader provides input to employees on how to complete the work well.
		○	The leader encourages subordinates when they face challenges in completing tasks.
		○	The leader expresses appreciation to employees for their achievements and performance.
		○	None of the above facts.

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