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The Effect Of Transformational Leadership On Employee Performance Through Work Engagement At A Paper Manufacturing Company In East Java

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Abstract

This study aims to analyze the influence of transformational leadership on employee performance through work engagement at paper manufacturing companies in East Java. The study was motivated by the growing need among manufacturing companies for a leadership model capable of enhancing employee work engagement and performance amid operational pressures and high production targets. The study employed a quantitative approach using the explanatory research method. Data were collected through a questionnaire distributed to 190 employees at a paper manufacturing company in East Java and analyzed using Partial Least Squares-based Structural Equation Modeling (SEM-PLS). The results indicate that transformational leadership has a positive and significant effect on employee performance and work engagement. Furthermore, work engagement was found to have a positive effect on employee performance and significantly mediates the relationship between transformational leadership and employee performance. The findings indicate that transformational leadership fosters positive psychological energy that enhances employees' work engagement and productivity. This study makes a theoretical contribution by integrating Transformational Leadership Theory, Social Exchange Theory, and Job Demands-Resources Theory within the context of the manufacturing industry in Indonesia.

Keywords: Transformational Leadership, Work Engagement, Employee Performance, Paper Industry, SEM-PLS

INTRODUCTION

Manufacturing firms now operate in a global business environment that changes quickly and exposes them to increasingly complex competitive pressures (Zhang et al., 2024; Sui et al., 2023). Technological change, supply chain disruptions, rising productivity

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demands, and a shifting workforce profile have turned human resources into a strategic asset on which organizational survival depends (Kramar, 2022; Hamadamin & Atan, 2019; Malik et al., 2020). In labor-intensive industries such as paper manufacturing, how well a company manages its people is fundamental to sustaining operational efficiency, product quality, and long-term competitiveness (Alam et al., 2024; Khan & Roy, 2022; Hasibuan et al., 2024).

Paper companies in East Java face challenges that go beyond production efficiency; they also involve managing employees' work behavior and psychological well-being (Kesumawatie et al., 2021; Dudija et al., 2024). High production targets, shift-based work systems, monotonous routines, and the growing need to adapt to modern production technology frequently give rise to low work engagement and declining employee performance. Under such conditions, leadership becomes a strategic element because it shapes the behavior, motivation, and adaptive capacity of employees in manufacturing settings.

Among the leadership approaches discussed in contemporary human resource management literature, transformational leadership has attracted particular attention (Quiros, 2020; Ibadov & Velizade, 2025; Deng et al., 2022). Transformational leaders are thought to articulate an inspiring organizational vision, build emotional bonds with their subordinates, and strengthen employees' intrinsic motivation through intellectual stimulation and individualized consideration (Udin et al., 2023; Cheng et al., 2023; Shafi et al., 2020). Whereas traditional leadership tends to rely on control and instruction, transformational leadership emphasizes a process of psychological transformation that sustains employee engagement and commitment over time (Jiatong et al., 2022; Yuan et al., 2021; Park et al., 2021).

Current theoretical perspectives no longer treat the link between transformational leadership and employee performance as a simple linear relationship. Instead, this link is understood to operate through more complex internal psychological mechanisms, and work engagement is arguably one of the most relevant of them. Work engagement refers to a positive psychological state characterized by vigor, dedication, and absorption at work. It can be viewed as a form of strategic psychological energy that allows employees to maintain productivity and work quality despite the operational pressures typical of manufacturing firms.

This study integrates Transformational Leadership Theory with Social Exchange Theory and the Job Demands-Resources Theory to explain how transformational leadership generates psychological resources that strengthen work engagement and, in turn, improve employee performance. Such an integrated view matters because modern organizations need more than employees who simply follow work instructions; they need people who are engaged, adaptable, and able to contribute fully to organizational goals.

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Although the paper industry makes an important contribution to Indonesia's manufacturing sector, many paper companies in East Java still struggle with the effectiveness of their human resources. Low morale, growing job boredom caused by repetitive production routines, limited employee initiative, and heavy pressure to meet operational targets all suggest that these companies have not yet succeeded in building strong work engagement among their employees.

At the same time, leadership practices in manufacturing still tend to be bureaucratic and centered on formal work instructions. This style of leadership often fails to create the emotional and motivational connections that today's workforce expects. As a result, many employees work merely to fulfill formal obligations, with little psychological attachment to the organization.

The problem becomes more complicated when companies must raise productivity and efficiency while competition in the industry grows more intense. In this situation, employee performance depends not only on technical skills but also on employees' psychological states and on the quality of their relationships with their leaders.

Research on transformational leadership, work engagement, and employee performance has expanded considerably in the human resource management literature. Even so, earlier studies have conceptual and contextual limitations that leave room for further inquiry. Transformational leadership, for example, has been shown to enhance creative performance through the mediating role of work engagement, with autonomy strengthening this effect (Juyumaya & Torres, 2022). That study successfully incorporated the Job Demands-Resources Theory, yet its focus was confined to the creative performance of managers.

In luxury hotels in Italy, transformational leadership and work engagement were found to affect job performance, and managerial skills moderated the relationship between transformational leadership and work engagement (Aftab et al., 2022). Similar evidence comes from private organizations in South Korea, where employee engagement mediated the effects of transformational leadership on affective organizational commitment and job performance (Park et al., 2021).

Using a multi-group analysis, one study showed that transformational leadership increases employee engagement and reduces burnout (Jo & Shin, 2025). Among intensive care unit nurses, transformational leadership influenced job performance through psychological empowerment and work engagement (Huang et al., 2025), which suggests that engagement is an important psychological mechanism for improving performance.

In small and medium-sized enterprises, transformational leadership has been found to improve employee performance through organizational citizenship behavior (Qalati et al., 2022). In the banking sector, it enhanced firm performance through self-

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efficacy and work engagement (Khaskhelly, 2023), while other evidence indicates that it raises work engagement through self-efficacy and trust in the leader (Hassan & Ikramullah, 2023).

Work engagement, work motivation, and organizational culture have also been shown to mediate the relationship between transformational leadership and job performance, with power distance acting as a moderator (Xuan et al., 2025). The Job Demands-Resources Model has likewise been applied to explain the relationship between transformational leadership and organizational performance (Katou et al., 2021).

From a green management perspective, green transformational leadership improves environmental performance through green work engagement (Suliman et al., 2023). Among women-led micro, small, and medium enterprises in Vietnam, transformational leadership emerged as the strongest predictor of work engagement and employee performance (Thi & Thu, 2025). Daily transformational leadership has also been found to increase work engagement and job performance through strengths use and personal initiative (Bakker et al., 2023).

The mediating role of employee engagement in the link between transformational leadership and job performance has been confirmed in the hospitality industry (Jiatong et al., 2022) and has received further support in more recent work (Helalat et al., 2024). Taken together, these studies reveal several research gaps. First, prior work has concentrated largely on hospitality, healthcare, and banking, while labor-intensive manufacturing sectors such as the paper industry remain underexplored. Second, most studies were conducted in developed countries or in service sectors, so they offer limited insight into how transformational leadership operates in Indonesian manufacturing. Third, previous research has focused more on organizational performance than on the operational performance of individual employees. The present study seeks to address these gaps by examining the effect of transformational leadership on employee performance through work engagement in paper companies in East Java, drawing on an integration of Transformational Leadership Theory, Social Exchange Theory, and the Job Demands-Resources Theory.

In response to these problems, this study proposes transformational leadership as a strategy for strengthening employee performance by raising work engagement. Transformational leadership is expected to foster a more supportive, inspiring, and participative work environment, so that employees work not only out of formal obligation but also because they are emotionally and psychologically invested in what they do.

From the standpoint of the Job Demands-Resources Theory, transformational leadership can be positioned as a job resource that eases psychological strain and boosts employees' positive energy. When employees receive support, motivation, and attention

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from their leaders, they tend to show greater vigor, dedication, and absorption at work. This, in turn, improves the quality, productivity, and effectiveness of their work.

Beyond offering practical solutions for manufacturing firms, this study provides a fresh theoretical perspective on the role of psychological mechanisms in the relationship between leadership and employee performance. Its main motivation lies in the growing need of manufacturing companies to develop leadership systems that can sustain employee engagement and productivity over the long term. Because the characteristics of the workforce are changing, organizations can no longer rely solely on formal control systems; they must also cultivate leadership that builds positive psychological relationships between leaders and subordinates.

In addition, the scarcity of human resource management (HRM) research on the Indonesian paper industry presents an opportunity to generate new empirical evidence relevant to the national manufacturing context. The study is also driven by the need to extend contemporary leadership theory by integrating psychological and organizational behavior perspectives.

The purpose of this study is to analyze the effect of transformational leadership on employee performance through work engagement in paper companies in East Java. Specifically, the study aims to (1) analyze the effect of transformational leadership on employee performance; (2) analyze the effect of transformational leadership on work engagement; (3) analyze the effect of work engagement on employee performance; and (4) analyze the mediating role of work engagement in the relationship between transformational leadership and employee performance.

The study carries both theoretical and practical significance for the field of HRM. Theoretically, it contributes to the integration of Transformational Leadership Theory, Social Exchange Theory, and the Job Demands-Resources Theory in explaining how employee performance develops through work engagement.

It also offers a new theoretical insight: the effectiveness of transformational leadership in manufacturing organizations depends not only on the leader's ability to give work direction but also on the leader's ability to build positive psychological energy that strengthens employee engagement.

In practical terms, the findings may serve as a basis for paper companies to design leadership development strategies that respond better to the challenges of the modern workforce. The results are expected to help companies improve employee productivity, loyalty, and work effectiveness through an engagement-based leadership approach. A further strength of the study is its focus on the paper industry in East Java, which has rarely been examined in HRM research that adopts psychological and organizational behavior perspectives. Accordingly, the study is expected to add new empirical evidence to the HRM literature on Indonesia's manufacturing sector.

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LITERATURE REVIEW

Transformational Leadership

Transformational leadership refers to a leader's capacity to move followers beyond immediate self-interest toward collective goals by changing how they see their work, themselves, and the organization. The construct is usually described through four dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Quiros, 2020; Ibadov & Velizade, 2025; Deng et al., 2022). Idealized influence describes leaders who act as role models and earn the trust and respect of their followers. Inspirational motivation involves communicating an appealing vision and high expectations. Intellectual stimulation encourages followers to question assumptions and approach problems in new ways, while individualized consideration reflects attention to each follower's needs for growth and support.

Through these behaviors, transformational leaders strengthen followers' intrinsic motivation, which in turn has been linked to higher performance, feedback-seeking, and creativity (Udin et al., 2023; Cheng et al., 2023; Shafi et al., 2020). Trust in the leader appears to be one of the channels through which this influence operates (Hassan & Ikramullah, 2023). In the present study, transformational leadership is understood as the extent to which supervisors in paper companies display these behaviors, as perceived by their subordinates.

Work Engagement

Work engagement is a positive, fulfilling, work-related state of mind characterized by vigor, dedication, and absorption. Vigor reflects high levels of energy and mental resilience while working; dedication refers to a strong sense of involvement, significance, and pride in one's work; and absorption describes being fully concentrated on and happily engrossed in one's tasks. Unlike job satisfaction, which captures a relatively passive sense of contentment, engagement describes an active and energized state in which employees invest their physical, cognitive, and emotional resources in their roles.

Engagement is not a fixed trait. Day-level evidence shows that it fluctuates with the leadership behaviors employees experience (Bakker et al., 2023), and higher engagement has been associated with lower burnout (Jo & Shin, 2025). These features make engagement especially relevant in demanding production environments, where fatigue and monotony can easily drain employees' energy.

Employee Performance

Employee performance refers to the extent to which employees accomplish the tasks, responsibilities, and targets assigned to them in terms of quality, quantity, timeliness, and effectiveness. In manufacturing, it is reflected in employees' ability to meet production targets, maintain output quality, and follow operating procedures

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consistently. Performance depends not only on technical competence but also on motivational and relational conditions at work. Studies of Indonesian paper companies, for instance, point to the importance of the work environment, organizational culture, commitment, and organizational support (Kesumawatie et al., 2021; Dudija et al., 2024). Leadership is likewise recognized as a key situational influence on how well employees perform (Qalati et al., 2022).

Theoretical Framework

This study draws on three complementary theories. Transformational Leadership Theory explains what leaders do: they inspire, stimulate, and support followers in ways that raise their motivation. Social Exchange Theory explains why followers respond: when employees receive support, recognition, and care from their leaders, they feel obliged to reciprocate with positive attitudes and behaviors, including greater effort and involvement in their work. The Job Demands-Resources Theory explains how the process unfolds: job resources such as supportive leadership feed a motivational process that fosters engagement and, ultimately, better performance, while also buffering the strain caused by heavy job demands (Katou et al., 2021).

Viewed together, these theories suggest that transformational leadership functions both as a job resource and as a basis for social exchange, and that its influence on employee performance is channeled, at least in part, through work engagement. The research model derived from this reasoning is presented in Figure 1.

Hypothesis Development

Transformational leaders set a clear and compelling direction, challenge employees to find better ways of working, and pay attention to each person's development. Such behaviors strengthen employees' sense of purpose and confidence, which should translate into better task performance. Empirical evidence supports this argument in a range of settings. Transformational leadership has been positively associated with employee performance in small and medium-sized enterprises (Qalati et al., 2022), with job performance in luxury hotels (Aftab et al., 2022) and hospitals (Xuan et al., 2025), and with employee performance in women-led enterprises (Thi & Thu, 2025). In labor-intensive manufacturing, where routine work and high targets can wear down motivation, a leader who inspires and supports employees is likely to matter even more. Hence, the following hypothesis is proposed:

H1: Transformational leadership has a positive and significant effect on employee performance.

From a social exchange perspective, employees who feel supported and valued by their leaders tend to reciprocate by investing more energy and commitment in their

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work. From a JD-R perspective, transformational leadership acts as a job resource that activates the motivational process underlying engagement. Previous studies have found that transformational leadership strengthens work engagement, partly through self-efficacy and trust in the leader (Hassan & Ikramullah, 2023), and that engagement rises on days when leaders behave in a more transformational manner (Bakker et al., 2023). A comparable pattern has been reported for green transformational leadership and green work engagement (Suliman et al., 2023). Accordingly:

H2: Transformational leadership has a positive and significant effect on work engagement.

Engaged employees are energetic, dedicated, and absorbed in their work, so they are more likely to sustain effort, stay focused on their tasks, and persist when problems arise. The JD-R Theory places engagement at the center of the motivational path that leads to performance. Consistent with this view, work engagement has been shown to improve the job performance of intensive care nurses (Huang et al., 2025), to contribute to firm performance in banking (Khaskhelly, 2023), and to support the creative performance of managers (Juyumaya & Torres, 2022). Therefore:

H3: Work engagement has a positive and significant effect on employee performance.

The arguments above imply that work engagement is a pathway through which transformational leadership affects performance. Leaders who inspire and support their employees build the psychological energy that engagement represents, and this energy then appears in better work outcomes. The mediating role of engagement has been confirmed among employees of private organizations in South Korea (Park et al., 2021), in research on affective commitment and job performance (Jiatong et al., 2022), and in more recent work on transformational leadership and employee performance (Helalat et al., 2024). On this basis, the final hypothesis is formulated as follows:

H4: Work engagement mediates the effect of transformational leadership on employee performance.

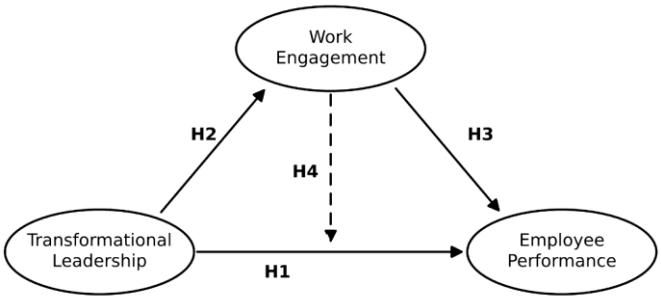


Figure 1. Conceptual Framework

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RESEARCH METHODS

This study adopted a quantitative approach with an explanatory research design to explain the causal relationships among transformational leadership, work engagement, and employee performance in paper companies in East Java. A quantitative approach was chosen because the study focuses on empirically testing the relationships between variables through statistical analysis based on Structural Equation Modeling (SEM). The study also employed a cross-sectional design; that is, data were collected at a single point in time to capture respondents' actual conditions with respect to the research variables.

The population comprised all employees of paper companies in East Java who were involved in operational activities, in both production and administrative units. This population was selected because the paper industry is a labor-intensive manufacturing sector that depends heavily on effective human resource management and organizational leadership. The sample consisted of 190 respondents. The sample size was determined following the recommendation of Hair et al., who suggest that SEM-PLS analysis requires a minimum sample of five to ten times the number of indicators. A sample of this size was considered adequate to produce stable model estimates with good statistical power.

Data were collected by administering questionnaires directly to respondents. The instrument used a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), which allowed respondents' perceptions of each indicator to be measured systematically. The data were analyzed using Partial Least Squares Structural Equation Modeling (SEM-PLS) with SmartPLS software. SEM-PLS was chosen because it can analyze complex relationships among latent variables simultaneously, including mediating relationships, and it performs well with non-normally distributed data and moderate sample sizes.

RESULT AND DISCUSSION

RESULTS

Construct validity and reliability were assessed to ensure that each variable measured its latent construct with adequate consistency and validity. Reliability was evaluated using Cronbach's alpha, rho_A, and composite reliability, whereas convergent validity was evaluated using the average variance extracted (AVE). As shown in Table 1, all variables had Cronbach's alpha values above 0.70: 0.748 for employee performance, 0.863 for transformational leadership, and 0.815 for work engagement. These values indicate good internal reliability for all constructs. Composite reliability values were likewise above 0.70 for every variable (employee performance = 0.857; transformational

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leadership = 0.900; work engagement = 0.890), indicating that the indicators measured their respective constructs with high consistency.

Table 1. Construct Validity and Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Employee Performance	0.748	0.750	0.857	0.667
Transformational Leadership	0.863	0.871	0.900	0.644
Work Engagement	0.815	0.818	0.890	0.730

Convergent validity was then examined through the AVE values. Table 1 shows that all constructs had AVE values above 0.50: 0.667 for employee performance, 0.644 for transformational leadership, and 0.730 for work engagement. All constructs therefore met the criterion for convergent validity, as each explained more than 50% of the variance in its indicators.

Discriminant validity was tested to ensure that each indicator correlated more strongly with its own construct than with any other construct. In this study, discriminant validity was assessed using cross-loadings.

Table 2 shows that every indicator loaded most highly on the construct it was intended to measure. For employee performance, indicators EP1, EP2, and EP3 had loadings of 0.835, 0.846, and 0.765, respectively, all higher than their correlations with the other variables. For transformational leadership, the loadings of indicators TL1 to TL5 ranged from 0.761 to 0.847, again exceeding their loadings on the other constructs.

Similarly, the work engagement indicators WE1, WE2, and WE3 had loadings of 0.820, 0.885, and 0.857, respectively, which were higher than their correlations with employee performance and transformational leadership. Based on these results, all indicators satisfied the discriminant validity criterion. In other words, each construct was empirically distinct and adequately represented the latent variable it was designed to measure.

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Table 2. Discriminant Validity (Cross-Loadings)

	Employee Performance	Transformational Leadership	Work Engagement
EP1	0.835	0.371	0.347
EP2	0.846	0.397	0.357
EP3	0.765	0.382	0.335
TL1	0.440	0.770	0.528
TL2	0.393	0.847	0.430
TL3	0.385	0.843	0.432
TL4	0.327	0.761	0.367
TL5	0.308	0.789	0.350
WE1	0.324	0.437	0.820
WE2	0.349	0.485	0.885
WE3	0.412	0.451	0.857

The direct relationships among transformational leadership, work engagement, and employee performance were tested using the bootstrapping procedure in SmartPLS, with reference to path coefficients, t-statistics, and p-values. The results in Table 3 show that transformational leadership had a positive and significant effect on employee performance ($\beta = 0.340$, $t = 5.214$, $p < 0.001$). This means that the more transformational leadership is practiced, the higher the performance of employees in paper companies in East Java. Hypothesis 1 was therefore supported.

Transformational leadership also had a positive and significant effect on work engagement ($\beta = 0.536$, $t = 11.054$, $p < 0.001$). This suggests that transformational leaders can strengthen employee engagement by providing inspiration, motivation, and individual attention to their subordinates. Hypothesis 2 was thus supported.

In addition, work engagement had a positive and significant effect on employee performance ($\beta = 0.243$, $t = 3.888$, $p < 0.001$). Employees with higher levels of engagement tended to perform better in completing their tasks and responsibilities. Hypothesis 3 was therefore supported.

Table 3. Significance Test of Direct Effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Transformational Leadership -> Employee Performance	0.340	0.346	0.065	5.214	0.000

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Transformational Leadership -> Work Engagement	0.536	0.542	0.048	11.054	0.000
Work Engagement -> Employee Performance	0.243	0.238	0.062	3.888	0.000

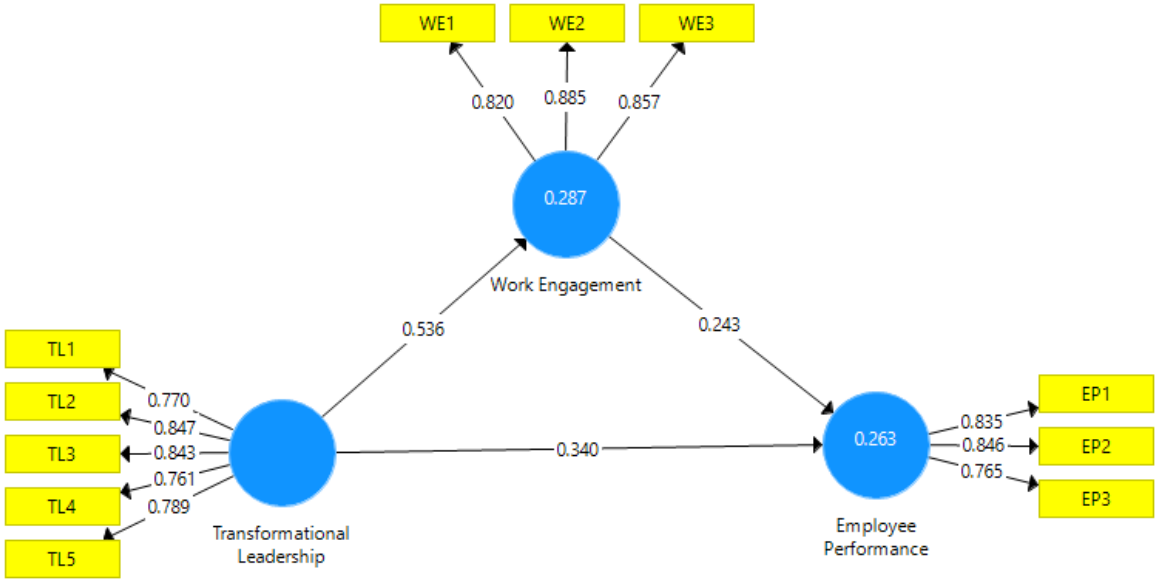


Figure 2. Research Model

A mediation test was conducted to determine whether work engagement mediates the relationship between transformational leadership and employee performance. As shown in Table 4, the indirect effect of transformational leadership on employee performance through work engagement was significant (β = 0.130, t = 3.761, p < 0.001). Hypothesis 4 was therefore supported.

Table 4. Mediation Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Transformational Leadership -> Work Engagement -> Employee Performance	0.130	0.128	0.035	3.761	0.000

This result confirms that work engagement significantly mediates the effect of transformational leadership on employee performance. Put differently, transformational leadership not only improves performance directly but also raises work engagement,

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which then leads to better performance. The finding supports the view that transformational leadership builds positive psychological energy among employees through engagement. When leaders offer an inspiring vision, emotional support, and motivation, employees show greater dedication, enthusiasm, and involvement in their work, and this ultimately translates into stronger performance.

DISCUSSION

The Effect of Transformational Leadership on Employee Performance

The results show that transformational leadership has a positive and significant effect on employee performance: the more transformational leadership is practiced within a company, the better its employees perform. In the paper industry, this style of leadership appears to create a more inspiring, supportive, and participative work environment, which motivates employees to meet organizational targets.

This finding is consistent with Transformational Leadership Theory, which holds that transformational leaders influence their subordinates' behavior and performance through inspirational motivation, intellectual stimulation, individualized consideration, and idealized influence. Such leaders act not merely as task supervisors but as agents of change who build employees' commitment and psychological energy.

The result echoes earlier studies by Aftab et al. (2022), Park et al. (2021), Helalat et al. (2024), and Thi and Thu (2025), all of which found that transformational leadership positively affects job or employee performance. Taken together, this evidence reinforces the argument that transformational leadership is an effective way to improve performance across different industrial sectors.

For the paper companies examined in this study, the results indicate that employees need leaders who do more than oversee operations; they need leaders who can also build positive interpersonal relationships. Because manufacturing work tends to be monotonous and high-pressure, the leader’s role in sustaining employee morale and productivity becomes all the more important.

The Effect of Transformational Leadership on Work Engagement

The results show that transformational leadership has a positive and significant effect on work engagement. Transformational leaders appear to strengthen employee engagement by offering motivation, individual attention, and an inspiring vision of the work.

This finding lends support to Social Exchange Theory, which posits that positive leader-subordinate relationships create psychological reciprocity in the form of higher engagement. When employees feel valued, cared for, and supported by their leaders, they are more likely to respond with greater dedication, enthusiasm, and involvement in

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their work. The result is consistent with Hassan and Ikramullah (2023), Bakker et al. (2023), Jo and Shin (2025), and Suliman et al. (2023), who likewise found that transformational leadership increases employee work engagement.

Work engagement is particularly important in the paper industry because production work often leads to boredom and physical strain. Transformational leaders can therefore help foster a more positive work climate, one in which employees continue to bring vigor, dedication, and absorption to their jobs.

The Effect of Work Engagement on Employee Performance

The results show that work engagement has a positive and significant effect on employee performance. Highly engaged employees tend to perform better than those with low engagement.

This finding supports the Job Demands-Resources Theory, which views work engagement as a form of positive psychological energy that enhances individual work effectiveness. Engaged employees show high enthusiasm, full concentration, and stronger dedication to their work, which leads to higher work quality and productivity. The result is in line with Juyumaya and Torres (2022), Xuan et al. (2025), and Huang et al. (2025), who demonstrated that work engagement significantly affects job performance.

In the paper industry, engagement is a strategic factor because the production process depends heavily on consistent operational performance by employees. High engagement enables employees to work with greater focus, discipline, and responsibility in pursuit of the company's production targets.

The Mediating Role of Work Engagement in the Relationship Between Transformational Leadership and Employee Performance

The results show that work engagement significantly mediates the effect of transformational leadership on employee performance. Transformational leadership thus improves performance not only directly but also indirectly, by increasing work engagement.

This suggests that work engagement is a key psychological mechanism through which transformational leadership shapes employees' work behavior. Transformational leaders create working conditions that provide emotional and motivational support, which fosters stronger engagement; this engagement then drives better individual performance. The finding is consistent with Park et al. (2021), Helalat et al. (2024), Aftab et al. (2022), and Huang et al. (2025), who identified work engagement as a mediator between transformational leadership and employee performance.

Nonetheless, the present study adds new empirical evidence because it was conducted in paper companies in East Java, whose characteristics differ from those of

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the hospitality, healthcare, and banking sectors that dominate prior research. The findings thus extend the generalizability of transformational leadership and work engagement theory to labor-intensive manufacturing in a developing country.

Implications and Contributions

The study has important theoretical and practical implications. Theoretically, it strengthens the integration of Transformational Leadership Theory, Social Exchange Theory, and the Job Demands-Resources Theory in explaining how employee performance is formed through work engagement. It shows that work engagement serves as a psychological pathway that accounts for the effectiveness of transformational leadership in improving performance.

The study also offers a new theoretical insight: the success of transformational leadership in the manufacturing sector depends not only on the leader's ability to control work processes but also on the leader's ability to build employees' positive psychological energy through work engagement

From a practical standpoint, the results suggest that paper companies should develop a more transformational style of leadership by strengthening leaders' inspirational communication, individualized attention, and employee empowerment. Companies should also create a work environment that nurtures work engagement so that employee productivity and performance can improve in a sustainable way

The study makes several contributions to HRM scholarship. First, it extends the literature on transformational leadership and work engagement to labor-intensive manufacturing, a context that has received relatively little attention. Second, it makes a methodological contribution by using SEM-PLS to test a model in which work engagement mediates the relationship between transformational leadership and employee performance.

Third, it makes a contextual contribution by providing empirical evidence from paper companies in East Java as a representation of Indonesia's manufacturing sector. This matters because most previous studies were carried out in service sectors and in developed countries. Finally, it makes a theoretical contribution by integrating several contemporary theoretical perspectives in HRM, which yields a more comprehensive understanding of the psychological mechanisms that shape employee performance in manufacturing organizations.

CONCLUSION

This study set out to analyze the effect of transformational leadership on employee performance through work engagement in paper companies in East Java. The results show that transformational leadership has a positive and significant effect on both

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employee performance and work engagement, and that work engagement, in turn, has a positive and significant effect on employee performance. Work engagement was also found to significantly mediate the relationship between transformational leadership and employee performance. These results confirm that transformational leadership improves performance not only directly but also by fostering stronger employee engagement. In the paper industry, where operational pressure and production targets are high, transformational leadership represents a strategic approach that creates positive psychological energy, increases work dedication, and supports employee productivity over the long term. The study also strengthens the integration of Transformational Leadership Theory, Social Exchange Theory, and the Job Demands-Resources Theory in explaining how employee performance develops through work engagement in labor-intensive manufacturing.

Nevertheless, the study has several limitations. First, it was conducted only in paper companies in East Java, which limits the generalizability of the findings to other industrial sectors. Second, its cross-sectional design cannot capture changes in employees' work behavior over time. Third, it examined only one mediating variable and therefore does not fully capture the complexity of the relationship between transformational leadership and employee performance. Future studies are encouraged to extend the investigation to other manufacturing sectors or to cross-national settings in order to obtain more comprehensive results. Future research could also adopt a longitudinal design and include other variables, such as organizational commitment, psychological empowerment, burnout, innovative work behavior, or organizational culture, as mediators or moderators. Doing so would enrich theory development and yield more integrative models in HRM research.

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