# Enhancing Organizational Performance in Jakarta's MSMEs: The Role of Leadership, Job Satisfaction, and Organizational Culture on Employee Engagement

**Ricky Bimbo**

Master of Management, Universitas Sumatera Utara, Medan

Bimboricky8@gmail.com\*

**Abstract**

**Introduction/Main Objectives:**This study explores the relationship between work satisfaction, employee engagement, and organizational performance in the MSME sector in Jakarta. It aims to analyze how leadership style, organizational culture, and job satisfaction influence these outcomes, emphasizing their importance in enhancing MSME effectiveness. **Background Problems:** MSMEs are crucial to Jakarta's economic growth, yet they often struggle with employee engagement and performance issues. Limited research exists on the interconnected impact of leadership, job satisfaction, and organizational culture within this context, leaving a gap in understanding how these factors contribute to MSME success. **Novelty:** The study offers a novel approach by examining the interplay between leadership style, work satisfaction, organizational culture, and employee engagement, providing a comprehensive framework for improving organizational performance in Jakarta's MSME sector. **Research Methods:** A quantitative research methodology was employed, with data collected via Google Forms from 189 respondents in the Jakarta area using a purposive sampling technique. Analysis was conducted using AMOS and IBM SPSS to ensure statistical rigor in examining the relationships among the studied variables. **Findings/Results:**The results indicate that leadership style, job satisfaction, and organizational culture significantly shape employee engagement and organizational performance in Jakarta's MSME sector. These findings highlight the critical role of these factors in driving overall effectiveness and success. **Conclusion:** The study underscores the importance of leadership style, job satisfaction, and organizational culture as key drivers of employee engagement and organizational performance in Jakarta's MSMEs. By focusing on these elements, MSMEs can enhance their operational efficiency and achieve sustained growth.

**Keywords:** *MSME performance, employee engagement, job satisfactio, leadership style, organizational culture*

# 1. Introduction

Micro, Small, and Medium-Sized Enterprises (MSMEs) have long been recognized as pivotal drivers of economic growth, especially in the context of local and national economies. The importance of MSMEs has been emphasized globally, as they contribute significantly to job creation, economic sustainability, and GDP growth. Before the 1960s, it was commonly believed that large companies, with their ability to capitalize on economies of scale, were the key players in economic growth. However, shifts in manufacturing technology, consumer demand, and labor availability have led to a reconsideration of this view. As economies transitioned and adapted, MSMEs gained recognition for their role in fostering innovation, supporting local economies, and creating job opportunities, particularly for marginalized groups. In ASEAN member states, MSMEs represent a vast majority of businesses, contributing notably to employment, GDP, and exports. They are especially crucial for inclusive growth and reducing disparities between rural and urban areas. In Indonesia, MSMEs were initially seen as essential to rural economic development and job creation, but their significance has grown even more in the face of globalization, with MSMEs becoming vital to the country's export activities and foreign exchange earnings. With 65.4 million MSMEs operating in Indonesia as of 2019, employing a significant portion of the workforce, they contribute over 60% to the national GDP. However, despite their vital role, the performance of MSMEs in Indonesia remains a subject of concern, particularly in terms of human resource management and employee engagement. Research has shown that the productivity and success of MSMEs are closely tied to the skills, engagement, and overall satisfaction of their employees. MSMEs face challenges related to the lack of skilled labor, high turnover rates, and insufficient recognition of employees' contributions. Addressing these challenges is crucial for enhancing the performance and growth of MSMEs, which in turn impacts national economic development. In the context of Indonesia, low employee engagement, as reflected in statistics such as the 24% engagement level in 2023, is a significant issue that needs attention. The stagnation of MSMEs' contribution to GDP over the past few years signals the need for better management practices, particularly in human resources, to improve employee satisfaction, reduce turnover, and ultimately boost organizational performance. This research aims to explore the factors influencing employee engagement and organizational performance in MSMEs, with a focus on the Jakarta region, to provide insights into how these enterprises can enhance their contribution to Indonesia's economy.

# 2. Literature review

## 2.1 Leadership Style

Leadership is the act of influencing individuals to achieve predetermined outcomes (Nanjundeswaraswamy, 2023). Leadership style refers to the specific approach an individual adopts in exercising their leadership role (Dewi & Wibowo, 2020). Leadership styles refer to the particular methods leaders use to fulfill their roles, based on the typical behaviors exhibited by managers toward their subordinates (Akanji et al., 2020). Process variables are indicators of a leader's inclination to choose a specific course of action, such as participatory decision-making, to achieve a desired outcome, like fostering a sense of employee ownership (Fries et al., 2021). Ahmad and Umrani (2019) define normative behavior as demonstrating appropriate conduct through personal actions and relationships, and encouraging such behavior among subordinates through effective communication, reinforcement, and decision-making. Employee performance is directly influenced by the leadership styles of their superiors (Nanjundeswaraswamy, 2023). Managers play a crucial role in influencing the process of gaining commitment. They contribute to maintaining a cooperative and relational psychological contract, built on solidarity and supported by values that strengthen organizational identity, enhance commitment, and promote unity among individuals (Silva et al., 2019). The transactional leadership style is a social exchange system where leaders and subordinates engage in a relationship based on compliance through rewards and sanctions (Akanji et al., 2020). Leadership is the skill or procedure of influencing individuals to willingly, efficiently, and successfully carry out assigned tasks. It is recognized as one of the critical elements for enhancing company performance (Vasilescu, 2019). The performance of followers and the organization as a whole is influenced by different leadership styles (Abdullahi et al., 2020). The manager not only inspires employees to take on challenges and solve problems with innovative perspectives but also fosters a positive work environment, provides clear instructions for achievable goals, and actively promotes the professional development of colleagues (Abdullahi et al., 2020; Alrowwad et al., 2020).

**2.1 Job Satisfaction**

Job satisfaction, as defined by Nanjundeswaraswamy (2023), is the extent to which employees are content with their work. It is commonly understood as the sense of achievement and success employees feel in their roles. Many agree that there is a strong and direct connection between job satisfaction and improvements in both personal and professional well-being, as well as productivity (Dziuba et al., 2020). Job satisfaction refers to how individuals perceive their emotional experiences, either positive or negative, concerning their employment (Novitasari et al., 2020). It can be viewed as an employee's subjective assessment of their level of happiness or dissatisfaction based on their expectations, desires, and outcomes (Nurjanah et al., 2020). Goestjahjanti et al. (2020) describe job satisfaction as an emotional and subjective response to various aspects of one’s job.

Research by Nanjundeswaraswamy (2023) indicates that employees who are satisfied with their jobs tend to be more efficient and effective than those who are dissatisfied. The degree of involvement in decision-making and autonomy plays a significant role in shaping job satisfaction levels (Chandrasekara, 2019). Organizational Citizenship behavior refers to actions by individuals that go beyond their formal job duties and contribute to the overall success of the organization. Employee job satisfaction also positively influences their behavior and performance (Nurjanah et al., 2020). Additionally, studies have shown that job satisfaction is a key factor affecting turnover intentions, with higher job satisfaction correlating with a lower likelihood of employees planning to leave their jobs (Dodanwala et al., 2023). Job satisfaction is a critical element to consider when managing an organization strategically. It is a fundamental requirement for employees, and once satisfied, individuals are more likely to focus on their tasks (Goestjahjanti et al., 2020).

The current compensation is considered acceptable, with clear identification of the immediate supervisor, a welcoming work environment that fosters a sense of belonging, and no observed or experienced instances of discrimination (Dziuba et al., 2020).

**2.3 Organizational Culture**

Dewi and Wibow (2020) define organizational culture as the shared set of values and beliefs that members of an organization hold, which in turn influence their actions and behaviors. The culture of an organization can be likened to its personality, consisting of deeply ingrained symbols like logos and slogans, as well as core principles and shared values that provide meaning to being part of the organization and affect how people behave at work (Akanji et al., 2020). Organizational culture is generally viewed as a consistent collection of values, beliefs, assumptions, and symbols that are shared within the organization. It is also recognized as a dynamic system that continuously adapts to external influences and requires ongoing change (Madi Odeh et al., 2023).

Lam et al. (2021) state that the internal characteristics of an organization, which heavily impact its long-term development, are part of its organizational culture. This includes how individuals within the organization interact with each other and with external stakeholders. Organizational culture refers to the set of core principles and values that a group has developed to effectively address external challenges and maintain internal unity. It plays a significant role in shaping how individuals perceive the world, experience emotions, and respond to various situations (Bhaduri, 2019).

While organizational culture is primarily shaped by leadership, it also influences the development of leadership within the organization (Akanji et al., 2020). Madi Odeh et al. (2023) assert that organizations that promote involvement, autonomy, and innovation in their culture tend to perform better than those that do not. Such cultures can be nurtured through the implementation of Total Quality Management (TQM). A strong organizational culture greatly influences the effectiveness of supply chain management strategies and the adoption of innovative information technologies (Dubey et al., 2019). Organizational culture is a crucial factor in enhancing job engagement and performance among employees (Meng & Berger, 2019). A strong organizational culture can naturally motivate employees, highlighting the need for management to carefully explore this concept to optimize performance (Zain-Ul-Abidin, 2020).

The organization adopts a comprehensive approach that includes strategies such as implementing training programs to develop key skills, conducting internal research to create unique products, seeking external viewpoints to solve problems, maintaining a strong belief in limitless potential, and collaborating with external entities to establish mutually beneficial policies (Madi Odeh et al., 2023).

**2.4 Employee Engagement**

Engagement refers to the process by which members of an organization fully invest and express themselves physically, cognitively, and emotionally while performing their professional responsibilities (Saks, 2019). Employee engagement is when an individual dedicates their physical, cognitive, and emotional energy to actively and fully completing their tasks (Saks, 2022). O’Connor & Crowley-Henry (2019) define engagement as the opposite of job burnout, encompassing the absence of fatigue, cynicism, and inefficacy, the three main components of burnout. When employees are engaged, they use and combine different levels of their emotional and cognitive abilities to turn their tasks and specialized activities into meaningful accomplishments (Ismail et al., 2019).

Employee engagement is a psychological concept that involves emotions and activation, including energy, enthusiasm, passion, pride, and positive emotions. It also includes absorption, which refers to being psychologically present, focused, and alert. Additionally, discretionary effort, which involves striving for achievement and going beyond basic expectations, is a part of engagement. Task performance, which includes fulfilling tasks and meeting role expectations, is another aspect. Lastly, goal identification, which encompasses goal orientation and awareness of the organization’s objectives, is also a key component of employee engagement (Ababneh, 2021).

Employee engagement has become a critical metric for organizations, as it directly impacts competitive success (O’Connor & Crowley-Henry, 2019). Engaged employees contribute significantly to achieving the organization’s goals, implementing its strategies, and producing positive business outcomes (Chanana & Sangeeta, 2021). According to Ismail et al. (2019), employee engagement leads to improved job performance by generating positive emotions, which in turn boosts motivation to perform job tasks and responsibilities. Engagement also significantly influences employees' intrinsic motivation, job performance, intentions to stay or leave their job, and other work-related outcomes (Wang et al., 2020).

Employee engagement refers to a state where individuals are fully invested in their work, bringing unique contributions. Job and personal resources play a dual role in sustaining engagement and protecting against work-related pressures (Kwon & Kim, 2020). Professionally engaged employees consistently demonstrate high levels of energy, enthusiasm, and motivation in fulfilling their duties. They take pride in their work and immerse themselves in it, which drives them to enthusiastically tackle their daily tasks (Wang et al., 2020).

**2.5 Organizational Performance**

Performance is the extent to which an organization, functioning as a social system, successfully meets its objectives and makes efficient use of its resources (Taouab & Issor, 2019). Organizational performance refers to the level of effectiveness with which an organization achieves its intended goals (Rehman et al., 2019). It can also be described as the accomplishment of an organization's goals or objectives (Abubakar et al., 2019). This involves comparing expected outcomes to actual results, identifying deviations from plans, evaluating individual performance, and assessing progress towards achieving set goals (Iqbal et al., 2019). The total result of all actions undertaken by the organization is known as cumulative output (Alrowwad et al., 2020).

Organizational performance includes evaluating work quality, employee productivity, the improvement of products and processes, leader-member interactions, creativity, problem-solving, and the development of innovative methods and strategies (Rehman & Iqbal, 2020). It serves as an essential measure of an organization's success or failure (Rehman et al., 2019). Research has shown that teams respond positively when they are able to assess their performance against predefined criteria or target goals (Abubakar et al., 2019). Measuring organizational performance is vital for all types of organizations to evaluate the effectiveness of actions carried out by businesses and managers, as it directly influences their survival and success (Durst et al., 2019). Organizational performance refers to the organization's ability to efficiently manage and utilize a variety of resources to achieve its goals and objectives (Alrowwad et al., 2020).

The company consistently surpasses industry standards in several key performance metrics, including net profit, value added per employee, return on assets (ROA %), employee productivity, and return on equity (ROE %) (Kanapathipillaii, 2021).

**2.6 Hypotheses Development**

**Link between Organizational Culture and Job Satisfaction**

Research indicates that organizational culture significantly influences job satisfaction, with a positive culture enhancing overall employee satisfaction (Arif et al., 2019). Various studies have shown that organizational traits such as supportive culture and effective leadership have an indirect effect on professionals' job satisfaction (Meng & Berger, 2019; Wirtama et al., 2020). Therefore, we hypothesize:

*H1: Organizational culture and job satisfaction are positively correlated.*

**Link between Organizational Culture and Employee Engagement**

Organizational culture plays a crucial role in fostering employee engagement (Abdullahi et al., 2021). A positive organizational culture leads to higher employee engagement by creating an optimal work environment (Saleem et al., 2020). The research suggests that a strong organizational culture boosts employee engagement (Panjaitan et al., 2023). Thus, the hypothesis is:

*H2: Organizational culture has a positive relationship with employee engagement.*

**Link between Leadership Style and Job Satisfaction**

Effective leadership positively impacts both job satisfaction and performance (Paais & Pattiruhu, 2020; Chandrasekara, 2019). Research shows that transformational leadership enhances job satisfaction (Hajiali et al., 2022). Therefore, we hypothesize:

*H3: The greater the leadership style of a manager, the more positive the relationship with job satisfaction.*

**Link between Job Satisfaction and Employee Engagement**

Job satisfaction is a key driver of employee engagement (Arifin et al., 2019). Studies have found a strong positive correlation between job satisfaction and employee engagement (Djoemadi et al., 2019; Eka & Anik, 2020). Hence, we hypothesize:

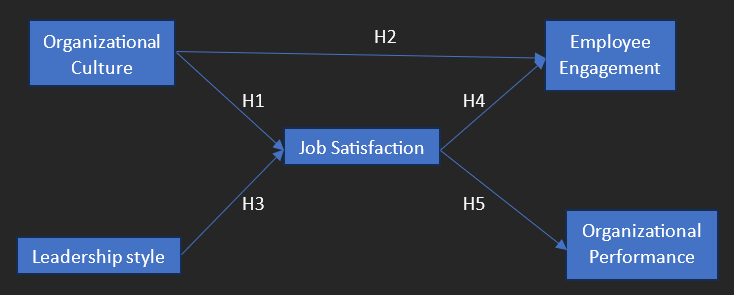
*H4: Job satisfaction is positively correlated with employee engagement.*

**Link between Job Satisfaction and Organizational Performance**

Job satisfaction plays a pivotal role in enhancing organizational performance (Kanapathipillaii, 2021). Numerous studies show that satisfied employees contribute to improved organizational outcomes (Ahmad & Raja, 2021; Jankelová et al., 2020). Thus, we hypothesize:

*H5: Job satisfaction is positively associated with organizational performance.*

Figure 1. Theoritical Framework



# Source: Author’s work

# 3. Research Method

This study combines quantitative and qualitative research methodologies. Qualitative research explores the nuances of phenomena by interpreting characteristics, expressions, and contextual factors, without focusing on their quantifiable aspects (Busetto et al., 2020). It aims to understand phenomena within their natural settings using various data sources, such as interviews, observations, and case studies (Aspers & Corte, 2019). Phenomenology and case studies are central to this approach, allowing for in-depth examination of lived experiences and their meanings (Neubauer et al., 2019; Rashid et al., 2019). In contrast, quantitative research, especially surveys, provides measurable data that allow for the examination of relationships between variables (Yue & Xu, 2019). This study utilizes an online survey to gather data on employee engagement and organizational performance, with variables such as job satisfaction, leadership style, and organizational culture.

The survey method, a long-established tool since the 1930s, ensures data validity and reliability (Ball, 2019), and the use of a 7-point Likert scale helps assess the respondents' level of agreement with specific statements (Pimentel & Pimentel, 2019). This survey is complemented by experimental and longitudinal methods to explore the causal relationships between variables and examine changes over time (Audette et al., 2020; Diener et al., 2022).

**3.1 Sampling Design**

Purposive sampling, a non-probability method, is used to select individuals who possess specific knowledge relevant to the research objectives. This method is efficient, allowing the researcher to focus on participants who meet predefined criteria (Campbell et al., 2020; Obilor et al., 2023). Snowball sampling further enhances this process by utilizing initial participants to refer others (Audemard, 2020). The recommended sample size for Structural Equation Modeling (SEM) ranges from 100 to 400 participants (Memon et al., 2020; Kiyabo & Isaga, 2020), which aligns with the study's target sample of MSME workers in Jakarta.

**3.2 Instrument**

The research instrument consists of a survey with 25 statements divided into eight sections, focusing on variables such as leadership style, organizational culture, job satisfaction, employee engagement, and organizational performance. The questions are based on established studies (Abdullahi et al., 2020; Madi Odeh et al., 2023; Wang et al., 2020). The first section ensures the efficacy of purposive sampling, while subsequent sections collect demographic information and assess the key variables of interest.

**3.3 Descriptive Analysis**

Descriptive analysis is conducted using a 7-point Likert scale to measure respondents' agreement with survey statements. This scale, ranging from 1 to 7, enables detailed assessment of attitudes and perceptions (Pimentel & Pimentel, 2019).

**3.4 Inferential Analysis**

Structural Equation Modeling (SEM) is used to analyze the relationships between independent and dependent variables in this study, particularly examining the interactions among employee engagement, organizational culture, and performance (Sarstedt & Cheah, 2019; Sirakaya et al., 2020). The study applies several statistical tests to ensure the robustness of the findings.

**Normality Test**

The normality of the data is assessed using standard statistical tests. If the p-value is greater than 0.05, the null hypothesis that the data follows a normal distribution is upheld (Matore & Khairani, 2020).

**Common Method Bias**

To mitigate common method bias, the study follows recommended procedures for minimizing errors in measurement, such as ensuring diverse sources for data collection (Dhisasmito & Kumar, 2020). If the common method bias test result is below 50%, the data is considered free from bias.

**Goodness of Fit (GOF)**

The goodness of fit of the model is evaluated using indices like the Comparative Fit Index (CFI) and Root Mean Square Error of Approximation (RMSEA). A good fit is indicated by a CFI greater than 0.9 and an RMSEA below 0.08 (Zhao & Bacao, 2020; McNeish, 2020).

# 4. Result and Discussion

**4.1 Respondent Characteristic**

The study included 234 participants from April to May. However, only 189 respondents were identified as eligible based on screening questions. The study's results indicated that the majority of respondents were male, comprising 67.7% (128 out of 189) of the total confirmed respondents, whereas female respondents accounted for just 32.3% (61 out of 189). The sample's gender distribution indicates that the study may have greater relevance to male participants. The participants were categorised into five different age groups. The most populous demographic comprised of 68 participants aged 23-33, accounting for 36% of the overall sample. 61 responders aged 45-55 constituted the second largest group, accounting for 32.3% of the total. The third group, comprising 20.1% of the total, consisted of 38 responders between the ages of 34 and 44. The fourth group, comprising 11.1% of the total, consisted of 21 respondents between the ages of 12 and 22. The final group, comprising only 0.5% of the total, consisted of a single respondent who was above 55 years old. The respondents' educational attainment was used as the basis for creating seven groups. Fifty-two percent of the responders, which is equivalent to one hundred individuals, were junior high school students in the first group. Out of the total number of respondents in the second category, 65 individuals, accounting for 34.4%, were high school seniors. In the third category, there were 11 respondents, accounting for 5.8% of the total, who possessed a Bachelor's degree. Out of the total number of members in the fourth group, six individuals, which accounts for 3.2% of the group, possessed a Diploma. Out of the group surveyed, three respondents, which accounts for 1.6% of the total, were enrolled in Elementary school. Out of the responders in the sixth group, only two individuals (1.1%) possessed Master's degrees. The final group consisted of two respondents (1.1%) who had successfully finished vocational high school. The researcher categorised the subject into five distinct groups based on income. The majority of respondents indicated having an income, with 115 persons (60.8%) reporting a monthly income of less than IDR 5,000,000. Furthermore, 43 participants (22.8%) indicated that their monthly earnings fell between the range of IDR 5,000,000 to IDR 7,000,000. Out of the total number of respondents, 19 individuals, accounting for 10.1% of the sample, stated that their monthly income falls within the range of IDR 7,000,001 to IDR 9,000,000. Out of the total respondents, 6 individuals (3.2%) stated that their income is within the range of IDR 9,000,001 to IDR 10,000,000. The last group consists of 6 respondents, accounting for 3.2% of the total, whose monthly income exceeds IDR 10,000,000.

Table 1. Respondent Characteristic

|  |  |  |
| --- | --- | --- |
|  | **N** | **%** |
| **GENDER** |  |  |
| Male | 128 | 67,7% |
| Female | 61 | 32,3% |
|  |  |  |
| **AGE** |  |  |
| 23-33 | 68 | 36% |
| 45-55 | 61 | 32,3% |
| 34-44 | 38 | 20,1% |
| 12-22 | 21 | 11,1% |
| >55 | 1 | 0,5% |
|  |  |  |
| **EDUCATION LEVEL** |  |  |
| Junior High School | 100 | 52,9% |
| Senior High School | 65 | 34,4% |

|  |  |  |
| --- | --- | --- |
| Bachelor’s Degree | 11 | 5,8% |
| Diploma | 6 | 3,2% |
| Elementary school | 3 | 1,6% |
| Vocational High School | 2 | 1,1% |
| Master’s Degree | 2 | 1,1% |
|  |  |  |
| **Income** |  |  |
| < Rp5,000,000 | 115 | 60,8% |
| Rp5,000,000-Rp7,000,000 | 43 | 22,8% |
| Rp7,000,001-Rp9,000,000 | 19 | 10,1% |
| Rp9,000,001-Rp10,000,000 | 6 | 3,2% |
| >Rp10,000,000 | 6 | 3,2% |

Source : Author’s work

**4.2 Descriptive Analysis**

**Leadership Style**

The study assessed leadership style using five statements, finding that respondents generally agreed with them, with an average score of 4.83 and a standard deviation of 1.78. The statement "My supervisor encourages me to take on difficult tasks" scored a mean of 4.58 with a standard deviation of 1.98, while "My supervisor motivates me to view problems from different perspectives" scored a mean of 4.9 and a standard deviation of 1.67. Another statement, "The supervisor’s demeanor fosters a sense of ease and comfort among others," received a mean score of 4.72 and a standard deviation of 1.88. "The supervisor clearly communicates what actions we should take" had a mean of 4.85 and a standard deviation of 1.7. Finally, the statement "The supervisor supports others' personal growth and development" scored the highest with a mean of 5.08 and a standard deviation of 1.64.

Table 2. Leadership style

|  |  |  |
| --- | --- | --- |
|  | **Mean** | **Standard Deviation** |
| **LS1** | 4.58 | 1.98 |
| **LS2** | 4.90 | 1.67 |
| **LS3** | 4.72 | 1.88 |
| **LS4** | 4.85 | 1.70 |
| **LS5** | 5.08 | 1.64 |
| **Total** | 4.83 | 1.78 |

Source: IBM SPSS 23

**Job Satisfaction**

Five statements were used to gauge job satisfaction, with respondents showing an average score of 4.8 and a standard deviation of 1.71. The statement "I am satisfied with my current income" had a mean of 4.83 and a standard deviation of 1.74, while "I know who my direct superior is" scored a mean of 4.86 and a standard deviation of 1.65. Regarding the work environment, the statement "The mood in my organization is friendly" received a mean of 4.71 and a standard deviation of 1.78. The statement "I feel a strong sense of belonging and identification with my organization" had a mean of 4.79 and a standard deviation of 1.72. Lastly, "I have not observed any discrimination in my organization" had a mean of 4.8 with a standard deviation of 1.68.

Table 3. Job Satisfaction

|  |  |  |
| --- | --- | --- |
|  | **Mean** | **Standard Deviation** |
| **JS1** | 4.83 | 1.74 |
| **JS2** | 4.86 | 1.65 |
| **JS3** | 4.71 | 1.78 |
| **JS4** | 4.79 | 1.72 |
| **JS5** | 4.80 | 1.68 |
| **Total** | 4.80 | 1.71 |

Source: IBM SPSS 23

**Organizational Culture**

To evaluate organizational culture, five statements were provided, and the study revealed an average score of 4.98 with a standard deviation of 1.68. The statement "Our organization has a training program to equip employees with the necessary skills for future demands" received a mean of 5.03 and a standard deviation of 1.69. "My company conducts internal research to explore ways to make our product stand out in the industry" had a mean of 5.00 and a standard deviation of 1.64. The statement "My organization uses an external perspective to identify and understand problems" scored a mean of 4.83 and a standard deviation of 1.75. "My company believes that there are no limits to its future potential" had a mean of 5.16 and a standard deviation of 1.63. Finally, "My organization collaborates with external partners to implement policies that bring long-term benefits" scored a mean of 4.87 and a standard deviation of 1.69.

Table 4. Organizational Culture

|  |  |  |
| --- | --- | --- |
|  | **Mean** | **Standard Deviation** |
| **OC1** | 5.03 | 1.69 |
| **OC2** | 5.00 | 1.64 |
| **OC3** | 4.83 | 1.75 |
| **OC4** | 5.16 | 1.63 |
| **OC5** | 4.87 | 1.69 |
| **Total** | 4.98 | 1.68 |

Source: IBM SPSS 23

**Employee Engagement**

The study assessed employee engagement with five statements. The findings revealed an average score of 5.10 and a standard deviation of 1.57. "I feel energetic while working" had a mean of 5.14 with a standard deviation of 1.62. "I have a strong enthusiasm for my work" received a mean of 5.15 and a standard deviation of 1.45. "I wake up in the morning feeling motivated to start my workday" scored a mean of 4.9 with a standard deviation of 1.73. The statement "I derive satisfaction from my tasks" had a mean of 5.22 and a standard deviation of 1.46. Lastly, "I am highly committed to my job" received a mean score of 5.09 with a standard deviation of 1.54.

Table 5. Employee Engagement

|  |  |  |
| --- | --- | --- |
|  | **Mean** | **Standard Deviation** |
| **EE1** | 5.14 | 1.62 |
| **EE2** | 5.15 | 1.45 |
| **EE3** | 4.90 | 1.73 |
| **EE4** | 5.22 | 1.46 |
| **EE5** | 5.09 | 1.54 |
| **Total** | 5.10 | 1.57 |

Source: IBM SPSS 23

**Organizational Performance**

To assess organizational performance, five statements were evaluated, revealing an average score of 4.59 with a standard deviation of 1.69. The statement "The net profit of my company exceeds the industry average" scored a mean of 4.98 and a standard deviation of 1.63. "The value contributed per employee at my company surpasses the industry average" had a mean of 4.53 with a standard deviation of 1.60. "The return on assets (ROA) of my company significantly exceeds the industry average" received a mean of 4.62 and a standard deviation of 1.71. "The productivity of my company's employees is above the industry average" scored a mean of 4.44 with a standard deviation of 1.64. Lastly, "The return on equity (ROE) of my company surpasses the industry average" had a mean of 4.35 and a standard deviation of 1.79.

Table 6. Organizational Performance

|  |  |  |
| --- | --- | --- |
|  | **Mean** | **Standard Deviation** |
| **OP1** | 4.98 | 1.63 |
| **OP2** | 4.53 | 1.60 |
| **OP3** | 4.62 | 1.71 |
| **OP4** | 4.44 | 1.64 |
| **OP5** | 4.35 | 1.79 |
| **Total** | 4.59 | 1.69 |

Source: IBM SPSS 23

**4.3 Inferential Analysis**

**Normality**  
The normality of the data was tested using AMOS. The results were consistent with the normality test criteria, where skewness should be below 3 and kurtosis should be below 10 (Matore & Khairani, 2020). The data passed the normality test, indicating that it follows a normal distribution.

Table 7 Normality Test

| Variable |  |  | **skew** |  | **kurtosis** |  |
| --- | --- | --- | --- | --- | --- | --- |
| OP3 |  |  | **-.615** |  | **-.610** |  |
| OP2 |  |  | **-.401** |  | **-.725** |  |
| OP1 |  |  | **-.740** |  | **-.266** |  |
| EE5 |  |  | **-.717** |  | **-.266** |  |
| EE2 |  |  | **-.874** |  | **.439** |  |
| EE1 |  |  | **-.857** |  | **-.073** |  |
| JS5 |  |  | **-.467** |  | **-.845** |  |
| JS4 |  |  | **-.556** |  | **-.652** |  |
| JS3 |  |  | **-.493** |  | **-.828** |  |
| JS2 |  |  | **-.420** |  | **-.755** |  |
| OC5 |  |  | **-.614** |  | **-.549** |  |
| OC4 |  |  | **-.726** |  | **-.463** |  |
| OC3 |  |  | **-.561** |  | **-.661** |  |
| OC2 |  |  | **-.717** |  | **-.403** |  |
| LS5 |  |  | **-.736** |  | **-.431** |  |
| LS3 |  |  | **-.403** |  | **-1.016** |  |
| LS2 |  |  | **-.598** |  | **-.526** |  |
| LS1 |  |  | **-.422** |  | **-1.178** |  |

Source: AMOS Results

**Common Method Bias**

A test for common method bias was conducted using SPSS 23. According to Dhisasmito & Kumar (2020), a common method bias issue would arise if the total variance is above 50%. The study found the total variation to be 44.978%, indicating no common method bias.

Table 8. Common Method Bias

|  |  |  |
| --- | --- | --- |
| **Total Variance Explained** | | |
| Extraction Sums of Squared Loadings | | |
| Total | % of Variance | Cumulative % |
| 11.244 | 44.978 | 44.978 |
| Extraction Method: Principal Component Analysis. | | |

Source: IBM SPSS 23

**Model Fit**

The model fit was assessed using SPSS 23. Based on the data in Table 9, the CMIN value was 2.178, which indicates a good fit as it is below 5. Other indices showed that the Adjusted Goodness of Fit Index (AGFI) and Goodness of Fit Index (GFI) were below 0.9, while the Incremental Fit Index (IFI), Tucker-Lewis Index (TLI), and Comparative Fit Index (CFI) were greater than 0.9, and the Root Mean Square Error of Approximation (RMSEA) was below 0.08. These results indicate that the model is a good fit (Zhao & Bacao, 2020; Yaşlıoğlu & Yaşlıoğlu, 2020).

**Table 9. Model Fit**

|  |  |  |  |
| --- | --- | --- | --- |
| **CRITERIA** | **Initial Modification** | **After Modification** | **DECISION** |
| CMIN/DF (<5) | 2.429 | 2.178 | FIT |
| AGFI (>0.9) | 0.730 | 0.820 | NOT FIT |
| GFI (>0.9) | 0.780 | 0.868 | NOT FIT |
| IFI (>0.9) | 0.881 | 0.930 | FIT |
| TLI (>0.9) | 0.863 | 0.913 | FIT |
| CFI (>0.9) | 0.879 | 0.929 | FIT |
| RMSEA (<0.08) | 0.087 | 0.079 | FIT |

Source: AMOS Results

**Validity and Reliability**

The validity and reliability of the model were evaluated using AMOS. Convergent and discriminant validity tests were applied. According to Puška et al. (2020), Composite Reliability (CR) should be greater than 0.7 and Average Variance Extracted (AVE) should exceed 0.5. The results showed that the AVE exceeded 0.5 and the CR was greater than 0.7, confirming the reliability of the study.

Table 10. Convergent Validity

|  |  |  |
| --- | --- | --- |
|  | AVE | CR |
| LEADERSHIP STYLE | 0.67 | 0.89 |
| ORGANIZATION CULTURE | 0.57 | 0.84 |
| JOB SATISFACTION | 0.63 | 0.87 |
| EMPLOYEE ENGAGEMENT | 0.56 | 0.79 |
| ORGANIZATION PERFORMANCE | 0.56 | 0.79 |

Source: AMOS Results

**Hypothesis Testing**

Hypothesis testing was carried out using AMOS. According to Dhisasmito and Kumar (2020), a p-value below 5% indicates the rejection of the null hypothesis. The results, shown in Table 4.12, confirmed that five hypotheses were validated.

Table 11. Hypothesis Testing

| Hypothesis |  | Testing | Estimate | S.E. | C.R. | P | Label |
| --- | --- | --- | --- | --- | --- | --- | --- |
| JobSatis | <- | LeadStyl | .484 | .072 | 6.714 | \*\*\* | ACCEPT |
| JobSatis | <- | OrgCult | .214 | .097 | 2.213 | .027 | ACCEPT |
| OrgPerf | <- | JobSatis | .552 | .085 | 6.502 | \*\*\* | ACCEPT |
| EmpEng | <- | JobSatis | 1.224 | .152 | 8.061 | \*\*\* | ACCEPT |
| EmpEng | <- | OrgCult | -.421 | .126 | -3.335 | \*\*\* | ACCEPT |

Source: AMOS Results

**R-Square**

The R-square values for Job Satisfaction, Organizational Performance, and Employee Engagement were 0.759 (75.9%), 0.422 (42.2%), and 0.836 (83.6%) respectively. According to Hair et al. (2019), an R-square value close to 1 is considered strong. A value of 0.75 is strong, 0.50 is moderate, and 0.25 is weak. These R-square values indicate that the study's model has a good fit.

Table 4.13 R-Square

|  |  |
| --- | --- |
| Job Satisfaction | 0.759 |
| Organizational Performance | 0.422 |
| Employee Engagement | 0.836 |

Source: AMOS Results

**4.4 Discussion**

The study explores factors influencing workers in Jakarta's micro, small, and medium enterprises (MSMEs), concluding that there is a positive correlation between organizational culture and job satisfaction, supported by previous studies (Arif et al., 2019; Meng & Berger, 2019; Wirtama et al., 2020). It suggests that a positive organizational culture creates a sense of ease and contributes to job satisfaction. The establishment of an adhocracy culture further promotes job satisfaction (Tran, 2021). MSMEs are encouraged to implement training programs and conduct internal research to enhance their products and improve employee satisfaction.

The study also finds a positive correlation between organizational culture and employee engagement, supported by studies from Abdullahi et al. (2021), Saleem et al. (2020), and Panjaitan et al. (2023). A strong organizational culture, characterized by a supportive environment and good employee-supervisor relationships, enhances employee engagement. Employees who receive support from their leaders and colleagues tend to demonstrate higher levels of engagement (Saleem et al., 2020). MSMEs are advised to seek external perspectives to identify challenges and collaborate with external organizations to implement policies that foster long-term engagement.

Furthermore, the study reveals a positive relationship between leadership style and job satisfaction, supported by previous research by Paais & Pattiruhu (2020), Chandrasekara (2019), and Hajiali et al. (2022). Transformational leadership, which prioritizes the needs of subordinates and promotes personal growth, positively impacts job satisfaction. Leaders who encourage staff development, create a supportive environment, and motivate employees to take on challenges increase job satisfaction among their teams.

The study also investigates the relationship between job satisfaction and employee engagement, finding a positive correlation supported by studies from Arifin et al. (2019), Djoemadi et al. (2019), and Eka & Anik (2020). There is a strong link between employee engagement and job satisfaction, with studies demonstrating that when employees are satisfied, they are more engaged in their work. MSMEs should ensure competitive compensation and a supportive supervisor-employee relationship to enhance engagement.

Finally, the study confirms a positive correlation between job satisfaction and organizational performance, supported by research from Kanapathipillaii (2021), Ahmad & Raja (2021), and Jankelová et al. (2020). Job satisfaction significantly impacts organizational performance. When employees are satisfied with aspects like supervisor support, promotion opportunities, and compensation, they are more motivated, leading to better performance. MSMEs should create a welcoming work environment where employees feel valued and included, which will contribute to improved business performance.

# 5. Conclusion and Implications

This study has significantly contributed to understanding organizational performance and employee engagement within Jakarta's Micro, Small, and Medium Enterprises (MSMEs). The research provides valuable insights into the dynamics of these organizations by analyzing the factors influencing employee engagement and performance. A key finding is the substantial influence of job satisfaction on organizational performance, highlighting that satisfied employees are more likely to perform better, thus improving overall organizational outcomes. Job satisfaction emerges as a critical factor in achieving success, especially in MSMEs where resources are limited and employee contributions are crucial.

The study also underscores the impact of organizational culture on employee engagement. A positive corporate culture, defined by shared values, beliefs, and practices, plays a significant role in boosting employee engagement, which is vital for maintaining motivation and productivity. Furthermore, the research emphasizes the importance of leadership in shaping both employee engagement and job satisfaction. Leadership style, communication, and decision-making significantly affect job satisfaction, and effective leadership fosters an environment where employees feel valued and motivated, leading to higher levels of engagement.

The interconnection between organizational culture and job satisfaction is also highlighted, showing that a positive organizational culture can directly enhance employee satisfaction, thereby increasing engagement. This reinforces the importance of cultivating a supportive and motivating environment within MSMEs to achieve better performance and engagement outcomes.

For MSMEs, this research carries significant implications. Job satisfaction is a key driver of employee engagement and organizational performance. To foster a conducive work environment, leaders in the MSME sector should encourage personal growth, promote diverse perspectives, and create an approachable atmosphere. Effective leadership can improve job satisfaction, thus enhancing organizational performance and engagement. Additionally, MSMEs should implement comprehensive training programs to equip employees with essential skills and conduct internal research to identify ways to differentiate their products. Seeking external perspectives to address existing challenges will further contribute to organizational success. Cultivating a strong organizational culture and prioritizing employee satisfaction can have lasting positive effects on engagement and performance.

For future studies, a limitation of this research is its narrow geographical scope, as it focuses only on Jakarta, which may limit the applicability of the findings to other regions or countries. Additionally, the sample size was relatively small, with 189 participants, predominantly male and with a Senior High School education. To improve generalizability, future research should aim for a more diverse sample. The current study examined the effects of leadership style, organizational culture, and job satisfaction on employee engagement and organizational performance within MSMEs in Jakarta. Future research could expand this scope by considering additional factors influencing engagement and organizational success and addressing the study's limitations to provide more comprehensive insights.

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