

EMPLOYEE ENGAGEMENT AS THE KEY TO OPTIMIZING PERFORMANCE: UNDERSTANDING THE IMPACT OF POWER DISTANCE AT CV MEGA MENDUNG STELL

Fitri Rezeki^{1*}, Hamzah Muhammad Mardiputra², Supriyanto³, Mohammad Hatta Fahamsyah⁴

^{1,2,3,4} Universitas Pelita Bangsa
email: fitri_rezeki@pelitabangsa.ac.id

ABSTRACT

Human resources (HR) play a crucial role in achieving organizational goals. Employee engagement is expected to enhance performance by deepening the understanding and implementation of job functions. Both qualitative and quantitative employee performance are essential for a company's success, as they directly impact outcomes. At CV Mega Mendung Stell, declining employee performance has negatively affected profitability. Strong employee motivation is critical for maintaining a competitive edge, as engaged employees typically exhibit higher performance levels and stronger attachment to their work and company. Research shows that power distance within an organization—measuring the extent to which power differences are accepted and communicated—has a significant impact on employee performance. High power distance can lower motivation, while low power distance can place excessive pressure on employees. Effective work engagement can manage this balance, fostering an environment that promotes engagement and efficient decision-making, thereby improving overall organizational effectiveness. This study aims to explore the impact of employee engagement on performance at CV Mega Mendung Stell, providing insights to improve HR management and organizational performance.

Keywords: *Employee Engagement, Employee Performance, Power Distance*

INTRODUCTION

Human resources (HR) play a crucial role in achieving an organization's goals. Leaders who can build and enhance understanding in executing work functions are expected to improve employee performance. HR is a key element in the success of a company. Every organization recognizes that professional, trustworthy, and competent HR is essential for achieving company objectives.

Employee performance is the qualitative and quantitative output achieved by an employee in performing their duties according to their responsibilities. A company's success highly depends on the high performance of its HR. Good performance positively affects the company's results or output, while poor performance can hinder the achievement of organizational goals.

CV Mega Mendung Stell exemplifies how declines in employee performance affect profitability. A strong motivation for employees to work diligently is necessary to create competitive advantages in the market. Employees with excellent performance contribute significantly to improving effectiveness, efficiency, and quality in task completion.

However, sometimes there is a gap between ideal expectations and field realities. Employees might not achieve the expected performance due to their

lack of engagement. Research shows that a high level of employee engagement tends to yield better performance because employees feel emotionally connected to their work and their company.

One important factor affecting employee performance is power distance. Studies indicate that variations in power distance levels within an organization can significantly impact employee performance. Power distance refers to the extent to which the power structure in an organization is perceived and implemented, and the degree of separation between superiors and subordinates in decision-making and communication.

In the context of CV Mega Mendung Stell, the dynamics of power distance can affect how employees interact with their superiors and how comfortable they are in participating in decision-making. Research indicates that when the power distance in an organization is too large, employees tend to feel less motivated and less capable of contributing optimally. Conversely, if the power distance is too small, employees may feel uncomfortable expressing their ideas or experience too much pressure from their superiors.

Therefore, it is important to understand and wisely manage power distance within an organization. Effective leaders will be able to create an environment where power distance is

regulated in such a way that it encourages employee engagement and participation without feeling overly burdened or restricted by a rigid hierarchy. By considering this factor, this study aims to explore how power distance can affect employee performance at CV Mega Mendung Stell, with the hope of providing valuable insights to enhance the overall effectiveness of the organization.

The significance of this research lies in further understanding how power distance affects employee performance, particularly at CV Mega Mendung Stell. Thus, this research is expected to provide valuable insights for practitioners and academics in managing HR and enhancing the overall performance of the organization.

LITERATUR REVIEW

Employee performance

Employee performance, as defined by various theories and studies, refers to the qualitative and quantitative results achieved by employees in carrying out their duties in accordance with the responsibilities assigned to them. (Mangkunegara, 2007), (Fadilla, 2016) indicate that performance includes management aspects and work results that can be concretely measured and demonstrated. (Yukl, 2013), (Arianto et al., 2017) further add that performance must meet established criteria and support the vision, mission, and goals of the organization in an ethical and legal manner. Enhancing employee performance is considered essential for organizational success, and various strategies are implemented to support this, including investments in employee skills development (Fidyah & Setiawati, n.d.)

The factors influencing employee performance are diverse, including effectiveness and efficiency, authority and responsibility, discipline, initiative, and work motivation. (Rosmaini & Tanjung, 2019) outlines that these are key components that encourage employees to enhance their performance towards achieving organizational objectives. Specific performance indicators such as job knowledge, compliance with rules, work ethic, and discipline also play a role in assessing employee performance. These studies emphasize the importance of strategically managing employee performance to support the overall productivity and effectiveness of the organization.

Work Engagement

Employee engagement is defined as a positive, fulfilling, affective motivational state of work-related well-being, acting as the opposite of

job burnout. (Leiter, 2010), This concept includes narrower aspects like positive attitudes, motivated behaviors, and other job-related factors that are tangible and observable. High engagement is evident when an employee has a positive view of their work, accepting it as a blessing to be approached with gratitude. Motivation also serves as a key indicator of engagement, where higher motivation corresponds to stronger work engagement. (Chen et al., 2020a) Described engagement as an employee's emotional investment in organizational goals and energy concentration, manifesting in initiative, effort, and persistence towards these goals. (Chen et al., 2020b) noted that high employee engagement leads to organizational success through enhanced performance, productivity, safety, attendance, customer satisfaction, loyalty, and profitability supports this, stating that employees deeply connected to their company tend to perform better, benefiting the organization (Ali Akbar, 2020; Dam & Robinson-Cortés, 2020).

Factors influencing employee engagement include job resources, job demands, and personal resources, as identified (Anggita & Ardana, 2020). Listed six specific factors: leadership trust and integrity, pride in the company, the work itself, relationships with superiors, development opportunities, and rewards and recognition (Putri et al., 2021). The engagement can be measured through indicators like vigor, dedication, and absorption, which involve high energy and mental resilience, deep involvement and enthusiasm, and intense focus and enjoyment in work, respectively adds that enjoyment, confidence, and value in one's work foster a strong emotional bond with the organization, enhancing cooperation and goal achievement (Ali Akbar, 2020). These indicators help measure engagement, which is crucial for optimizing employee performance and organizational productivity.

Power Distance

(Tom Claes, Frank McMahon, 2008) along with other scholars such as Warner and Joynt (Thomson, 2004)) refer to Geert Hofstede's seminal work to define power distance. According to Hofstede, power distance is the extent to which less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. This concept suggests that in societies with high power distance, there is an implicit acceptance of unequal power distribution and hierarchy within organizations and the society at large.

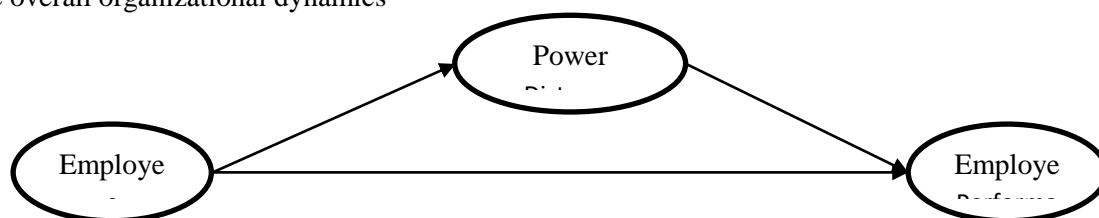
(Inderyas et al., 2015) describes power distance as the level of inequality in power

between managers and employees. Organizations characterized by high power distance typically display a clear hierarchical managerial structure, with distinct lines between supervisors and employees. Conversely, organizations with low power distance tend to feature a more horizontal managerial structure, promoting closer and more caring emotional relationships between employees and leaders, fostering employee engagement through empathy and altruism. (Rezeki, 2021)) elaborates that in high power distance cultures, inequality is seen as fundamentally acceptable, authority is centralized, and the powerful enjoy distinct privileges and are expected to display their power. Therefore, adapting Hofstede's definition, power distance in this research is conceptualized as how powerless members within an organization perceive and accept the uneven distribution of power, influencing their interactions with superiors and the overall organizational dynamics

RESEARCH METHODS

relationships between variables within a structural model, specifically examining how the dependent variable is affected by independent variables. This quantitative research begins by clearly defining the research hypothesis conceptually with distinct variables. Following this, data is gathered, calculations are made, and data is processed systematically using standardized methods.

This research involves three variables: one independent variable, one mediating variable, and one dependent variable. Power distance is identified as the first independent variable, work engagement as the second, and employee performance as the dependent variable. The model used in this research outlines how the independent variables influence the dependent variable.



The focus of this study is a specific group that includes people, events, items, or subjects being analyzed by the researcher. The population of this study consisted of 68 employees from CV Mega Mendung Stell. A total of 68 participants were selected as the sample through the Non-Probability Sampling method, specifically using saturated sampling.

The research employs structural analysis using the Partial Least Squares (PLS) method with the aid of PLS software. The analysis begins by evaluating the outer model, which involves checking for convergent validity (factor loadings above 0.7), discriminant validity (cross-loadings above 0.7), and reliability (using measures such as composite reliability and Cronbach's alpha, both

expected to exceed 0.5). The study then examines the fit of the model by evaluating the inner model, focusing on the R-squared value for the dependent variable, Goodness of Fit metrics like SRMR, Chi-Square, and NFI, and testing the Path Coefficient to assess the strength and influence of relationships between variables. The objective of these extensive model tests is to address the research question and substantiate the theoretical framework. Additionally, Suryawardani's (2018) study on "Evaluation of Marketing Strategies for the Sanur Village Festival Based on Visitor Behavior" similarly utilized SEM-PLS analysis, supported by smartPLS V.3.0 software..

RESULTS AND DISCUSSION

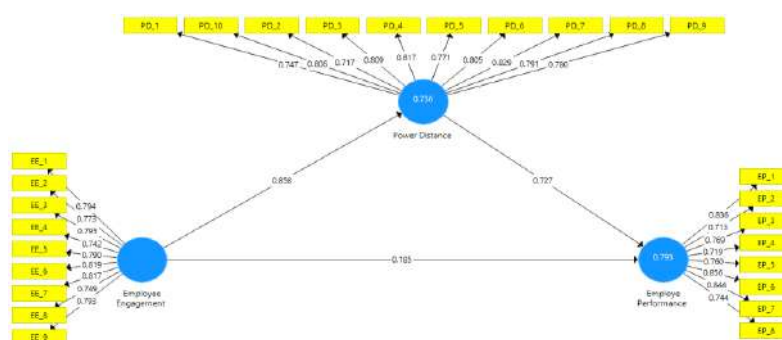


Figure 1. Outer Loading Test Results

According to the explanation provided in Figure 1, the validity test outcomes indicate that 9 items pertaining to Employee Engagement (EE), 10 items Power Distance (PD) and 9 items concerning Employee Performance (EP) are confirmed to be valid. This validation is based on

the data processing results for each instrument, with all items yielding values exceeding 0.7. In total, 32 items are deemed valid as their respective validity tests demonstrate their reliability in producing valid outcomes.

Table 1 Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Employee Performance	0,91	0,91	0,93	0,61
Employee Engagement	0,92	0,92	0,94	0,62
Power Distance	0,93	0,93	0,94	0,62

The analysis of the table above suggests that the variables, Employee Performance, Employee Engagement, and Power Distance, demonstrate a significant level of reliability. The Cronbach's Alpha values for these variables range between 0.93 and 0.94, indicating strong consistency in measurement. Moreover, the rho_A values correspond closely with the Cronbach's Alpha, indicating robust reliability. The Composite Reliability values for all variables are also close to 1, ranging approximately from 0.93 to 0.94, underscoring the high dependability of the measurement instrument.

Additionally, the Average Variance Extracted (AVE) serves as a metric to gauge the degree to which a construct, as measured by a variable, can elucidate the variability in the data. Each AVE value in the table surpasses 0.50, implying that these variables possess commendable construct validity. Hence, it can be inferred that the measurement instruments employed to Employee Performance, Employee Engagement, and Power Distance in this study are both valid and reliable.

Table 2. Structural model testing

	R Square	R Square Adjusted
Employee Performance	0,79	0,79
Power Distance	0,74	0,73

The table above reveals that Employee Performance and Power Distance variables possess a commendable capacity to elucidate the variability within the model. The R Square for Employee Performance is approximately 0.79, while the Adjusted R Square (which considers the number of predictors in the model) is around 0.79. Similarly, for Power Distance variable, the R Square is approximately 0.74, with an Adjusted R Square of approximately 0.73.

Both variables exhibit R Square and Adjusted R Square values nearing one, indicating

their significant role in accounting for a substantial portion of the variance within the model. Nonetheless, it is noteworthy that there exists a slight disparity between the R Square and Adjusted R Square, suggesting the potential presence of additional predictors that could enhance the model's explanatory power. Nevertheless, the primary inference remains that Employee Performance and Job Satisfaction significantly contribute to elucidating the variability within the analyzed model.

Table 3. GoF (Goodness of Fit) Test

	Saturated Model	Estimated Model
SRMR	0,08	0,08
d_ULS	2,25	2,25
d_G	2,14	2,14
Chi-Square	629,16	629,16
NFI	0,66	0,66

From the table above, it can be concluded that the estimated model (Estimated Model) exhibits a fit level (SRMR) of approximately 0.08, which is equal to the saturated model (Saturated Model). Additionally, both the d_ULS and d_G values for the Estimated Model and Saturated Model are identical, approximately 0.08. This indicates that the Estimated Model demonstrates a good fit with the Saturated Model in terms of measurement invariance.

Furthermore, the Chi-Square values for both the Estimated Model and Saturated Model are 629,16, indicating no significant difference

between them in terms of model fit. Moreover, the NFI (Normed Fit Index) for the Estimated Model and Saturated Model also share the same value, approximately 0,66. This suggests that the Estimated Model adequately matches the Saturated Model in terms of goodness of fit.

Therefore, it can be concluded that the Estimated Model in this study demonstrates a good level of fit and adequacy with the Saturated Model, indicating that the estimated model appropriately represents the available data.

Table 4. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Employee Engagement -> Employee Performance	0,19	0,18	0,14	1,35	0,18
Power Distance -> Employee Performance	0,73	0,73	0,13	5,54	0,00
Employee Engagement -> Power Distance -> Employee Performance	0,62	0,63	0,12	5,38	0,00

The Effect of Employee Engagement on Employee Performance

The Original Sample (O) value of 0.19 indicates a positive relationship between employee engagement and employee performance, but the effect is not statistically significant. This is shown by the T Statistics value of 1.35, which is below the significance threshold of 1.96, and the P Value of 0.18, which is greater than 0.05. Therefore, employee engagement does not have a statistically significant effect on employee performance in this context.

The Effect of Power Distance on Employee Performance

The analysis results show that Power Distance has a very significant impact on employee performance, with an Original Sample (O) value of 0.73. This means that power distance has a large and positive effect on employee performance. The T Statistics value of 5.54, well above the 1.96 threshold, and the P Value of 0.00 indicate that the effect is highly significant statistically.

The Effect of Employee Engagement on Employee Performance through Power Distance

The mediation path analysis shows that employee engagement indirectly affects employee performance through power distance, with an

Original Sample (O) value of 0.62. This effect is statistically significant, indicated by the T Statistics value of 5.38 and the P Value of 0.00. This means that power distance serves as a significant mediator in the relationship between employee engagement and employee performance. In other words, employee engagement can improve performance if power distance is managed properly.

CONCLUSION

The research concludes that power distance significantly affects employee performance, both directly and as a mediator in the relationship between employee engagement and performance. While employee engagement does not have a direct significant impact on performance, it can enhance performance indirectly through effective management of power distance. This highlights the critical role power distance plays in influencing employee performance at CV Mega Mendung Stell.

From a managerial perspective, effectively managing power distance is essential. Reducing excessive power distance can improve employee engagement, motivating them to contribute more effectively to the company's success. A hierarchical structure that is too rigid may

demotivate employees, while a well-managed reduction in power distance can foster a sense of value and inclusion in decision-making processes. Inclusive leadership is key to enhancing employee performance, as it encourages open communication and active participation. Managers should focus on creating a work environment that supports this culture. Additionally, leadership development programs that promote inclusivity and effective communication can help minimize excessive power distance, allowing employees to contribute more meaningfully to the organization's long-term success.

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