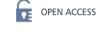
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Research Article

The Effect of Transformational Leadership, Organizational Learning And Compensation Toward Employee Engagement With Trust As Mediating Variable (Study On Employees of Pt Bank Mandiri (Persero), Tbk Lhokseumawe Branch Office, Aceh, Indonesia)

Armitha Mekka¹, Abdul Rahman Lubis¹, Muslim A. Djalil¹, T. Meldi Kesuma^{*1}

¹Magister Management Program, Faculty of Economics and Business, Universitas Syiah Kuala, Indonesia

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Abstract: This study aims to determine the effect of Transformational Leadership, Organization Learning, and Compensation toward Employee Engagement with Trust as Mediating Variable. The Methods of This study used questionnaires as research instrument. Total sampling was used as the sampling technique in this research. Partial Least Square (PLS) is used to determine the effect of mediation involved. The results of this study indicate that the Transformational Leadership, Organization Learning, Compensation and Trust towards significantly Employee Engagement.

Keywords: Transformational Leadership, Organization Learning, Compensation, Employee Engagement, Trust.

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1. Introduction

One of the valuable assets owned by organizations, especially banks, is employees. Working in the banking world viewed from one side is not easy since employees must have the capacity to put aside personal emotions and need to concentrate on clients and work positively. In reality, the banking employees often face emotional problems. They often meet clients with a demanding attitude, angry or rude. Paying attention to the conditions of working in a banking sector that relatively unprofitable such as the length of working hours, high work pressure, doing work on weekends and holidays and lack of work stability is likely to have a negative influence on the employees' points of view regarding their works (Pienaar & Willemse, 2008). Based on this, the negative effects of emotional perceived by employees include fatigue, lack of job satisfaction and poor service are very vulnerable to be felt.

Starting in 2015, the burden of the Bank Mandiri branch heads get heavier. Previously, the branch office functions only as a fund collector and transactional. Then, it became a full sales and service branch. Because of the ambition to dominate the retail

market, Bank Mandiri boosted its branch offices to market credit products, ranging from micro, small and medium enterprises (MSMEs), multipurpose loans, mortgages, to motor vehicles. As a result, the concept of customer interaction at the branch office is also changed (Infobanknews.com).

The consequences of adding branch office functions impact on the dimensions of service to customers, especially those who visit branch offices where leaders continue to pressure their employees to optimize service and performance. The existence of a working atmosphere that is excessively great, the engagement of employee to banking is a priority compared to other industries. Employee engagement is an important factor and has an impact in the form of high dedication by employees to the organization (Zulkarnain & Hadiyani, 2014). Engagement in the aspect of service requires a high level of self-evaluation and the atmosphere of work in terms of function, effectiveness, carrying capacity and ability (Zulkarnain & Hadiyani, 2014). The engagement of employee is not only important in the banking business, but it is also important for other organizations to be able to retain their employees. However, not all employees have it nowadays.

2. LITERATURE REVIEW

2.1 Employee Engagement

It is an emotional and intellectual relationship by employees on work, managers, organizations, or work partners who can add discretionary effort to work. The formation of attachments between employees towards work is the responsibility of the organization and the manager as the boss (Gibbons, 2006).

Albrecht, S. L. (2010), mentions it as an elusive power (commitment to the organization, pride in work, the exertion of energy and time, passion and interest) that motivates employees to uphold optimal work.

Saks (2006) states that employees who have employee attachments demonstrate 3 general behaviors, namely: (a) Strive, which is giving more time, initiative and energy to be able to contribute to the success of the organization. (b) Say, which is consistently expressing positive things about the organization to colleagues, prospective employees, and consumers. (c) Stay, which is having a hope of becoming a member of the organization where the person works compared to the opportunity to work in other organizations.

2.1.1. Employee Engagement Factors There are six factors that influence employee engagement according to Wyman (2008) as follows:

Integrity and Leader Trust
 Integrity is one of the important characters for leaders. Leaders with high integrity will easily get the trust of his employees. Leaders with integrity are seen as trustworthy because their words are also their actions.

2. Pride of the Company

Pride is a psychological feeling (pleasure, positive feelings, self-esteem, personal warmth, and employees involvements) from the employees about work and company. Pride of the company is a feeling of pride that employees feel as a result of identifying their selves with a company that has a good reputation where the employees are involved.

3. The work itself

Encouragement to work may arise when the degree of employees' interest are high on the job, which triggers employees engagement. Engagement appears when the employees have interest in the work and the appropriateness of their personal value, and employees are treated well and naturally to raise the desire to reciprocate.

4. Relationship with boss

Relationships with boss are general perceptions of employees towards the boss level or the leader cares about welfare and evaluates employees' contributions to the company. A boss who can maintain good relations with employees can foster a sense of engagement.

5. Development Opportunities

When companies provide opportunities for employees to develop by providing appropriate jobs, employees believe when their organizations are bound to them and pay attention to matters related to their welfare, they will react more by trying to fulfill obligations to organizations through being more engaged.

6. Recognition and Reward

Recognition and Reward are important for the formation of engagement. When employees get recognition and receive reward from organizations, they will feel obliged to be able to repay higher level engagement.

2.2. Trust

It refers to a belief in something that is determined by factors such as what they feel, policy, and competence (Lin, 2011). According to Deutsch (in Yilmaz and Atalay, 2009), trust is the behavior of individuals, who expect someone to provide positive benefits. Trust occurs because individuals are believed to provide benefits and do what is desired by individuals who give trust. Thus, trust is the basis for both sides to cooperate.

Mayer (1995) explains that it is an individual's sensitivity to the actions of others based on expectations that other people will also do certain things to those who believe them, without hoping for their ability to control and supervise. He says that people who are believed to have the will and sensitivity to the expectations of others who believe that their actions play a very important role.

If it has been built, management will get the full support of its employees in implementing directions and policies. Organizations also reach the targets set more easily. Trust determines the success of coordinating a job. According to Robbins (2010), there are 5 important things to create and generate trust, are:

- 1. Integrity, which aimed at the values of truth and honesty (being real).
- 2. Competency, namely the leader has the knowledge and technical skills and interpersonal relationships.
- 3. Consistency, which is the ability to predict and overcome problems and be reliable.
- 4. Loyalty, which is the willingness of leaders to protect and save employees.
- 5. Openness, which is the leader does not limit himself to freely sharing ideas and information.

2.3. Transformational Leadership

Bass (2011) explains that transformational leadership is the ability of leaders to influence their subordinates, so that their subordinates trust, emulate, and respect themselves as leaders. Transformational

leadership begins with a vision that portrays a common goal, and it is explained simply and clearly to all employees, always strives to increase awareness of the importance of work for the organization, always focuses on achieving the vision by maintaining commitment, making changes, and explaining to employees the positive impact from change, and always develop themselves through learning media in improving their leadership competencies.

Ivancevich et al (2012) stated that it is as having the ability to motivate their employees to work to achieve goals, not only short-term achievements, for personal, and self-achievement and actualization, not for comfortable feeling. The vision of the leader makes his followers motivated to work hard in achieving organizational goals. Furthermore, Coulter (2010) explains that transformational leadership has a trait that exceeds charisma because transformational leaders try to instill the ability to always question the views held by leaders to their subordinates. Transformational leaders are inspiring leaders for subordinates in achieving results.

2.4. Organization Learning

According to Garvin (2011), it is the organizational expertise in creating, obtaining, interpreting, channeling and sharing knowledge, with the aim of changing the attitudes of its members in increasing knowledge. Organizations will learn through individuals within the organization. It occurs through employee learning. Marquardt (1996) defines that organizational learning and individual learning cannot be separated. Organizations always learn through elements within the organization, namely individuals. Individual learning refers to changes in skills, knowledge, attitudes, insights, and other values through observation, experience and insight.

Senge (1990) defines it as one of the various skills that are important for leaders. Leaders on an ongoing basis provide opportunities for members of the organization to improve their abilities through the learning process. It has a strong orientation for employees where members of the organization share information, create organizational memory assumptions and norms, which guide individuals and organizations. Organizational ability in learning is factored by the ability to be able to create trust with customers and ability in communication, processing information, channeling knowledge, coordinating between units within the organization.

2.5. Compensation

Griffin (2011) describes it as financial remuneration to employees of the organization as an award. Employees who dedicate themselves to work will receive rewards in the form of financial and non-financial compensation. According to Rivai and Sagala (2011), compensation is as a process of giving salaries

related to the amount and balance of compensation. Compensation also relates to something received in the form of reward. In the world of work, remuneration to workers for performance is a result of sources of compensation. A measure of remuneration for wages describes the preparation of remuneration between employers and workers. Remuneration, namely awards, salary payments, or remuneration in non-financial terms. Remuneration is the concept of comprehensive payment of wages and salaries that normally includes financial payments and non-financial dimensions.

Other research conducted by Said et. al (2017) shows that it has a positive and significant influence on organizational performance through job satisfaction. This means that the higher the monthly salary, allowances, commissions for work, facilities, income outside salaries and holiday allowances that are allotted to employees, the higher job satisfaction given by employees and this will improve employee performance. Adam et al. (2018) shows that compensation affects directly on job satisfaction, this means that increased compensation can increase the level of employee performance and job satisfaction. The situation of employees who are satisfied in work can trigger the emergence of employee attachments because the company is considered able to pay attention to the conditions and needs of employees (Lintangsari et al., 2013 in Deborah et al., 2016).

2.6. INTER VARIABLE RELATIONSHIPS2.6.1 The Relationship between Trust and Employee Engagement

According to Suwandi and Nur Indriantoro (in Chuswatun, 2012) the relationship between individuals and organizations begins through creating trust in the organization. Furthermore, the trust is grown and implemented in the form of attachment and good personal identification to the organization. Whitenner (in Utami, 2009) shows that trust is important to properly function the organization.

Sandlers (2012) discovers that relationships built on trust between leaders and employees are very important for positive employee engagement. Trust must be nurtured, developed, and instilled in all relationships in the company. Research conducted by Gratton (2012) shows that trust is "one of the most valuable things a community or organization can have". Trust unites us and helps us work together. Trust is a by-product and a prerequisite needed for employee engagement.

2.6.2 The Relationship between Transformational Leadership and Employee Engagement

Margaretha and Saragih (2008) state that work engagement depends on leaders in the organization. Leaders play a role in an environment that can make employees bound cognitively and emotionally. If there is no leader role, it will be difficult for employees to be

bound. Transformational leadership is one of a variety of leadership models. On the other hand, research by Muhammad et al. (2016) conducted in the banking sector at Mardan, Pakistan shows that transformational leadership is positively related to job involvement and that these leaders are able to motivate employees to be more comfortable and engaged in their work.

2.6.3 The Relationship between Transformational Leadership and Trust

The examination by E.Kevin et al. (2012) on the relationship between employee perceptions of transformational leadership and employee psychological well-being with trust as mediation shows that trust on leaders fully mediates a positive relationship between manager's perceptions, transformational leadership and employee psychological well-being. Moreover, Shang Wang et al. (2013) based on his research defines that trust mediates the influence between leadership and employee involvement, and Norman et al. (2010) explains that the influence of leaders has a positive relationship with the trust felt by employees towards leaders.

2.6.4 The Relationship between Organizational Learning and Employee Engagement

Today, training is one of the most important investment tools for organizations such as increasing employee knowledge, skills, attitudes, and behavior through different advantages to creating valuable resources, namely, committed employees. Committed employees are seen as the most valuable assets compared to other assets in the organization (Jex & Britt, 2008).

Research by Ibiwani et al. (2017) conducted on young employees at Malaysian Commercial Banks shows that organizational learning is positively related to job involvement. The efforts of organizations in implementing learning and development programs generate trust and a positive increase in the level of commitment among employees. Employees also experience job satisfaction and are willing to work extra in sharing knowledge and expertise and provide efficient products to the organization.

2.6.5 The Relationship between Organizational Learning and Trust

Organizational learning is a process of improving self and organization. It aims to achieve the target. A. Rahman et al. (2018) defines trust as a belief in ability, integrity, individual character or something. The concept of trust in organizations is a component that helps in regulating complexity, enhances collaboration, develops the ability to act and is able to improve capabilities in organizational learning.

Jacob et al. (2013) conducted a study to see the relationship between trust and organizational performance using organizational learning as a

mediating variable, and the result shows that organizational learning mediates the relationship between trust and organizational performance. Organizations and leaders can use trust as a mechanism that increases the transfer of knowledge of organizational boundaries and promotes organizational learning abilities. When individuals feel that they can trust one another, they are more willing to take risks in relationships.

2.6.6 The Relationship between Compensation and Employee Engagement

Rivai (2009) states that if compensation is managed well then it helps the company achieve it for its purpose and maintain it and look after its employees. Conversely, if there is no adequate compensation, employees have a great chance to leave the company so that the company will experience obstacles in replacing employees. As a result of this dissatisfaction, it will increase complaints, affect performance, lead to strikes.

Dewi (2012) mentions that the effect of performance appraisal and compensation on employee attachments shows that significant compensation and positive correlations affect employee engagement. The dimensions contained in compensation such as incentives, leave, salary, bonuses, health insurance, pensions, promotion opportunities, recognition and rewards collectively affect employee engagement.

2.6.7 The Relationship between Compensation and Trust

According to Suhartini (2005), trust is an important thing from the results of the achievement assessment, and it becomes the "heart" of the employee's perception of justice. In particular, compensation is determined based on achievements. The design of the compensation system is expected to be able to respect employee performance fairly. Performance evaluation is expected to be carried out objectively. Thus, the higher the employee's trust, the higher the perception of justice from the employee on the existing decision. Two aspects related to trust are employee trust in groups, units, and work organizations and employee trust in leadership. In the event that employee trust in the organization is high, the higher the level of assessment it will be more effective for compensation based on the achievement of these levels. Furthermore, the trust given by employees to their leaders will be high, so that compensation based on individual achievements will be more effective.

2.7. Research Framework

The framework describes the relationship of several independent variables; Transformational Leadership (X1), Organizational Learning (X2), Compensation (X3) to the dependent variable of Employee Engagement (Y) with Trust As a Moderating Variable (Z). In detail, the framework is as follows:

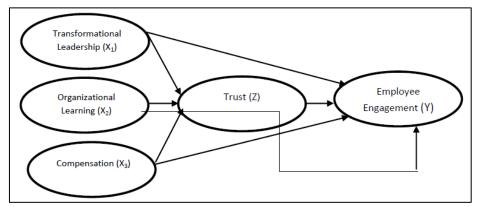


Figure 1. Research Framework

2.8. Hypothesis

- **H₁:** Transformational leadership influences the trust of employees
- **H₂:** Organizational Learning influences the trust of employees
- H₃: Compensation has an influence on the trust of employees
- **H₄:** Transformational leadership influences employee engagement
- H₅: Organizational Learning influences employee engagement
- H₆: Compensation influences employee engagement
- H₇: Trust influences employees' engagement
- **H₈:** Transformational leadership influences employee engagement
- H₉: Organizational Learning influences employee engagement
- H₁₀: Compensation influences employee engagement

3. RESEARCH METHODOLOGY

3.1. Research Location and Object

This research was conducted on employees of PT Bank Mandiri (Persero), Tbk Lhokseumawe Branch Office. The operational variables contained in this study consist of several independent variables namely transformational leadership (X1), organizational learning (X2), and compensation (X3), then the dependent variable is employee attachment (Y) and mediation variable namely trust (Z).

3.2. Sample and Data Collection

The population is relatively small, allowing researchers to examine all members of the population. Therefore, all employees of the Bank were selected so that the sample was collected using the Census method. Because the population is known and few in numbers,

the sampling technique includes non-probability sampling, namely total sampling. In this study, the sample amounted to 87 respondents. The research data was collected through primary and secondary data. Primary data is obtained through a questionnaire while secondary data is obtained through documentation of bank.

3.3. Questionnaire Design and Measurement of Variables

The multicotomic questionnaire model was used in this study, so the subjects had 5 alternative responses. Likert scale is used in this study, this scale is related to one's attitude towards something. In this research questionnaire there was a very disagree statement (STS) to the very agree statement (SS) as an option from the answer. All questions consisted of transformational leadership 5 questions, organizational learning 6 questions, 4 question compensation, 10 employee engagement questions, and 5 questions.

3.4. Instrument of Data Analysis

Partial Least Square (PLS) method is used as data analysis. Partial Least Square is a predictive technique used to handle many independent variables, even though there is multicollinearity among variables (Ramzan and Khan, 2010). The analysis of the PLS method is soft modeling so that it does not require data assumptions, distribution data and certain sample quantities (below 100 samples) to be fulfilled.

4. RESULTS AND DISCUSSIONS

4.1. Measurement (Outer) Evaluation Model

The model of testing validity and reliability, the coefficient of determination and path coefficients for the model equation are shown as follows.

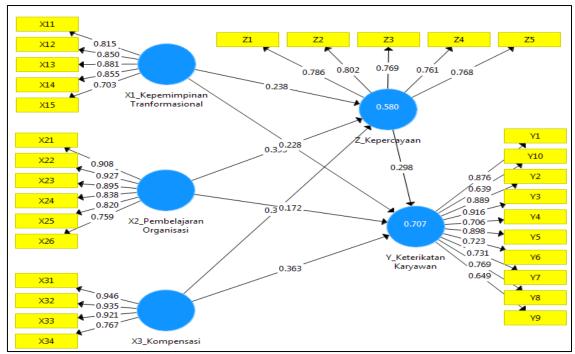


Figure 2. Display of PLS Algorithm Results

4.2. Structural Models (Inner Model) Testing

The hypothesis testing in this study shows the following results.

Tabel 6. Path Coefficient

Variables	Original Sample	Sample Mean	Deviation standard	T- statistics	P-values
Leadership → Trust	0.238	0.245	0.095	2.506	0.013
Organizational Learning → Trust Compensation→ Trust	0.393	0.391	0.089	4.411	0.000
	0.342	0.338	0.079	4.347	0.000
Leadership→ Employees Engagement	0.228	0.226	0.104	2.198	0.028
Organizational Learning → Employee Engagement	0.172	0.164	0.098	1.745	0.082
Compensation→ Employee Engagement	0.363	0.362	0.090	4.031	0.000
Trust→ Employee Engagement	0.298	0.304	0.099	3.003	0.003

Based on the table above, it can be seen that the first test of the original sample estimate value of transformational leadership LS towards trust is 0.238 with a significance below 5%. The positive original sample estimate value indicates that transformational leadership has a positive effect on trust. The second test obtained the original sample estimate LS value of 0.393 with significance below 5%. Positive original sample estimate values indicate that organizational learning has a positive effect on employee trust. The third test obtained the original sample estimate LS value of 0.342 with significance below 5%. A positive original sample estimate value indicates that compensation has a positive effect on trust. The fourth test obtained the original sample estimate LS value of 0.228 with significance below 5%. The positive original sample estimate value indicates that transformational leadership has a positive effect on employee engagement. The fifth

test obtained the original sample estimate LS value of 0.172 with significance above 5%. The positive original sample estimate value indicates that organizational learning has no significant effect on employee engagement. The sixth test obtained the original LS estimation value of 0.363 with significance below 5%. A positive original sample estimate value indicates that compensation has a positive effect on employee engagement. The seventh test obtained the original sample estimate LS value of 0.298 with significance below 5%. A positive original sample estimate value indicates that trust has a positive effect on employees' attachment to employee engagement.

4.3. **DISCUSSIONS**

The test result for hypothesis 1 showed transformational leadership has a positive effect on

trust. This explains that the better the employee's assessment of transformational leadership in PT Bank Mandiri (Persero) Tbk Lhokseumawe Branch, the higher the employee's trust. This result was in line with the research of Norman et al. (2010). The study found that the influence of leaders has a positive relationship with the trust felt by employees towards leaders.

The test result for hypothesis 2 proved that organizational learning has a positive influence on trust. This indicated that the better the application of organizational learning by employees, the better the trust of employees towards the leadership and company. This statement was in line with the research of Jacob et al. (2013). The study looked at the relationship between organizational performance trust and organizational learning as a mediating variable, the results showed that organizational learning mediates the relationship between trust and organizational performance. Trust was seen as essential from various forms of modern organization.

The result for hypothesis 3 testing indicated that compensation provided a positive effect on employee trust. It indicated that the better application of compensation implemented by PT Bank Mandiri (Persero) Tbk Lhokseumawe Branch to employees, the better trust of employees. The statement was supported by Suhartini's (2005) study which explains trust is an important factor for performance assessment for all levels. Trust was "heart" from the employee's point of view of justice. Especially in cases of compensation determined on the basis of achievement. The compensation system must be well designed to be able to measure and value achievements fairly.

Furthermore, the test result of hypothesis 4 presented that transformational leadership has a significant effect on employee engagement. Employee engagement affected the emotional aspects of employees so that it had an impact on changes in employee attitudes and behavior. The creation and maintenance of employee engagement cannot be separated from the role of the leader, thus the better the application of transformational leadership to employees at PT Bank Mandiri (Persero) Tbk Lhokseumawe Branch, the better the employee engagement. This was in line with the study conducted by Margaretha and Saragih (2008) which stated that work attachment was very dependent on leaders in the organization. Leaders who had a role in the organization's environment could make attachments to employees cognitively and emotionally.

The result of hypothesis 5 testing indicated that organizational learning did not have a significant effect on employee engagement. This indicated that the better the application of organizational learning was carried out by employees of PT Bank Mandiri (Persero) Tbk Lhokseumawe Branch, the better the employee

engagement. This result was in line with the research of Ibiwani et al. (2017) which proved that organizational learning was positively related to job involvement. The efforts of organizations in implementing learning and development programs generated trust and a positive increase in the level of commitment among employees. Employees also experienced job satisfaction and were willing to work extra in sharing knowledge and expertise, and provided efficient productivity to the organization.

The test result of hypothesis 6 indicated that compensation had a positive effect on employee engagement. This explained that the better the application of compensation given by the PT Bank Mandiri (Persero) Tbk Lhokseumawe Branch to employees, the better the employees engagement. This result was supported by previous research, Dewi (2012) mentioned that compensation was positive and would significantly affected employee engagement. Compensation elements such as bonuses, salaries, opportunities for promotions, leave, incentives, health insurance, pensions, recognition and awards together would affect the employee's attachment.

The result of hypothesis 7 testing indicated that employee trust had a positive effect on employee engagement. It indicated that the better the employees' trust in the leadership and the company, the better the employees engagement would be be. This result was in line with research by Sandlers (2012), finding that relationship built on trust between leaders and employees was very important for positive employees engagement. Trust must be nurtured, developed, and instilled in all relationships in the company. Similarly, the research conducted by Gratton (2012) showed that trust was one of the most valuable things a community or organization can have. Trust united and helped us work together. Trust was a by-product and prerequisite that was needed for engagement.

The result of hypothesis 8 testing examined the mediating effect of transformational leadership on employee engagement through trust. The result of the study proved that trust mediated the effect of transformational leadership on employee engagement. The mediation result showed partially mediated. This indicated that transformational leadership had a significant effect on employee trust and engagement.

The test result of hypothesis 9 tested the effect of mediating organizational learning on employee engagement through trust, and the result of mediation indicated full mediation. This proved that the trust variable mediated in full the effect of organizational learning on employee engagement where organizational learning variables had a significant effect on trust but did not affected employees engagement.

The test result of hypothesis 10 examined the effect of mediation compensation on employee attachments through trust. The results of the study proved that trust mediated the effect of compensation on employee engagement. The mediation result showed partially mediated. This conclusion was obtained from the result of the previous significance test, where the compensation variable had a significant effect on trust and had an effect on employee engagement. Likewise with trust variables that had a significant effect on employee engagement, then it could be concluded that the trust variable mediated partially the effect of compensation on employee engagement.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

- Transformational leadership had a positive influence on trust.
- 2. Organizational learning had a positive influence on trust.
- 3. Compensation had a positive influence on trust.
- 4. Transformational leadership had a positive influence on employee engagement.
- Organizational learning had no influence on employee engagement.
- 6. Compensation had an influence on employee engagement.
- 7. Trust had a positive influence on employee engagement.
- 8. Trust mediated the influence of transformational leadership on employee engagement.
- 9. Trust mediated the effect of organizational learning on employee engagement.
- 10. Trust mediated the effect of compensation on employee engagement.

5.2. Recommendations:

- 1. In order to improve employee engagement, it is necessary to pay more attention to each employee so that they can motivate each other and commit to doing quality work.
- Employee trust will increase employee engagement. One of the ways is that leaders are expected to always be open to sharing ideas and information so that employees feel confident that their leaders are involved and help in the process of achieving targets and improving performance.
- 3. Head of the bank needs to apply transformational leadership style on employees. He can give more attention to employees by always listening attentively and giving special attention to employees to achieve and develop so that it will increase the sense of employee engagement to the leader and company.
- 4. Regarding organizational learning, employees of the bank need more attention to improve the ability to hear, share and communicate between levels of the organization, so that employees can work together to achieve common goals. Thus, it is expected to lead to better employee engagement.

5. The bank need to provide adequate office facilities to employees.

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