

# Building Employee Engagement through Leadership and Organizational Agility: A Study in Indonesia

Lusita Arumasari<sup>1</sup> ✉, Shafira Salsabilla Arinuka<sup>1</sup>, Mahfudz<sup>1</sup>

Universitas Diponegoro, Semarang, Indonesia<sup>1</sup>

## ABSTRACT

This study examines how leadership and organizational agility contribute to building employee engagement, focusing on the context of Indonesia's digital economy. The central question investigates how adaptive leadership enables organizational agility while enhancing employee engagement in organizations facing rapid technological change and market uncertainties. Leadership is identified as a critical factor in shaping vision, empowering teams, and cultivating a culture of innovation that resonates with the local work environment. Findings drawn from literature synthesis and empirical evidence in Indonesian organizations show that organizational agility reflected in flexible structures, adaptive processes, and rapid responsiveness acts as a significant mediator that reinforces employee engagement. The discussion highlights how inclusive and collaborative leadership practices strengthen employees' sense of belonging, motivation, and performance. The main findings suggest that the integration of visionary leadership and organizational agility is essential not only essential for fostering engagement but also for sustaining long-term competitiveness. This research contributes by offering insights into how Indonesian organizations can strategically align leadership styles and agility capabilities to thrive in the digital era and maintain sustainable growth.

**Keywords:** *Digital Economy, Employee Engagement, Leadership, Organizational Agility.*

## CORRESPONDING AUTHOR:

Lusita Arumasari

Diponegoro University, Semarang, Indonesia

**contact:** [lusita.spi@gmail.com](mailto:lusita.spi@gmail.com)

## ARTICLE HISTORY

Received : April 16, 2025

Final Revised : May 28, 2025

Accepted : June 06, 2025

Published : June, 30 2025

## 1. | INTRODUCTION

In the rapidly evolving landscape of Indonesia's digital economy, organizations face increasing challenges driven by technological disruption, volatile markets, and the demand for innovation. Within this dynamic environment, leadership and organizational agility have emerged as essential determinants of sustainable competitiveness and employee engagement. This study examines how adaptive leadership and organizational agility interact to foster employee engagement in Indonesian organizations navigating digital transformation. The central research question explores how adaptive leadership enables organizational agility while simultaneously enhancing employee engagement in the face of rapid technological change and market uncertainty.

Leadership is widely recognized as a critical driver of strategic adaptability, team empowerment, and innovative culture. Recent studies emphasize that adaptive leadership facilitates agile structures and responsive processes, enabling organizations to remain resilient under uncertainty (Kanten & Kanten, 2021; Aljawarneh & Atan, 2022). Organizational agility defined as the firm's capacity to sense, respond, and adapt swiftly to change has been shown to mediate the relationship between leadership and employee engagement, acting as a strategic capability that connects vision with execution (Khan & Mirza, 2022; Zhang et al., 2023). Empirical findings from Southeast Asian and Indonesian organizations highlight that agility-driven leadership not only enhances employee motivation but also strengthens affective commitment and innovation behaviors (Arifin & Purwanti, 2023).

In the Indonesian context, adaptive leadership practices are particularly relevant due to the collectivist culture and the ongoing digital transformation across industries. Inclusive and collaborative leadership fosters employees' sense of belonging, psychological safety, and engagement, which are crucial for performance in agile workplaces (Nasution & Sibuea, 2025). When leaders demonstrate openness, empowerment, and shared vision, employees perceive greater meaning in their work and show higher levels of engagement (Nurhastuti, 2024). Consequently, organizational agility manifested through flexible structures, rapid responsiveness, and continuous learning serves as a significant mediating mechanism that translates leadership adaptability into sustainable engagement outcomes (Nurniawan, 2025).

The integration of visionary leadership and organizational agility is therefore essential for sustaining long-term competitiveness in Indonesia's digital economy. By connecting leadership dynamics with agility mechanisms and engagement outcomes, this study contributes to the growing body of knowledge on adaptive leadership and its role in shaping employee experiences in emerging digital markets. It also provides practical implications for leaders aiming to cultivate a resilient, innovative, and engaged workforce capable of navigating continuous transformation.

## 2. | LITERATURE REVIEW

Understanding how leadership and organizational agility influence employee engagement in Indonesia's digital economy requires a multidimensional exploration of both leadership practices and agile organizational capabilities. As organizations face rapid technological changes and market uncertainties, leaders are increasingly recognized not merely as decision makers but as critical agents who shape organizational culture, empower teams, and foster innovation. This chapter synthesizes theoretical and empirical literature related to adaptive

leadership, organizational agility, and employee engagement. The discussion is structured to build a conceptual foundation for how these constructs interact, what mechanisms mediate their relationships, and what gaps remain for further investigation.

### **The Role of Leadership in Enhancing Employee Engagement**

Leadership plays a pivotal role in shaping employee engagement, serving as the driving force behind vision-setting, motivation, and the development of a supportive organizational culture. Transformational and adaptive leadership approaches, which emphasize empowerment, inclusivity, and innovation, have been found to significantly enhance engagement levels (Nasution & Sibuea, 2025; Indrayanti, 2025). Leaders who provide clear direction, encourage participation, and recognize individual contributions foster psychological safety and a sense of belonging among employees.

Conversely, leadership approaches that are rigid, hierarchical, or top-down may undermine engagement, particularly in digital or fast-paced work environments. Research highlights that adaptive leadership enables employees to respond effectively to change, engage in problem-solving, and contribute to organizational innovation (David, 2025). Developing leadership competencies that align with organizational agility is therefore critical for sustaining high levels of engagement in Indonesia's evolving digital economy.

### **Organizational Agility and Employee Engagement**

Organizational agility refers to a firm's ability to quickly adapt its structures, processes, and resources in response to technological advancements and market dynamics. Agile organizations promote flexibility, cross-functional collaboration, and rapid decision-making, which facilitate both innovation and employee empowerment (Arifin & Purwanti, 2023). Literature suggests that organizational agility acts as a significant mediator between leadership and employee engagement, amplifying the positive effects of adaptive leadership on motivation, commitment, and performance.

In practice, agile structures such as decentralized teams, iterative workflows, and responsive feedback systems create environments where employees feel more in control of their work and connected to organizational objectives. Inclusive and collaborative leadership further strengthens these outcomes by fostering trust, recognition, and a shared sense of purpose. Empirical studies in Indonesia indicate that organizations combining adaptive leadership with agility principles achieve higher engagement levels, particularly in sectors experiencing rapid digital transformation.

### **Employee Engagement in the Digital Economy Context**

Employee engagement is defined as the emotional, cognitive, and behavioral investment individuals make in their work (Kahn, 1990). In the context of Indonesia's digital economy, engagement is particularly critical, as employees must navigate complex technologies, remote collaboration, and fast-paced market changes. Studies indicate that engagement is enhanced when employees experience empowerment, clear communication, and opportunities to contribute to organizational innovation (Nasution & Sibuea, 2025).

Integrating adaptive leadership and organizational agility provides a comprehensive mechanism for fostering engagement. Leaders who inspire, support, and challenge their teams within agile structures cultivate motivation, performance, and commitment, ultimately contributing to sustainable competitive advantage. However, gaps remain in understanding

how these dynamics operate across different industries, organizational sizes, and levels of digital maturity in Indonesia, suggesting avenues for future research.

### 3. | RESEARCH METHOD

This study employs a Systematic Literature Review (SLR) approach to explore the interrelationship between adaptive leadership, organizational agility, and employee engagement in the context of Indonesia's digital economy. The SLR method is chosen to synthesize existing theoretical and empirical research from reputable international and regional sources, thereby generating an integrated understanding of how leadership and agility influence employee engagement in rapidly changing environments.

The SLR process was conducted following the PRISMA 2020 guidelines, which ensure transparency, replicability, and methodological rigor in article selection, data extraction, and synthesis. The review followed three main analytical stages: (1) conceptual mapping to identify theoretical relationships among variables, (2) mechanism mapping to understand how adaptive leadership fosters agility and engagement, and (3) outcome mapping to connect these mechanisms to employee and organizational outcomes in digital transformation contexts.

#### Sampling

In this study, sampling refers to the identification and selection of high-quality academic sources that are relevant to the research objectives. The target population includes peer-reviewed journal articles, conference proceedings, and official reports published between 2020 and 2025 that address at least one of the core constructs: adaptive leadership, organizational agility, or employee engagement.

Inclusion criteria:

Articles published between 2020–2025, Written in English, Published in reputable international journals (ScienceDirect, Emerald, SAGE, or JSTOR), Empirical or theoretical studies focusing on leadership, agility, and engagement, Studies with relevance to developing or emerging economies, particularly Southeast Asia or Indonesia.

Exclusion criteria:

Non peer reviewed sources (e.g., blogs, opinion papers), Studies unrelated to digital economy or organizational change, Articles lacking sufficient methodological detail or inaccessible full text.

After initial screening of over 90 articles, a total of 10 core studies were selected based on relevance, quality, and contextual significance to Indonesia's digital economy. These studies provided both quantitative and qualitative evidence regarding the mediating role of organizational agility between leadership and employee engagement.

#### Data Collection

Data were collected systematically through searches conducted in ScienceDirect, Emerald Insight, SAGE Journals, JSTOR, and Google Scholar. The search employed Boolean operators combining the following keywords: “adaptive leadership” OR “leadership agility” AND “organizational agility” AND “employee engagement” AND “digital transformation” AND “Indonesia”.

Each article was screened based on its title, abstract, and full text. Relevant details such as publication year, methodology, theoretical framework, and main findings were recorded in a literature matrix. The matrix was used to facilitate comparison, identify patterns, and categorize findings under thematic clusters.

### Measures and Data Coding

To ensure consistency and comparability across studies, a coding framework was developed that classified key findings into three analytical dimensions:

**Adaptive Leadership:** leadership agility, decision-making flexibility, empowerment, and visionary communication (e.g., Kanten & Kanten, 2021; Aljawarneh & Atan, 2022), **Organizational Agility:** structural flexibility, dynamic capabilities, and responsiveness to market and technological changes (e.g., Zhang et al., 2023; Khan & Mirza, 2022), **Employee Engagement :** emotional commitment, motivation, job satisfaction, and involvement (e.g., Nasution & Sibuea, 2025; Nurhastuti, 2024).

Each article was reviewed for empirical evidence on causal linkages between these constructs. The findings were synthesized using qualitative content analysis, supported by thematic synthesis to identify recurring mechanisms, mediating variables, and contextual moderators.

### Validity and Reliability

To enhance validity, only peer-reviewed sources indexed in major academic databases were included. Triangulation was achieved through cross-referencing multiple studies and theoretical frameworks. Reliability was maintained by documenting every step of the review process, ensuring replicability for future researchers)

## 4. | RESULTS

This study conducted a Systematic Literature Review (SLR) of ten peer-reviewed articles published between 2020 and 2025 to explore the interrelationship between adaptive leadership, organizational agility, and employee engagement in the context of Indonesia's digital economy. All selected studies were analyzed using thematic synthesis and conceptual mapping, combining both qualitative and quantitative findings to identify underlying mechanisms and emerging patterns.

### Descriptive Summary

Of the ten selected studies, six employed quantitative methods, such as survey based analysis, structural equation modelling (SEM), and regression analysis, while four adopted qualitative or mixed method approaches, including interviews, case studies, and cross-sectional analyses. These studies were conducted in diverse organizational contexts, including technology based companies, MSMEs, public institutions, and hybrid workplaces across Indonesia and Southeast Asia.

The descriptive analysis reveals that leadership adaptability and organizational agility consistently emerge as strong predictors of employee engagement across industries undergoing digital transformation. For instance, Kanten and Kanten (2021) demonstrated that adaptive leadership positively influences innovation and agility, whereas Aljawarneh and Atan (2022) found that leadership agility significantly enhances employee engagement through the mediating effect of organizational agility. Similarly, Zhang et al. (2023) confirmed that in digital organizations, leadership driven agility improves employees' innovative behavior and psychological involvement.

In Indonesia, studies by Arifin and Purwanti (2023) and Nurniawan (2025) highlight that leadership agility plays a crucial role in enabling digital transformation by promoting collaboration, learning orientation, and quick responsiveness. Meanwhile, Nasution and Sibuea (2025) emphasized that transformational leadership strengthens employee engagement

and innovation in hybrid work environments, particularly when coupled with agile decision-making and flexible management practices.

Overall, the reviewed literature reveals a consistent pattern indicating that adaptive leadership enhances organizational agility, which in turn acts as a mediator that strengthens employee engagement, particularly in dynamic, technology driven environments.

### **Thematic Synthesis**

The thematic synthesis identified three dominant themes emerging across the reviewed studies:

#### **Theme 1: Adaptive Leadership as a Catalyst for Organizational Agility**

Adaptive leadership was consistently identified as a foundational enabler of agility within organizations. Studies (e.g., Kanten & Kanten, 2021; Khan & Mirza, 2022) demonstrated that leaders who demonstrate flexibility, openness to feedback, and visionary communication can quickly realign teams in response to technological and market shifts. In the Indonesian context, leadership agility enables firms to adapt business processes while maintaining cultural values such as collaboration and mutual trust (Arifin & Purwanti, 2023).

#### **Theme 2: Organizational Agility as a Mediating Mechanism**

Organizational agility emerged as a key mediating variable linking leadership practices to employee engagement outcomes. Empirical evidence from Zhang et al. (2023) and Aljawarneh & Atan (2022) indicates that agile systems characterized by flexibility, rapid learning, and cross-functional collaboration allow employees to experience autonomy, psychological empowerment, and job satisfaction. In Indonesian organizations, agility translates into faster decision-making and inclusive communication, which enhance engagement and motivation (Nurniawan, 2025).

#### **Theme 3: Employee Engagement as an Outcome of Agile and Inclusive Leadership**

Employee engagement was found to be significantly influenced by leadership styles that emphasize empathy, empowerment, and participation. According to Nurhastuti (2024) and Nasution & Sibuea (2025), employees in agile organizations exhibit stronger affective commitment and creative performance due to transparent communication and supportive leadership. In addition, agile leaders foster a culture of belonging and continuous improvement, both of which reinforce employees' psychological investment in organizational goals.

### **Key Findings and Conceptual Integration**

Synthesizing across the ten reviewed studies, three key findings emerged:

Leadership adaptability directly enhances organizational agility, particularly through behaviors that promote empowerment, collaboration, and knowledge sharing (Kanten & Kanten, 2021; Arifin & Purwanti, 2023). Organizational agility serves as a significant mediator in the relationship between leadership and engagement, bridging strategic flexibility with individual motivation (Zhang et al., 2023; Khan & Mirza, 2022). Employee engagement thrives under agile and inclusive leadership, where leaders prioritize openness, trust, and shared vision (Nasution & Sibuea, 2025; Nurhastuti, 2024).

Overall, the results underscore the interconnected nature of adaptive leadership, organizational agility, and employee engagement. In Indonesia's digital economy, where organizations must respond swiftly to technological disruptions, leaders play a pivotal role not

only in shaping agility but also in cultivating a sense of belonging and purpose among employees.

The review concludes that building an adaptive and agile leadership framework can serve as a strategic foundation for sustaining employee engagement, innovation, and organizational resilience in the face of continuous change.

## 5. | DISCUSSION

In analyzing the implications of our systematic literature review on the role of leadership and organizational agility in fostering employee engagement within Indonesia's digital economy, we emphasize the connection of our findings with broader theoretical frameworks and previous research while highlighting practical applications. This discussion focuses on how these findings contribute to the existing body of knowledge and their implications for organizational practice in rapidly evolving digital contexts.

### **Integration with Previous Research and Theoretical Framework**

The adaptive leadership approach identified in recent studies (Arifin & Purwanti, 2023; Nasution & Sibuea, 2025) aligns with and extends existing leadership theories by emphasizing flexibility, empowerment, and the promotion of a culture of innovation. While prior research often highlighted transformational or hierarchical leadership models, adaptive leadership demonstrates unique effectiveness in simultaneously enhancing organizational agility and employee engagement. This integration provides a novel perspective on how leadership styles directly influence both organizational responsiveness and employee motivation in digitally-driven environments.

Our findings challenge the traditional notion that employee engagement is solely a direct outcome of leadership behavior. Instead, the literature suggests that organizational agility, reflected in flexible structures, adaptive processes, and rapid responsiveness, serves as a critical mediator between leadership and engagement. By incorporating dynamic capabilities theory, we argue that the ability of organizations to reconfigure resources in response to technological change and market uncertainties strengthens the impact of leadership on engagement outcomes.

### **Theoretical Contributions**

The integration of adaptive leadership and organizational agility provides a significant theoretical contribution. First, it reinforces the argument from dynamic capabilities theory that agility is not only an organizational attribute but also a managerial and leadership-driven capability that mediates key employee outcomes. Second, by situating adaptive and inclusive leadership within the Indonesian digital economy, we contribute to the literature on contextualized leadership, demonstrating that empowering, collaborative, and culturally sensitive leadership practices are particularly effective in enhancing employee engagement.

Furthermore, this research advances employee engagement theory by highlighting the mediating role of organizational agility. Previous models often consider engagement as a direct consequence of leadership or organizational support, whereas our findings indicate that engagement is maximized when leadership fosters an agile organizational environment. This integrated approach extends current models by linking leadership, agility, and engagement in a coherent framework that is empirically grounded in the Indonesian context.

**Practical Implications**

The findings offer several practical implications for organizational practitioners in Indonesia. First, leadership development programs should focus on cultivating adaptive, inclusive, and empowering leadership skills, rather than relying solely on traditional command-and-control approaches. Second, organizations should design flexible structures and adaptive processes that facilitate cross functional collaboration, rapid decision making, and iterative problem solving. Third, employee engagement initiatives should be dynamic and responsive, incorporating continuous feedback, participatory decision-making, and empowerment mechanisms to sustain motivation and performance in the face of digital transformation.

**Study Limitations**

This study faces several limitations. Primarily, the review and empirical evidence are concentrated in the Indonesian context, potentially limiting generalizability to other regions or cultural settings. Additionally, much of the research relies on cross-sectional data, which restricts our ability to assess long-term causal relationships between leadership, organizational agility, and employee engagement. Other contextual factors, such as organizational size, digital maturity, and workforce generational composition, may moderate these relationships and warrant further exploration.

**Future Research Directions**

Future research should examine cross-industry and cross country variations to validate the proposed leadership agility engagement framework in diverse digital economies. Longitudinal studies are particularly needed to evaluate the sustained effects of adaptive leadership and organizational agility on employee engagement and organizational outcomes. Additionally, future studies could explore the moderating roles of digital technologies, organizational culture, and workforce characteristics, as well as the integration of remote and hybrid work practices in fostering engagement.

**Recommendations**

For practitioners, the findings suggest implementing comprehensive leadership development programs that emphasize adaptability, empowerment, and innovation. Organizations should cultivate agile structures and processes that enable rapid responsiveness and cross-functional collaboration. Employee engagement mechanisms should be interactive, continuous, and inclusive, reinforcing a sense of belonging and motivation.

For researchers, future studies should incorporate longitudinal designs, multi-industry or cross-cultural samples, and quantitative measures to examine the causal relationships and long-term impacts of leadership and organizational agility on engagement. Additionally, exploration of digital tools, remote management techniques, and hybrid work environments is recommended to understand their role in mediating or moderating engagement outcomes.

**Synthesis and Conclusion**

The integration of findings from our reviewed studies (Arifin & Purwanti, 2023; Nasution & Sibuea, 2025; Indrayanti, 2025; David, 2025) indicates that effective leadership in the digital economy requires a nuanced and integrated approach that goes beyond traditional models. A balanced combination of adaptive leadership, organizational agility, and inclusive practices is essential to foster employee engagement, sustain motivation, and enhance organizational performance. Structured leadership development programs, flexible processes, and

empowerment mechanisms collectively support a dynamic and resilient workforce capable of navigating digital transformation.

This research represents a significant advancement in understanding the interplay between leadership, agility, and engagement in Indonesia's digital economy, providing both theoretical insights and actionable guidance for organizations aiming to maintain competitiveness and sustainable growth.

## **5. | CONCLUSION**

This study concludes that leadership and organizational agility are key drivers of employee engagement in Indonesia's digital transformation era. Adaptive leaders cultivate agile structures and processes that empower employees, enhance motivation, and sustain commitment amid rapid technological and market changes. The integration of these elements is essential for achieving long-term organizational resilience and competitiveness.

Despite these insights, the existing literature is largely limited to specific industries and relies heavily on cross sectional or qualitative approaches. This restricts the generalizability of findings and underscores the need for further empirical research across diverse sectors, organizational contexts, and leadership levels.

Future studies should employ quantitative or mixed method designs to validate the proposed framework and explore moderating factors such as organizational culture, digital maturity, and workforce composition. For practitioners, the findings emphasize developing adaptive leadership and agile organizational practices to foster a sustainable, engaged, and high-performing workforce in Indonesia's digital economy.

### ***Acknowledgment***

We gratefully acknowledge the contributions of individuals who supported the completion of this article.

### ***Funding Information***

This research did not receive any funding.

### ***Conflict of Interest Statement***

The authors declare that there is no conflict of interest.

### ***Ethical Approval and Originality Statement***

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

### ***Data Disclosure Statement***

The data that support the findings of this study are available from the corresponding author upon reasonable request.

---

**REFERENCES**

- Alias, N. E., Nor, N. M., & Hassan, R. (2016). The relationships between talent management practices, employee engagement, and employee retention in the information and technology (it) organizations in Selangor. In *Proceedings of the 1st AAGBS International Conference on Business Management 2014 (AiCoBM 2014)* (pp. 101-115). Springer, Singapore.
- Common, R. (2004). Administrative change in the Asia Pacific: Applying the political nexus triad. *International public management journal*, 7(3), 347-364.
- Common, R. (2017a). Public management and policy transfer in South-East Asia. In Mark Evans (Ed.), *Policy transfer in global perspective* (pp. 143-161). London: Routledge.
- Common, R. (2017b). Beyond the Horizon: Policy Learning and Development. In Ahmed Shafiqul Huque & Habib Zafarullah (Ed.), *International Development Governance* (pp. 671-681). London: Routledge.
- Duggan, V., Rahardja, S., & Varela, G. (2013). Service Sector Reform and Manufacturing Productivity: Evidence from Indonesia. *World Bank Policy Research Working Paper*, (6349).
- Shevlin, R. (2020). PPP Loans: Who Got What And How Well Did The Loans Perform?. *Forbes* (Jul 13, 2020). Available on <https://www.forbes.com/sites/ronshevlin/2020/07/13/ppp-loans-who-got-what-and-how-well-did-the-loans-perform/#2cd7aa164fdb>. Accessed Jul 15, 2020.
- Simon A. (2008). Essays on Analysts' Long-term Earnings Growth Forecasts. *PhD Thesis*, School of Business, The University of Queensland, Australia.
- Tirdasari, N. L., & Dhewanto, W. (2012). Family business succession in Indonesia: A study of hospitality industry. *Procedia-Social and Behavioral Sciences*, 57, 69-74.
- Ward, K. (2012). *Strategic management accounting*. London and New York: Routledge.