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## Article

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## The effect of authentic leadership and transparent organizational communication on employee welfare with mediation variables of employee trust in medium companies

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### ABSTRACT

The employee turnover rate in the industrial world has increased sharply, especially in medium-sized companies. This turnover rate is closely related to employee psychological welfare. This study aims to analyze the effect of authentic leadership variables and transparent organizational communication on employee welfare mediated by employee trust in medium-sized companies. The sample in this study amounted to 150 employees who work in medium-sized companies in the city of Batam City, Indonesia Country. Through data analysis with the help of the SmartPLS version of 3.0, it is shown that all the variables tested in this research model have a significant effect, both direct and indirect. That to improve the psychological well-being of employees optimally, authentic leadership variables and transparent organizational communication must go through employee trust as a mediating variable. The results of this study can be used as a reference by the manager of medium-sized business group companies in Batam in designing matters relating to the welfare of their employees.

**Keywords:** authentic leadership; transparent organizational communication; employee's trust; employee's well-being.

**JEL classification:** D22, D23, I31.

**MSC2010:** 90B70; 91B15.

# El efecto del liderazgo auténtico y la comunicación organizacional transparente en el bienestar de los empleados con variables mediadoras de la confianza de los empleados en empresas medianas

## RESUMEN

La tasa de rotación de empleados en el mundo industrial ha aumentado considerablemente, especialmente en las empresas medianas. Esta tasa de rotación está estrechamente relacionada con el bienestar psicológico de los empleados. Este estudio tiene como objetivo analizar el efecto de las variables de liderazgo auténtico y comunicación organizacional transparente en el bienestar de los empleados medido por la confianza de los empleados en empresas medianas. La muestra en este estudio ascendió a 150 empleados que trabajan en empresas medianas en la ciudad de Batam City, Indonesia País. Mediante el análisis de datos con la ayuda del SmartPLS versión 3.0, se demuestra que todas las variables probadas en este modelo de investigación tienen un efecto significativo, tanto directo como indirecto. Que para mejorar de manera óptima el bienestar psicológico de los empleados, las variables de liderazgo auténtico y comunicación organizacional transparente deben pasar por la confianza de los empleados como variable mediadora. Los resultados de este estudio pueden ser utilizados como referencia por el gerente de empresas del grupo empresarial mediano en Batam en el diseño de asuntos relacionados con el bienestar de sus empleados.

**Palabras clave:** liderazgo auténtico; comunicación organizacional transparente; confianza del empleado; bienestar del empleado.

**Clasificación JEL:** D22, D23, I31.

**MSC2010:** 90B70; 91B15.



## 1. Introduction

The psychological well-being of employees has become a topic that is constantly discussed in the world of human resource management. In every topic related to the humanities, the topic of employee welfare has been brought up for years (Russell, 1930). This is because the influence of employee welfare on employee performance has an impact on company performance (Wright & Cropanzano, 2000). The aspect of employee welfare is also an aspect that significantly influences employees' trust in their leaders (supervisors), which leads to employee attachment to the company where employees work (Robertson & Cooper, 2010). Therefore, employee welfare is an important variable that needs to be considered by the company.

To improve employee welfare, one of the most significant driving factors is employee trust (Kelloway et al., 2012). High employee trust encourages employees to feel satisfied in carrying out their assigned work, and even encourages employees to perform tasks outside of their responsibilities or also known as Organizational Citizenship Behavior, and makes employees reluctant to leave the company (reducing Turnover Intention ) and stop working (Hansen et al., 2011). Employee trust is shown not only in the quality of authentic leaders, who can make decisions swiftly, solve problems appropriately, and carry out other work activities well, but also shown to the organization or company (Saks, 2006).

With the quality of authentic leaders and transparency of organizational communication, employee trust is well-formed (Jiang & Luo, 2016). The qualities of authentic leaders are meant to be leaders who inspire employees to be proactive in their work and decision-making through the authenticity, transparency, and integrity of the leader. Transparency in organizational communication also fosters employee trust in the company because transparency is often the cause of fractured relationships between companies and company stakeholders, especially employees (Fombrun & Rindova, 2000; Tapscott & Ticoll, 2003; Jahansoozi, 2006; Walumbwa et al., 2008).

One of the threats to the welfare level of good Indonesian employees is the influx of millennial or Generation Y workers as reported by Deloitte Indonesia (Deloitte Indonesia Perspectives, 2019). Millennials are those who were born between 1982 and 2002 with certain characteristics in their work. As reported (Statistics Indonesia, 2017), the millennial generation population is recorded at 88 million people and constitutes 33.75% of the total population of Indonesia. Since the entry of the millennial generation into the workforce, the employee turnover rate in the industrial world has increased by more than 10% (Deloitte Indonesia Perspectives, 2019). This is in line with research conducted by Gallup (2016) with results stating that the millennial generation tends to move between jobs. The turnover rate experienced by employees is evidence that there is a decrease in the level of welfare felt by employees (Hansen et al., 2011; Wu et al., 2017). Urieși (2019) also states that the detrimental effect of employee turnover rates is more significant in medium-sized companies. This is not only due to the financial resources owned by the company related to employee career paths or the future of the company, but also due to the quality of entrepreneurial leadership in medium-sized companies (Yang et al., 2019).

## 2. Literature review

According to Jiang & Luo (2018), authentic leadership in the company has a direct effect on transparent organizational communication and employee engagement in the company which acts as 2 mediating variables towards employee trust. Meanwhile, according to Kelloway et al. (2012), employee trust is not a dependent variable but a mediating variable that leads to employee welfare as the dependent variable. On the other hand, the research conducted by Yue et al. (2019) states that transparent communication does not mediate the relationship between leadership and employee trust. This statement is in line with the results of research conducted by Basit & Siddiqui (2020) which states that the effect of transparent organizational communication mediation is insignificant. Because there are

many differences between the research results, research related to the factors that shape employee welfare mediated by employee trust needs to be carried out to prove this.

Jiang and Luo (2018) state that authentic leaders in the company play a critical role in stating how transparent the communication that takes place within the company is. When communicating with leaders and seeing how they are individuals who also have weaknesses, how they communicate their intentions and thoughts clearly, how they act consistently with their principles, and how they value the opinions of others (Walumbwa et al., 2008), employees tend to feel that their leaders can be trusted in their actions as well as the policies they decide (Rawlins, 2008). In a study conducted in the Pakistani service industry, Basit & Siddiqui (2020) stated that authentic leadership gives birth to transparent organizational communication because authentic leaders invite every individual they lead to participating in communications that occur internally within the company. Through their behavior, authentic leaders indicate that important information in the company can be known and each individual in the company is trusted to maintain that information through their respective actions and policies (Jiang & Men, 2017). Men (2014) found that leadership behavior strongly shapes the company's communication culture and climate through daily communication between leaders and employees so that employees perceive their leader as a trusted and chosen source of information.

**H<sub>1</sub>: Authentic leadership is significantly positively related to transparent organizational communication.**

Authentic leadership and transparency of organizational communication together positively affect employees' trust in the company (Jiang & Luo, 2018). In social exchange theory (SET), the process of exchanging relations between parties emphasizes mutual dependence, compensation, and reciprocity. Employees have a belief that their superiors are obligated to tell them the truth about the company and if they don't, then employees will feel they are being treated unfairly and will reduce their work engagement, leading to reduced trust in the company. Therefore, transparency is one of the dimensions of authentic leadership in addition to self-awareness, internal moral perspective, and balanced information processing (Bamford et al., 2013). The openness and consistency of a leader between the beliefs they have and the actions they take have an important role in growing employee trust.

**H<sub>2</sub>: Authentic leadership has a positive significant relationship with employee trust.**

Organizational communication is basically required for more than just information disclosure and honesty (Rawlins, 2008; Albu & Wehmeier, 2014). Gower (2006) and Heald (2006) emphasize that transparency, in an organizational context, should engage the listener and be related to the listener's ability to process and interpret information. Thus Rawlins (2008) concludes that organizational transparency is defined as "a deliberate effort to provide all information that is legally possible to disclose - regardless of the positive or negative nature of the information - in an accurate, timely, balanced and unequivocal manner to improve the quality of public opinion so that they trust the company regarding its actions, policies, and activities". Through the Job Demands-Resources research model by Bakker & Demerouti (2014). Menguc et al. (2013) show that there is a plausible theoretical explanation for the link between organizational communication transparency and employee trust. Saks (2006) bases his statement on the JD-R model, stating that transparent communication within the organization is a key resource for motivating employees to be committed to the workplace and to trust the company and its leaders.

**H<sub>3</sub>: Transparent organizational communication has a significant positive relationship with employee trust.**

Leaders who have authentic values in themselves treat employees honestly and well so that it affects employee welfare positively. Authentic leaders create a pressure-free environment within the company that makes employees feel comfortable at work. In addition, authentic leaders also sacrifice personal agendas for the sake of company goals that make employees become inspired and motivated

to do what is worth it. This hypothesis is also in line with studies conducted by Adil & Kamal (2016), Rahimnia & Sharifirad (2015), Nelson et al. (2014).

**H<sub>4</sub>: Authentic leadership has a positive significant relationship with the level of employee welfare in the company.**

Transparency acts as a precursor to relationships that lead to personal development (in the welfare dimension) and transparency is reflected in the authentic values of leaders as well as organizational communication (Adil & Kamal, 2016). More than that, organizational communication determines the atmosphere in the work environment. Jiang & Men (2017) stated that transparency creates an atmosphere of trust and credibility within the company that makes employees feel calm at work and feel they can rely on the company and their leaders. However, transparency in communication will only mean if the information provided is relevant to the company's strategic decisions and actions and if the company involves employees in identifying, obtaining, and distributing information. In essence, transparency in organizational communication must cover 3 (three) different analytical aspects, namely substantial information, participation, and accountability (Men, 2014; Rawlins, 2008).

**H<sub>5</sub>: Transparent organizational communication is significantly positively related to the welfare of employees in the company.**

Authentic leadership fosters employee trust in co-workers and, significantly, in the competence, goodwill, dependability, and integrity of the leader or in other words, the essential dimension of trust (Norman et al., 2010). Such trust in the leader extends to trust in the company. Furthermore, when leaders engage in transparent organizational communication, co-workers and employees also feel the consistency between the beliefs the leader has and his actions (Vogelgesang et al., 2013). When that happens, employees feel they enjoy work, are committed, and become more efficient and more involved in work and other words, employee trust is formed through employee attachment to work. Through these positive emotions, employees' feelings are stimulated to trust others more, so it can be concluded that these things influence each other and directly affect the level of employee trust (Jiang & Luo, 2018).

The employee's trust that has been formed pushes employees into a psychological condition that makes them rely on and have positive expectations of their leaders and company. Employee trust positively affects employee well-being by limiting perceptions of possible risk, vulnerability, and stress, in other words, factors that reduce well-being (Schabracq et al., 1997).

**H<sub>6</sub>: Employee trust variable mediates the relationship between authentic leadership and transparent organizational communication on the level of employee welfare in the company.**

Employee trust is directly related to employee welfare while working in the company (Kelloway et al., 2012). Employee trust in this study does not only talk about employee trust in the company but also towards the leader who has been assigned to him (Liu et al., 2010). By definition, employee trust refers to psychological conditions that encourage individuals to allow themselves to be vulnerable based on positive expectations of the intentions and behavior of others (Kelloway et al., 2012). When employees believe that leaders and the company they work for think about their well-being and can be trusted through the things they see from their daily lives, this shapes employee well-being. Guest (2017) states that the trust that is formed in employees is a shaper of employee welfare in the workplace which will ultimately encourage employee performance. This is also evidenced by Arnold's research (2017) which finds that trust in leaders directly affects the psychological well-being of employees.

**H<sub>7</sub>: Employee trust is positively related to the level of employee welfare in the company.**

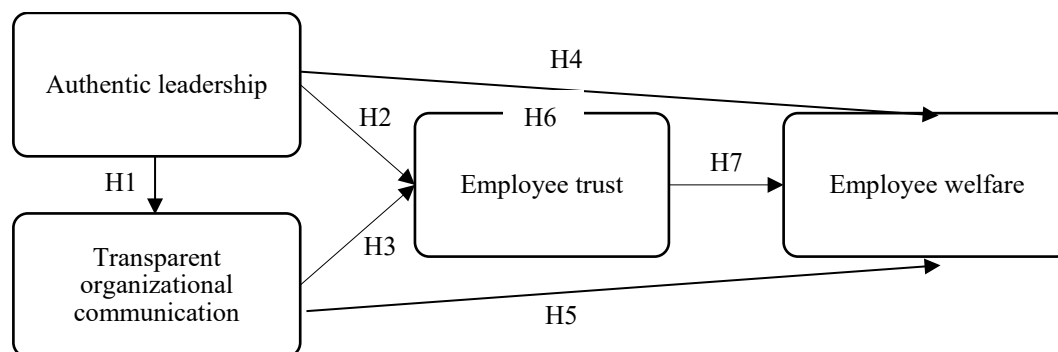
### 3. Data and Methodology

The data used in this study is primary data. Primary data was obtained through questionnaires distributed to employees who work in middle-class companies by filling out a google form questionnaire in Indonesian, because they were still in the COVID-19 pandemic in early 2021. Questionnaires were sent to 50 companies that had been selected by researchers. Middle-class companies in accordance with Law of Republic Indonesia No. 20 of 2008 is a company with a net worth of more than Rp. 500,000,000.00 (five hundred million rupiah) - Rp. 10,000,000.00 (ten billion rupiah), excluding land and building for business; or a business with annual sales of more than IDR 2,500,000,000.00 (two billion five hundred million rupiah) - IDR 50,000,000,000.00 (fifty billion rupiah). The number of samples of 150 people has met the requirements for a minimum sample in correlational research (Sigit & Amirullah, 2016).

#### Variable measurement

Authentic leadership is measured using the following dimensions: (1) self-awareness; (2) relational transparency; (3) internal moral perspective; and (4) balanced information processing. The question instrument was adopted from 14 questions (Neider & Schriesheim, 2011). Transparent organizational communication is defined through 3 (three) dimensions, namely participation, substantial information, and accountability. Instrument questions regarding this variable adopted from Rawlins (2008) which amounted to 18 questions. To measure trust, it consists of 4 (four) questions (Hon & Grunig, 1999). The psychological well-being of employees was adopted from 12 questions from the *General Health Questionnaire* (Sánchez-López & Dresch, 2008). All of these variables were measured using a five-point *Likert scale*, which means that 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree, and 5 is strongly agree.

Figure 1. Research Model.



Source: Own elaboration.

## 4. Results

### 4.1. Respondent Demographics

Table 1. Characteristics of Questionnaire Respondents.

Respondent Demographics	Frequency	Percentage (%)
<b>Gender</b>		
Male	73	49%
Female	77	51%
<b>Age</b>		
Between 20 to 25 years	85	56.7 %
Between 26 and 30 years old	20	13.3 %
Between 31 to 35 years old	18	12.0 %
Between 36 and 40 years old	17	11.3 %
Between 41 to 45 years old	7	4.7 %
Over 46 years old	3	2 %
<b>Education</b>		
< High School/Equivalent	2	1.3 %
High School/Equivalent	26	17.3 %
Diploma	2	1.3 %
Undergraduate	112	74.7 %
Postgraduate	8	5.3 %
<b>Length of work</b>		
Less than 1 year	27	18.0 %
Between 1 to 5 years	100	66.7 %
Between 6 to 10 years	10	6.7 %
> 10 years	13	8.7 %
<b>Last Position</b>		
Employee/staff	118	78.7 %
Head of Division	10	6.7 %
Manager	18	12.0 %
Director	4	2.7 %

Source: Primary data processed (2021).

### 4.2. Outlier Test Results

This research uses questionnaire data as many as 155 respondents. 5 (five) of them had a z-score (z-score) lower than -3. This causes the five data to be eliminated from the research sample to be tested. Thus, there are 150 questionnaires are eligible to be tested in this research. The results of the outlier test on the five questionnaires are as follows.



**Table 2. Outlier Test Results.**

Subject	Outlier Variables	Outlier Value
Responden #21	ZEmployeeTrust	-3.18589
Responden #25	ZAuthenticLeadership	-3.20921
Responden #60	ZAuthenticLeadership	-4.25228
Responden #106	ZAuthenticLeadership	-3.20289
Responden #129	ZAuthenticLeadership	-4.15829

Source: Primary data processed (2021).

After testing outliers on the data, there are 5 (five) questionnaires with a z-score (z-score) lower than -3. These data are outlier data and in order to avoid errors in interpretation of the results of data analysis due to the spread of abnormal data, outlier data must be eliminated from the total research sample and not participate in the subsequent data processing. Through outlier testing, the sample data that are eligible for further testing are 150 questionnaires.

### 4.3. Common Method Biases (CMB) Test Results

From the data that has passed the outlier test, the next test that must be carried out is the Common Method Biases (CMB) test using the Harman's Single Factor method or also called the Harman's One Factor Test by utilizing the SPSS version 24 software feature. None of the factors (single factor) that explained the variance in the questionnaire was more than 50%, because the highest variance value in this study was 39.298%. It can be concluded from these results that there is no common method bias in this study and research using Partial Least Squares (PLS) analysis can be started.

### 4.4. Model Evaluation Test Results

#### 4.4.1. Validity Test Results

Testing the validity of the questions, there is 1 (one) question item with a PWB2 code that is worth less than 0.5 and must be eliminated because it is invalid (Ghozali, 2011). After the elimination process, the results of the validity test for each question item can be seen in the following table.

**Table 3. Outer Loadings Test Results.**

Question	Sample Mean	Validity
ALI1 <- ALI	0.699	Valid
ALI10 <- ALI	0.795	Valid
ALI11 <- ALI	0.737	Valid
ALI12 <- ALI	0.753	Valid
ALI13 <- ALI	0.826	Valid
ALI14 <- ALI	0.656	Valid
ALI2 <- ALI	0.665	Valid
ALI3 <- ALI	0.681	Valid
ALI4 <- ALI	0.720	Valid
ALI5 <- ALI	0.639	Valid
ALI6 <- ALI	0.728	Valid
ALI7 <- ALI	0.742	Valid
ALI8 <- ALI	0.719	Valid
ALI9 <- ALI	0.511	Valid
PWB1 <- PWB	0.737	Valid
PWB10 <- PWB	0.702	Valid

PWB11 <- PWB	0.516	Valid
PWB12 <- PWB	0.720	Valid
PWB3 <- PWB	0.516	Valid
PWB4 <- PWB	0.622	Valid
PWB5 <- PWB	0.564	Valid
PWB6 <- PWB	0.601	Valid
PWB7 <- PWB	0.690	Valid
PWB8 <- PWB	0.778	Valid
PWB9 <- PWB	0.680	Valid
TOC1 <- TOC	0.633	Valid
TOC10 <- TOC	0.758	Valid
TOC11 <- TOC	0.819	Valid
TOC12 <- TOC	0.679	Valid
TOC13 <- TOC	0.770	Valid
TOC14 <- TOC	0.798	Valid
TOC15 <- TOC	0.767	Valid
TOC16 <- TOC	0.764	Valid
TOC17 <- TOC	0.795	Valid
TOC18 <- TOC	0.718	Valid
TOC2 <- TOC	0.657	Valid
TOC3 <- TOC	0.762	Valid
TOC4 <- TOC	0.823	Valid
TOC5 <- TOC	0.706	Valid
TOC6 <- TOC	0.702	Valid
TOC7 <- TOC	0.817	Valid
TOC8 <- TOC	0.714	Valid
TOC9 <- TOC	0.844	Valid
TR1 <- TR	0.848	Valid
TR2 <- TR	0.868	Valid
TR3 <- TR	0.876	Valid
TR4 <- TR	0.826	Valid

Source: Primary data processed (2021).

After eliminating invalid questions and obtaining valid overall test results, data processing was continued by testing the validity of each variable in the research model. This validity test has a minimum Average Variance Extracted (AVE) value of 0.5. The test results show that there is no invalid variable because it meets the requirements of convergent validity, namely the AVE value is above 0.5 (Hair et al., 2011).

**Table 4. Average Variance Extracted Test Results.**

Construct/Variable	Sample Mean	Validity
Authentic Leadership	0.505	Valid
Transparent Organizational Communication	0.569	Valid
Employee Trust	0.727	Valid
Employee welfare	0.502	Valid

Source: Primary data processed (2021).

#### 4.4.2. Reliability Test Results

After the variables and questions forming the variables were tested valid, each variable was tested for reliability using the Composite Reliability test with the minimum requirement that the composite reliability value was 0.7 for explanatory research (Hair et al., 2011). Through this test, it is proven that

all variables exceed the minimum requirement for the composite reliability value of 0.7 and are declared reliable.

**Table 5. Composite Reliability Test Results.**

Latent Variable	Sample Mean	Reliability
Authentic Leadership	0.934	Reliable
Transparent Organizational Communication	0.959	Reliable
Employee Trust	0.915	Reliable
Employee welfare	0.867	Reliable

Source: Primary data processed, 2021.

#### 4.5. Structural Model Test Results (Inner Model)

##### 4.5.1. Direct Effect Test Results

Path Coefficients test shows the significance of each variable about to with concerning other variables. Through this test, obtained results that show the significance of the direct influence of the variables in the research model.

**Table 6. Path Coefficients Test Results (Direct Effect).**

Path (X → Y)	T-Statistics	P-Values	Hypothesis
Authentic Leadership → Transparent Organizational Communication	16.405	0.000	H1: Significantly influential
Authentic Leadership → Employee Trust	3.810	0.000	H2: Significantly influential
Transparent Organizational Communication → Employee Trust	3.950	0.000	H3: Significantly influential
Authentic Leadership → Employee Welfare	2.292	0.022	H4: Significantly influential
Transparent Organizational Communication → Employee Welfare	3.125	0.002	H5: Significantly influential
Employee Trust → Employee Welfare	2.024	0.043	H7: Significantly influential

Source: Primary data processed (2021).

##### Hypothesis 1

The T-Statistics and P-Values values of the relationship between authentic leadership and transparent organizational communication exceed the minimum requirements, namely 16.405 and 0.000, respectively. So, this shows a significant influence in the relationship. This significant positive relationship is caused by authentic leadership practices in companies in Batam city. Authentic leaders are proven to be able to create a transparent communication atmosphere for employees, so this shows

that authentic leadership is directly proportional to the level of transparency in corporate communications. The results of this test proved consistent with the results of research by Basit & Siddiqui (2020), Jiang & Luo (2018), and Men (2014).

#### Hypothesis 2

Likewise, with the proven significant effect in the relationship between authentic leadership on employee trust with a T-Statistics value of 3.810 and a P-Values of 0.000. A significant influence in this relationship is created because when employees see authentic values in their leaders, employees feel trust in the leader and lead to trust in the company. One example is a boss who sticks to his principles and follows them consistently demonstrates integrity that employees can trust and makes employees feel they can trust the company they work for. This finding is in line with the results found by Jiang & Luo (2018) and proves the denial of the existence of a relationship or significance between the two variables as stated by Basit & Siddiqui (2020).

#### Hypothesis 3

The results of the Path Coefficients test between transparent organizational communication and employee trust prove that there is a significant influence in the relationship. When employees can clearly understand what is going on in the flow of organizational communication and are directly and indirectly invited to be involved in the communication process, it makes employees feel that the information they receive is reliable and accurate, thereby fostering a sense of trust in the company. With T-Statistics and P-Values values of 3.950 and 0.000, respectively, this significant effect is consistent with the study of Menguc et al. (2013), Bakker & Demerouti (2014), and Saks (2006).

#### Hypothesis 4

The relationship between authentic leadership and employee welfare has been shown to have a significant direct effect with the T-Statistics and P-Values values exceeding the minimum requirements, which are 2.292 and 0.022. The causes of this significant positive relationship include authentic leadership possessed by leaders in companies in Batam which encourages the creation of a conducive atmosphere for employees to work. Authentic leadership values encourage employees to be able to work better, feel valued, and gain prosperity in the workplace. This is also proven through studies conducted by Adil & Kamal (2016), Rahimnia & Sharifirad (2015), Nelson et al. (2014).

#### Hypothesis 5

Transparent organizational communication also has a significant direct effect on employee welfare. The communication process within the company that takes place transparently provides a sense of security and well-being for employees because they can analyze what is and will be happening within the company. When the information received is reliable and reliable, employees can face problems and make decisions with the information. And with transparency in communication, employees also have access to provide feedback regarding the state of the company.

With the T-Statistics value of 3.125 and the P-Values of 0.002 which exceeds the minimum T-Statistics value of 1.96 and the minimum P-Values of 0.05, this significant effect has also been proven by previous studies conducted by Adil & Kamal (2016), Jiang & Men (2017).

#### Hypothesis 7

The direct relationship between employee trust variables on employee welfare is significantly influenced by the T-Statistics and P-Values values of 2.024 and 0.043, respectively. The confidence in employees that the company they work for treats them fairly and well and pays attention to them fosters the inner well-being of employees. Not only employees in lower management levels, employees in

middle and upper management levels also feel this way. This significance is by following per the research of Jena et al. (2018), Guest (2017), Arnold (2017), and Kelloway et al. (2012).

#### 4.5.2. Indirect Influence Test Results

Not only the direct effect, but the Path Coefficients test also proves the significance of the mediating variable in the relationship between variables. In this study, the employee trust variable becomes a mediating variable between the independent variables and the dependent variable.

**Table 7. Path Coefficients Test Results (Indirect Effect/Mediation).**

Path (X → Y)	T-Statistics	P-Values	Hypothesis
Authentic Leadership → Employee Trust → Employee Welfare	3.912	0.000	H6: Significantly influential
Transparent Organizational Communication → Employee Trust → Employee Welfare	3.226	0.001	

Source: Primary data processed (2021).

#### Hypothesis 6

The mediating effect of employee trust variables in the relationship between authentic leadership and transparent organizational communication on employee welfare is significant with T-Statistics and P-Values values that pass the minimum value requirement. Companies in Batam prove that employee trust grows from authentic leadership and transparent organizational communication. This growing employee trust is the basis for creating employee welfare in the company. The results of this test are consistent with research by Jiang & Luo (2018), Vogelgesang et al. (2013), Norman et al. (2010).

#### 4.6. Model Feasibility Test Results (Goodness of Fit Model)

##### 4.6.1. Test Results The coefficient of determination (R-Square/R<sup>2</sup>)

The nominal coefficient of determination determines the correlation between variables and how far these variables are explained by other variables. In the table below, the results obtained from testing the coefficient of determination using R-Square Adjusted. The Transparent Organizational Communication variable has an R-Square Adjusted value of 0.558 which indicates that the variable is explained by the Authentic Leadership variable of 55.8%. Meanwhile, the mediating variable of Employee Trust is explained by Authentic Leadership and Transparent Organizational Communication of 60.6%, and the variable of Employee Welfare is explained by Authentic Leadership, Transparent Organizational Communication, and Employee Trust of 57.9%. In other words, the rest is explained by other variables not included in this research model.

**Table 8. Results of the Coefficient of Determination (R-Square Adjusted).**

Variable	<i>R-Square (R<sup>2</sup>)</i>
Transparent Organizational Communication	0.558
Employee Trust	0.606
Employee welfare	0.579

Source: Primary data processed (2021).

#### 4.6.2. Quality Index Test Results

To determine the feasibility of a research model, a Quality Index test can be used that utilizes the feasibility formula or the Goodness of Fit (GoF) Index. Before looking for the GoF Index value, we need to first find the average value of the Average of Communalities Index which we can find in the Average Variances Extracted (AVE) value.

$$\overline{Com} = \frac{0,505 + 0,502 + 0,569 + 0,727}{4} = 0,5758$$

After finding the average value of Communalities, the next step is to find the average value of the coefficient of determination or R-Square Adjusted.

$$\overline{R^2} = \frac{0,558 + 0,606 + 0,579}{3} = 0,581$$

With these two components, the GoF index value can be found by entering the two means in the equation below.

$$GoF = \sqrt{\overline{Com} \times \overline{R^2}} = \sqrt{0,5758 \times 0,581} = \sqrt{0,3345} = 0,578$$

The GoF index value obtained from this equation is 0.578. According to research conducted by Fornell & Larcker (1981), Cohen (1988), and Ghazali & Latan (2012), this value concludes that this research model is feasible to use because it exceeds the 'good' criterion of 0.36.

### 5. Discussion and concluding remarks

The independent variable of authentic leadership proved to have a significant positive effect on transparent organizational communication. The results of this study are in line with the results of research by Basit & Siddiqui (2020), Jiang & Luo (2018), and Men (2014). Previous studies have stated that authentic values in leadership that run in companies have a strong influence on the creation of a transparent organizational communication atmosphere. The results of this study are due to the real practice of authentic leadership in companies in Batam which encourages a transparent atmosphere of communication within the company. Vice versa, respondents who feel that their leader is not authentic stated that there is no transparency in corporate communications. On the other hand, authentic leadership has also been shown to have a significant positive effect on employee trust, both in leaders and in the company. The companies in Batam with authentic value in performing his leadership received feedback (feedback) a positive form of employee trust their leaders and the companies they work for. This proves the results of Jiang & Luo (2018), at the same time, the results of this study test the findings of Basit & Siddiqui (2020) which states that there is no significance between the two variables above.

Employee trust is not significantly affected by authentic leadership alone, but by transparent organizational communication as well. In relation, this significant effect occurs because when employees feel that information related to the company they can access well through transparent company communications, and the quality of the information is accurate and reliable, employees in companies in Batam feel they can trust the company they work for. they work and their leaders. The causal relationship is by following per the theory proposed by Menguc et al., (2013), Bakker & Demeroutti (2014), and Saks (2006).

In this research model, the dependent variable of employee welfare is directly and significantly influenced by authentic leadership, transparent organizational communication, and employee trust. Authentic leadership builds employee welfare because by looking at leaders in companies who have authentic values, employees feel safe and prosperous and can work better. The same view has been

stated previously in studies by Adil & Kamal (2016), Rahimnia & Sharifirad (2015), and Nelson et al. (2014). Meanwhile, transparent organizational communication creates employee welfare through a transparent communication process within the company. This transparency invites employees to get involved together, process information, and distribute information within the company. By knowing this information, employees feel they understand the current condition of the company. This conclusion has also been stated previously in the research of Adil & Kamal (2016), Jiang & Men (2017). The cause of the creation of employee welfare by employee trust is because employees have confidence in the attention and care of the company where they work, as well as their leaders, making employees feel happy at work. Research conducted by Guest (2017), Arnold (2017), and Kelloway et al. (2012) proves this.

The results in this study prove that authentic leadership has a significant influence on employee welfare. Authentic leadership encourages a conducive atmosphere because employees feel better and more valuable which is part of psychological well-being. Likewise, transparent organizational communication will encourage the creation of employee welfare. A transparent communication process will encourage the right decision making. In this study, the researcher included the mediating element of the trust variable. Based on statistical data, the presence of this variable will increase the relationship between authentic leadership and transparent organizational communication on employee welfare with a greater positive impact, compared to not including this variable in the study. This employee trust is the basis for creating employee psychological well-being. This research was conducted on middle-class companies in industrial cities, namely Batam City, which is a multiethnic area. The results of this study are very useful in the form of theoretical development. As well as managerial implications, especially how companies optimize authentic leadership and transparent organizations in promoting employee welfare.

The mediating factor in this study is influenced by employee trust in the relationship between authentic leadership and transparent organizational communication on employee welfare. The mediation effect is significant because the efforts of companies in Batam to foster employee trust through authentic company leadership and transparent organizational communication have resulted in the welfare of employees in the companies where they work. This study also proves that companies that are not able to gain employee trust cannot create employee welfare in the workplace. This evidence is consistent with the results of research by Jiang & Luo (2018), Vogelgesang et al. (2013).

Regarding future research, several things are suggested by the researchers to obtain more comprehensive research results, as follows: 1) Exploration of other factors that shape employee welfare is highly recommended. There is room for other factors that have not been described in this study; 2) In data collection, techniques or methods that are more personal are highly recommended to ensure the respondent's understanding of the questions asked. In addition, it is recommended to use grammar that is easier to understand, especially in analyzing the psychological well-being of the respondents; 3) research by focusing on the organizational relationship between superiors and employees (top-down) can be done as exploratory research as a development of the research that has been done above.

In running a business, entrepreneurs should design strategies to create an authentic leadership culture within the company and transparent organizational culture of communication. Both cultures have been shown to have a direct effect on employee welfare significantly. Not only these two cultures, but employers are also advised to build a culture of trust within the company by showing that the company pays attention to its employees, treats its employees well and fairly, and considers the welfare conditions of employees. Thus, the employee's sense of confidence in the leader who has been placed above him will grow in tandem with the trust in the company where they work. This trust breeds employee well-being in the workplace and encourages employees to work better.

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