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The impact of corporate governance, internal control and corporate reputation on employee engagement: a moderating role of leadership style

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ABSTRACT

This study investigates the interplay between Corporate Governance, Internal Control, Corporate Reputation, and Employee Engagement, focusing on the moderating role of different leadership styles. Empirical findings indicate that Corporate Governance, Internal Control, and Corporate Reputation are positively and significantly associated with Employee Engagement. The study further delves into the nuances of leadership styles, democratic, bureaucratic, laissez-faire, and authoritarian, and their distinct moderating effects on these relationships. Democratic leadership was found to enhance the linkage between Corporate Governance, Internal Control, Corporate Reputation, and Employee Engagement. In contrast, the bureaucratic and laissez-faire styles primarily moderated the effects of Internal Control and Corporate Reputation on Employee Engagement. Additionally, authoritarian leadership strongly moderates the relationship between Corporate Governance, Internal Control, and Employee Engagement. These findings suggest that leadership style is crucial in determining the effectiveness of corporate governance mechanisms, internal controls, and reputation management in promoting employee engagement. The study contributes to the broader discourse on organizational behavior and human resource management, offering insights for practitioners and scholars interested in optimizing employee engagement through strategic leadership and organizational practices.

IMPACT STATEMENT

This research explores the relationship between Corporate Governance, Internal Control, Corporate Reputation, and Employee Engagement, highlighting the significant role of leadership styles in moderating these dynamics. Findings indicate that democratic leadership amplifies the positive effects of corporate governance, internal controls, and corporate reputation on employee engagement, while bureaucratic and laissez-faire styles show varying impacts on internal controls and reputation. Authoritarian leadership distinctly influences corporate governance and internal control relationships with employee engagement. This study is pivotal for business and management practitioners, offering insights into optimizing employee engagement through strategic leadership and organizational practices.

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1. Introduction

The intricate relationship between corporate governance, internal control, corporate reputation, and their collective impact on employee engagement has emerged as a focal point in contemporary business and management research. This complex interplay is increasingly recognized as pivotal in shaping not just the operational effectiveness of organizations but also the psychological and emotional landscape of the workforce. Pioneering studies in this realm, such as those by Lin et al. (2023), have underscored these

factors' profound impact on creating a positive, productive, and engaging work environment. These insights point to a paradigm shift in understanding organizational dynamics, where the interdependencies of governance, control mechanisms, and reputation are central to fostering a robust and committed workforce.

Further expanding this discourse Hazzaa et al. (2022) and Otoo et al. (2023) highlighting that these elements are not peripheral aspects of organizational management but are integral to driving employee commitment and overall organizational health. This evolving perspective is particularly relevant in the contemporary business landscape, where organizations are increasingly scrutinized for their financial performance, ethical standards, transparency, and social responsibility (Heimstädt & Dobusch, 2020; Loughran et al., 2023). In this context, how a company governs itself, controls its internal processes, and is perceived by its stakeholders becomes crucial in influencing employee engagement and loyalty.

The significance of this study lies in its ability to synthesize these diverse yet interconnected aspects of corporate governance, internal control, and corporate reputation. Doing so offers a more holistic understanding of how these elements collectively influence employees' attitudes, behaviors, and engagement levels. This approach is essential in today's business environment, where employee engagement is increasingly recognized as a key driver of organizational performance, innovation, and sustainability (Bedarkar & Pandita, 2014; Knox & Marin-Cadavid, 2022; Motyka, 2018). Engaged employees are more productive, creative, committed, and loyal, contributing to the overall success and resilience of the organization (Ayoko, 2021; Ojo et al., 2021; Sarangi & Nayak, 2018).

Therefore, this study deeply explores these relationships to comprehensively understand how corporate governance, internal controls, and corporate reputation impact employee engagement. It seeks to unravel the nuances of these dynamics, examining how they interact and influence each other in a corporate setting. The insights derived from this exploration are expected to be invaluable for business leaders, managers, and policymakers, providing them with a deeper understanding of fostering a more engaged and committed workforce, essential for achieving long-term organizational success and sustainability (Kaliannan & Adjovu, 2015; Nabhan & Munajat, 2023).

The core of this study revolves around deeply probing and understanding two pivotal research questions, each addressing a critical aspect of corporate dynamics and their influence on employees. The first question seeks to unravel the complexities of how corporate governance, internal control, and corporate reputation, as a multifaceted construct encompassing policies, practices, and structures, affect employee engagement. This investigation goes beyond the traditional view of corporate governance, internal control, and corporate reputation as a mechanism for regulatory compliance and shareholder value maximization. Instead, it delves into its potential as a key influencer of employee morale, motivation, and organizational commitment. When effectively implemented, the aim is to elucidate how governance structures, internal control, and corporate reputation efforts can foster a positive work environment, enhance employee satisfaction, and drive higher levels of engagement.

The second research question addresses the role of leadership style in moderating the relationship between corporate governance, internal control, corporate reputation, and employee engagement. This question acknowledges the crucial role of leadership in shaping organizational culture and the implementation of corporate governance and internal controls. It explores how leadership styles (Democratic, Bureaucratic, Laissez-Faire, Authoritarian) influence the effectiveness of corporate governance, internal controls, and corporate reputation regarding employee perception and response. The objective is to understand whether and how leadership styles can amplify or mitigate the impact of corporate governance, internal controls, and corporate reputation on employee engagement, thereby providing a nuanced view of the leadership-employee dynamics within organizational control systems.

The objectives of this study are multi-layered and aim to provide a comprehensive understanding of these dynamics. Primarily, the study seeks to dissect the intricate relationship between corporate governance and employee engagement, exploring how governance practices and policies can be strategically leveraged to enhance employee motivation and commitment. Additionally, it aims to examine the influence of internal controls on organizational culture and employee attitudes, moving beyond the conventional focus on compliance and risk management to understand their broader impact on employee psychology and behavior. Furthermore, the study endeavors to shed light on the often overlooked yet critical aspect of corporate reputation and its impact on employee engagement. It seeks to uncover how

employees' perceptions of their organization's reputation, influenced by ethical conduct, social responsibility, and market standing, shape their engagement and commitment levels.

The exploration of the moderating role of leadership styles is a critical component of this study, as it seeks to provide a nuanced understanding of how various leadership approaches (Democratic, Bureaucratic, Laissez-Faire, and Authoritarian) can shape the interplay between corporate governance, internal controls, and corporate reputation, and their collective influence on employee engagement. This aspect of the investigation is particularly vital in adding a comprehensive layer to the existing knowledge of leadership within corporate dynamics. It underscores the significance of leadership as a key factor that can either amplify or mitigate the effectiveness of other organizational mechanisms. The study aims to offer insightful perspectives on the dynamic relationship between leadership and other critical organizational components by delving into the specifics of how different leadership styles interact with these elements. This could lead to a more informed understanding of how leadership styles can be leveraged to optimize the functioning of these mechanisms, thereby enhancing overall employee engagement and organizational performance.

The theoretical foundation of this study is anchored in three pivotal theories: stakeholder theory, agency theory, and resource-based view (RBV) theory, each offering critical insights into the dynamics of corporate governance, internal control, corporate reputation, and employee engagement. Stakeholder Theory is rooted in the seminal work of Freeman in 1984. Stakeholder theory posits that organizations must consider and balance the interests of all stakeholders, including employees, customers, suppliers, and the community, alongside those of shareholders (Freeman, 2009). This perspective is crucial in understanding corporate governance and its broader implications. It suggests that effective governance practices should account for the needs and aspirations of employees, who are key stakeholders (Hijazi, 2021). This theory provides a lens through which the study examines the impact of corporate governance on employee engagement, hypothesizing that governance structures responsive to employee needs can enhance engagement and organizational commitment.

As described by Jensen and Meckling in 1976, Agency theory provides insight into the potential conflicts between principals (owners or shareholders) and agents (managers) (Abdelnour & El-Farr, 2023). It underscores the importance of aligning the interests of various stakeholders within an organization, which is critical for effective corporate governance. This theory is instrumental in this study for understanding how leadership styles can mediate potential conflicts between different stakeholder interests, particularly in the context of internal control and corporate governance. It highlights the role of leadership in ensuring that the organization's objectives are aligned with the needs and goals of its employees (Sonmez Cakir & Adiguzel, 2020; Tyagi, 2021).

The Resource-Based View (RBV) theory, which suggests companies gain an advantage by using their unique resources (D'Oria et al., 2021), provides a framework for understanding this relationship. In this study, Governance, internal control, and reputation are considered valuable resources. Corporate governance helps align employee and company goals (Konadu et al., 2021). Effective internal controls ensure efficient use of resources (Otoo et al., 2023), impacting employee motivation. A good corporate reputation can make employees more engaged and proud to be part of the company (Brown et al., 2022). Leadership style, especially transformational leadership, is crucial in using these factors to enhance employee engagement (Lai et al., 2020). Using RBV theory, this research highlights the interconnectedness of these elements in influencing how engaged employees are in their work.

The incorporation of stakeholder theory, agency theory, and resources-based view theory forms a comprehensive and multifaceted foundation for examining the modern business landscape. Stakeholder theory delves into the ethical and relational dynamics of corporate governance and internal control, emphasizing the importance of balancing diverse stakeholder interests and reciprocal relationships. Agency theory offers a structural perspective, focusing on aligning interests and resolving conflicts between principals and agents through contractual relationships and monitoring. Resources-based theory views governance, internal control, and corporate reputation as valuable resources that can influence employee engagement. This integrative approach provides a nuanced understanding of the complex interplay between corporate governance, internal controls, corporate reputation, leadership styles, and employee engagement. It is crucial for contemporary business practices and business, management, and accounting research.

A thorough examination of existing literature on corporate governance, internal control, and employee engagement reveals several notable gaps, particularly in understanding the interplay of these elements under varying leadership styles. While existing research has delved into aspects of corporate governance and its impact on employee behavior and attitudes, much of this research has yet to fully consider the nuances of different leadership approaches within these frameworks. Studies Zhang et al. (2014), Mazzetti & Schaufeli (2022), Zhou et al. (2022) point out that the specific impact of leadership styles, especially in moderating the relationship between corporate governance practices and employee engagement, remains under-researched. This gap is significant because leadership is a critical element that can greatly influence the effectiveness of corporate governance and internal control mechanisms.

Furthermore, the direct impact of internal control systems on employee engagement, when considered in conjunction with corporate governance, needs to be more sufficiently explored in existing literature. Studies have often focused on internal controls' financial and compliance aspects, overlooking how they impact employee morale, trust in management, and their overall commitment to the organization. This oversight presents a gap in understanding the holistic impact of internal controls beyond the traditional compliance and risk management perspectives. Additionally, the influence of corporate reputation on employee engagement within the context of corporate governance and internal controls has yet to be comprehensively addressed. While the significance of corporate reputation in shaping consumer perceptions and market value is well-documented, its direct influence on internal stakeholders, particularly employees, needs to be more understood. As Peyton & Zigarmi (2021) and Helm (2011) noted, this represents a critical gap in the literature, as understanding employees' perception of their organization's reputation can provide valuable insights into their level of engagement and commitment.

Another significant gap is the need for empirical studies integrating these elements of corporate governance, internal control, corporate reputation, and leadership styles in a comprehensive model to understand their collective impact on employee engagement. Most studies focus on one or two of these elements in isolation, thereby missing the opportunity to explore the synergistic effects of these factors when considered together. This gap highlights the need for research that adopts a more integrative approach, examining how these elements interact and influence each other in employee engagement. Addressing these gaps is academically significant and has practical implications for organizational leaders and policymakers. By understanding these dynamics more thoroughly, organizations can develop more effective strategies to enhance employee engagement, a key driver of organizational performance and sustainability (Motyka, 2018; Truss et al., 2013).

A primary contribution of this research lies in its in-depth exploration of the relationship between corporate governance and employee engagement. While existing literature has often focused on corporate governance's financial and operational outcomes, this study shifts the lens to its psychological and behavioral impact on employees. The study provides a nuanced understanding of corporate governance by examining how governance structures, policies, and practices influence employee morale, motivation, and commitment. It moves beyond traditional perspectives, highlighting governance as a key driver of employee engagement and not just a tool for compliance and risk management (Guluma, 2021). This contribution is particularly relevant in the evolving business environment, where employee engagement is increasingly recognized as a critical factor for organizational success.

Another significant contribution of this study is its analysis of the role of internal controls in shaping organizational culture and influencing employee attitudes. Prior research has predominantly viewed internal controls from a compliance and risk management standpoint. However, this study expands the scope by investigating how these controls create a trusting and secure work environment, enhancing employee engagement and commitment. It bridges a vital gap in the literature by linking the operational aspects of internal controls with the psychological and emotional dimensions of the employee experience, thereby offering insights into leveraging these mechanisms to foster a more engaged workforce (Haryanto et al., 2023).

The study also makes a pioneering contribution by delving into the impact of corporate reputation on employee engagement. While the effects of corporate reputation on external stakeholders and market performance have been well-studied, its influence on internal stakeholders, particularly employees, has yet to receive adequate attention. This research sheds light on how employees' perceptions of their organization's reputation significantly impact their engagement levels and commitment to the

organization. By exploring this relationship, the study adds a critical dimension to understanding corporate reputation, emphasizing its internal implications and role in shaping employee attitudes and behaviors (Veh et al., 2019).

An innovative aspect of this research is examining the moderating role of leadership styles in the interplay between corporate governance, internal control, corporate reputation, and employee engagement. The study acknowledges the well-established importance of leadership in organizational outcomes. It explores how different leadership styles can enhance or mitigate the effects of corporate governance structures, internal controls, and corporate reputation on employee engagement. This exploration is particularly groundbreaking as it addresses a significant gap in the existing research, adding a new layer of understanding to the role of leadership within corporate settings and its impact on employee dynamics (Kjellström et al., 2020).

Finally, this study's comprehensive and integrative approach represents a substantial advancement in the field. Unlike most existing studies focusing on isolated aspects of corporate dynamics, this research adopts a holistic view. It explores the collective and synergistic effects of corporate governance, internal control, corporate reputation, and leadership styles on employee engagement. This approach is particularly pertinent in today's complex and interconnected business environment. It offers a complete understanding of these factors and practical implications for organizations striving to enhance employee engagement strategies and overall organizational effectiveness.

The significance of this study is multifaceted, extending beyond academic circles to have practical implications for business leaders, managers, and policymakers. By elucidating the complex interrelations between corporate governance, internal control, corporate reputation, and employee engagement, the study aims to significantly enhance theoretical and empirical understanding of these crucial elements in organizational dynamics. It offers a comprehensive overview of how these factors collectively influence employee morale, commitment, and productivity, thereby impacting organizational effectiveness. This work contributes substantially to the academic discourse, providing actionable insights for improving employee engagement and organizational performance.

2. Background

This study sets the stage for an in-depth exploration of the interconnected roles of corporate governance, internal control, and corporate reputation in shaping employee engagement. In the contemporary business environment, these elements are increasingly recognized as critical drivers of organizational success. Corporate governance frameworks, evolving through regulatory and policy reforms, significantly influence organizational cultures and ethical climates. Similarly, internal control systems are pivotal in maintaining operational integrity and financial reliability, directly impacting the organizational ethos perceived by employees. Moreover, in an era where stakeholders closely scrutinize corporate reputation, its impact on employee morale and engagement has become a focal point for research. This study aims to bridge the gap in understanding how these factors collectively influence employee engagement, particularly emphasizing the moderating role of leadership styles. This approach is crucial for comprehending the dynamics of modern corporate environments and instrumental in delineating the pathways through which governance structures and corporate policies translate into employee behavior and attitudes.

Corporate governance, which encompasses the rules, practices, and processes guiding a company, is instrumental in defining the contours of organizational culture (Jarne-Jarne et al., 2022). This, in turn, has a profound impact on employee engagement. Effective governance mechanisms, such as clear organizational structures, accountability frameworks, and ethical standards, foster an environment where employees are more likely to be committed and motivated (Berberoglu, 2018; Lynn & Robichau, 2013). This aspect of corporate governance is rooted in agency theory, which examines the intricate relationships between principals (owners) and agents (managers). According to agency theory, aligning the goals of owners and managers leads to a more harmonious and productive workplace (Jaskiewicz & Klein, 2007; Madison et al., 2016). Additionally, the transparency and accountability inherent in good governance practices can build employee trust (Rahaman, 2023), further enhancing their engagement and commitment to the organization.

The role of internal control systems extends beyond ensuring financial accuracy and compliance with regulations. These systems are pivotal in cultivating an organizational environment conducive to employee engagement (Verburg et al., 2018). Well-implemented internal controls provide a structured and secure work setting, as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013) outlines. Such environments protect organizational assets and instill a sense of employee security and value. When employees perceive their workplace as well-regulated and fair, it enhances their sense of belonging and commitment (García-Cruz & Valle-Cabrera, 2021). This feeling of security and order is particularly crucial in complex and risk-prone areas of business operations, where the clarity and reliability of processes directly impact employee morale and engagement levels (Kundu et al., 2020).

Corporate reputation, as a perceptual representation of an organization's past actions and prospects, significantly influences employee engagement (Shirin & Kleyn, 2017). A strong and positive corporate reputation is a magnet for attracting and retaining high-quality employees (Junça Silva & Dias, 2023). It fosters a sense of pride, loyalty, and performance in the workforce (Frare & Beuren, 2022). Therefore, working for a company with a stellar reputation can enhance employees' self-esteem and identification with the organization, leading to increased engagement and dedication (Frare & Beuren, 2022). In a competitive business environment, a favorable reputation is a crucial asset for organizations, not only in the market space but also in attracting and retaining motivated employees (Junça Silva & Dias, 2023; Vuong & Bui, 2023).

The influence of leadership style on the relationship between corporate governance, internal control, corporate reputation, and employee engagement cannot be overstated. Different leadership styles can significantly affect how these corporate factors translate into employee engagement (Lai et al., 2020). Leaders can inspire and motivate (Buil et al., 2019), amplifying the positive effects of good governance, effective internal controls, and a strong corporate reputation. They foster a supportive and empowering environment, encourage innovation, and align individual and organizational goals (Khan et al., 2020). The study will explore various leadership styles and how they can enhance or buffer the effects of corporate governance, internal controls, and corporate reputation on employee engagement. This exploration is critical, as leadership is the linchpin that can either unlock the potential of these corporate elements or hinder their effectiveness in engaging employees.

In today's rapidly evolving business landscape, characterized by technological advancements, globalization, and changing workforce dynamics, the interplay between corporate governance, internal control, corporate reputation, and their impact on employee engagement becomes increasingly complex. This study will contextualize these relationships within the modern business environment, considering digital transformation, global workforce diversity, and changing employee expectations. The contemporary business environment presents unique challenges and opportunities for organizations to manage their governance structures, internal control systems, and reputation, directly affecting employee engagement. Understanding these dynamics in the context of the current business landscape is vital for developing effective strategies to enhance employee engagement in a globalized and technologically advanced business world.

The selection of the study context for 'The Impact of Corporate Governance, Internal Control, and Corporate Reputation on Employee Engagement: A Moderating Role of Leadership Style' is rooted in recent, significant shifts in regulatory frameworks, policy reforms, and governance structures within the corporate sector. This environment provides a fertile ground for examining the proposed relationships due to its dynamic and evolving nature. Heightened regulatory scrutiny and policy-driven transformations in corporate governance and internal control practices characterize it. These changes have profound implications for corporate reputation and employee engagement, creating a unique opportunity to explore how these elements interact within the new regulatory milieu. Moreover, the context's distinct characteristics, including its response to global and local regulatory pressures, offer an ideal setting to study the moderating effect of leadership styles on these relationships. This focus allows for a deeper understanding of contemporary corporate dynamics and contributes to theoretical and practical knowledge in corporate governance, organizational behavior, and human resource management.

3. Theoretical literature review

3.1. Stakeholder theory

Stakeholder theory is a significant concept in business, management, and accounting, emphasizing the importance of considering the interests and influences of all parties affected by a corporation's activities. This theory departs from the traditional view that businesses exist primarily to maximize shareholder wealth. Instead, it posits that companies have responsibilities to a broader range of stakeholders, including employees, customers, suppliers, communities, the environment, and shareholders. Stakeholder Theory offers a compelling framework for examining the impact of corporate governance, internal control, and corporate reputation on employee engagement, with a moderating role of leadership style. This theory posits that organizations must manage their relationships with all stakeholders, including employees, to achieve long-term success (Shankman, 1999). Literature has emphasized the strategic importance of stakeholder management in corporate governance, highlighting how organizations can gain competitive advantages by effectively balancing diverse stakeholder interests (Yoshikawa et al., 2021).

Concerning internal control, the literature highlights that stakeholder-oriented governance mechanisms can positively influence organizational transparency and accountability, fostering a trustworthy environment conducive to employee engagement (Winkler et al., 2019). Further, Brammer & Millington (2005) explores the nexus between corporate reputation and stakeholder perceptions, suggesting that a positive reputation can enhance employee commitment and motivation (Almeida & Coelho, 2019). As a moderating factor, leadership style has been explored by Waldman & Siegel (2008), those who argue that different leadership approaches significantly influence stakeholder relationships and outcomes. Their work underscores the role of leadership in aligning corporate governance and reputation management with stakeholder expectations, including those of employees. Collectively, these studies underscore the utility of Stakeholder Theory in understanding the complex interplay between corporate governance, internal control, corporate reputation, and employee engagement.

3.2. Agency theory

Agency theory is a prominent concept in business, management, and accounting, primarily concerned with resolving problems that can occur in agency relationships due to conflicts of interest and asymmetrical information (Haugen & Senbet, 1979; Mishra et al., 1998; Zenger & Gubler, 2018). This theory is particularly relevant in corporate governance and financial management. Agency Theory, focusing on the relationships between principals and agents and the challenges of aligning their interests, provides a crucial lens for examining corporate governance, internal control, and corporate reputation, particularly in their influence on employee engagement. Jensen & Meckling (1976) lay the foundational framework of Agency Theory, highlighting the potential conflicts between owners (principals) and managers (agents) and suggesting that effective corporate governance mechanisms are vital to mitigate these issues.

In the context of internal control, Eisenhardt (1989) builds on this by discussing how proper control systems can align the interests of different stakeholders, thus reducing agency costs and fostering a conducive environment for employee engagement (Vardaman et al., 2023). The role of corporate reputation as a moderating factor in this dynamic is explored by Fombrun & Shanley (1990) those who argue that a strong reputation can signal effective agency relationships within the organization, influencing employee perceptions and engagement (Soeling et al., 2022). Additionally, as explored Davis et al. (2018), the impact of leadership styles demonstrates how different leadership approaches can influence agency relationships, reinforcing or mitigating the perceived agency problems, thereby affecting employee commitment and motivation. Agency Theory, thus, provides a comprehensive framework to understand how governance structures, internal control mechanisms, and reputation management can impact employee engagement within organizations.

3.3. Resources-based view theory

The resource-based view (RBV) asserts that unique organizational resources and capabilities are crucial for achieving competitive advantages (D'Oria et al., 2021). In this context, corporate governance, internal

control systems, and corporate reputation are essential internal resources. Hazzaa et al. (2022) highlight the significance of these elements in enhancing firm performance. Effective governance and control systems foster a culture of transparency and accountability, which is essential for building employee trust and engagement. These systems, when well-implemented, can create a stable and reliable organizational environment, encouraging employee commitment and engagement. This aligns with the RBV's emphasis on leveraging internal resources for strategic advantage.

As an intangible asset, corporate reputation plays a significant role in stakeholders' perceptions, including those of employees (Batrancea et al., 2022; Pires & Trez, 2018). A robust corporate reputation is a valuable resource that can provide a sustained competitive advantage (Batrancea et al., 2022). This idea is further supported by Shirin & Kleyn (2017) those who found a positive correlation between corporate reputation and employee engagement. From an RBV perspective, a strong reputation is a unique resource that differentiates a firm from its competitors (Pires & Trez, 2018; von Berlepsch et al., 2022), enhancing its attractiveness to current and potential employees and fostering higher engagement levels.

The role of leadership style is critical in the RBV framework, particularly as a moderating variable in the relationship between organizational resources (corporate governance, internal control, corporate reputation) and employee engagement. Leadership style influences how these resources are utilized and perceived within the organization. Judge and Piccolo (2004) demonstrate that different leadership styles, such as transformational and transactional leadership, can significantly impact the effectiveness of resource utilization (Aarons, 2006; Kılıç & Uludağ, 2021). For instance, transformational leadership, which emphasizes vision, inspiration, and employee development, can enhance the positive effects of good governance, strong internal controls, and a solid corporate reputation in employee engagement (Thompson et al., 2021; Xu et al., 2022). In contrast, a transactional leadership style might not capitalize on these resources effectively, potentially leading to lower employee engagement (Thanh & Quang, 2022).

3.4. Leadership style

3.4.1. Democratic leadership

In examining the interplay between corporate governance, internal control, and corporate reputation on employee engagement, the role of leadership style, particularly democratic leadership, emerges as a critical moderating factor. Democratic leadership, characterized by participative decision-making and inclusive communication (Barthold et al., 2022), theoretically influences how employees perceive and interact with corporate governance structures and internal controls. This leadership style fosters a transparent and inclusive environment, enhancing employees' trust and engagement with organizational processes (Hilton et al., 2021; Wilson, 2020). Moreover, democratic leadership contributes to a positive corporate reputation by promoting ethical practices and stakeholder involvement, positively impacting employee engagement (Jiang & Luo, 2018). The intersection of these elements suggests that democratic leadership not only shapes employee attitudes toward governance and control mechanisms but also reinforces the company's reputation, thereby creating a more engaging and committed workforce. This review underscores the need for further empirical investigation into the specific mechanisms through which democratic leadership moderates these relationships in the context of business management and accounting.

3.4.2. Bureaucratic leadership

Integrating bureaucratic leadership into the framework exploring the impact of corporate governance, internal control, and corporate reputation on employee engagement offers a nuanced perspective. Bureaucratic leadership, emphasizing rules, hierarchy, and standardized procedures (Whetsell et al., 2021), can significantly influence the effectiveness of corporate governance and internal control systems. This leadership style ensures strict adherence to established procedures and policies (Matipa, 2020; Matjie, 2018), which can enhance the robustness of internal controls and governance structures. However, the rigidity and formalization inherent in bureaucratic leadership might impede the flexibility and innovation required for a positive corporate reputation, potentially negatively affecting employee engagement (Pedersen & Du Gay, 2021; Sievert et al., 2022). While bureaucratic leadership can instill a sense of order and predictability, essential for governance and control, it may also limit the participative and innovative

aspects that contribute to a favorable corporate image and employee motivation. This dichotomy suggests that while bureaucratic leadership could reinforce governance and control mechanisms, its impact on corporate reputation and employee engagement is more complex, warranting further empirical investigation within the business, management, and accounting disciplines.

3.4.3. Laissez-faire leadership

In the context of the study 'The Impact of Corporate Governance, Internal Control, and Corporate Reputation on Employee Engagement: A Moderating Role of Leadership Style', the inclusion of laissez-faire leadership offers a distinctive perspective. Laissez-faire leadership, characterized by its hands-off approach and minimal direct supervision (Amini et al., 2019), presents a unique dynamic in the relationship between corporate governance, internal control, and corporate reputation. This leadership style can positively influence employee engagement by providing autonomy and self-direction, empowering employees, and encouraging individual initiative (Robert & Vandenberghe, 2021). However, the lack of active leadership and guidance in laissez-faire leadership may lead to weaker corporate governance and internal control systems due to the absence of direct oversight and control (Zhang et al., 2023). This could result in a diminished corporate reputation, as stakeholders may perceive a lack of leadership as a lack of accountability and responsibility within the organization (Amini et al., 2019; Zhang et al., 2023). The laissez-faire approach, therefore, poses a paradox in its potential to both enhance employee engagement through autonomy and hinder the effectiveness of governance and control mechanisms, suggesting a complex and nuanced role in the corporate setting that requires further empirical exploration within the business and accounting research fields.

3.4.4. Authoritarian leadership

Authoritarian leadership, characterized by centralization of decision-making and a top-down management approach, can significantly influence corporate governance and internal control mechanisms. This leadership style is known for its strict adherence to rules and protocols (Pizzolitto et al., 2023), which may strengthen the effectiveness and reliability of corporate governance structures and internal control systems. Authoritarian leaders typically enforce rigorous compliance with established procedures (Wang et al., 2019), potentially leading to a more controlled and predictable organizational environment. However, the impact of authoritarian leadership on corporate reputation and employee engagement is complex. While it may ensure operational efficiency and compliance, it can also lead to a lack of employee autonomy, reduced job satisfaction, and lower levels of innovation, potentially harming the organization's reputation and engagement levels (Pizzolitto et al., 2023; Wang et al., 2019). This dichotomy underscores the need for a balanced approach in leadership styles to optimize the benefits of strong governance and control while fostering a positive organizational reputation and high levels of employee engagement, particularly in business, management, and accounting.

4. Empirical literature review and hypothesis development

4.1. Corporate governance and employee engagement

Several theoretical lenses can elucidate the association between corporate governance and employee engagement. Firstly, agency theory addresses the relationship between shareholders and managers and highlights the necessity of governance mechanisms to align interests, indirectly affecting employee engagement (Aubert & Hollandts, 2023). This theory underscores the potential of governance in fostering a workplace environment where employee goals resonate with organizational objectives. Secondly, the Stakeholder Theory broadens this perspective by including all stakeholders, not just shareholders, in the governance equation. This theory posits that effective governance practices must balance the diverse interests of all stakeholders, including employees, suggesting that governance structures attentive to employee interests can elevate engagement levels (Kujala et al., 2022).

The empirical exploration of the relationship between corporate governance and employee engagement reveals many findings that underscore the positive correlation between these two aspects. Studies,

such as those by Harter et al. (2002), found a strong link between corporate governance elements like clarity in expectations and employee involvement in decision-making with heightened levels of engagement. This view is further supported by Zhenjing et al. (2022). They highlight the direct impact of transparent, fair, and accountable governance on employee satisfaction, a key precursor to engagement. The role of transparency in governance and its influence on trust is emphasized in the research of Colquitt et al. (2007), Baquero (2023), and Islam et al. (2023). Their study indicates that employee perceptions of leadership transparency and ethical conduct significantly boost engagement levels, a finding echoed by Schnackenberg & Tomlinson (2016), Jiang & Luo (2018), Baquero (2023), who reported that organizational transparency fosters trust and engagement. A study by Alam et al. (2021) also confirms that corporate governance manifested in ethical leadership is significantly associated with employee engagement. Most previous research findings favor a positive and significant association between corporate governance and employee engagement. However, inconclusive research findings are still present. For example, a study by Dewi et al. (2023) indicates that the correlation between stakeholder engagement and corporate governance is weak or insignificant.

In terms of participative decision-making, Zhang & Bartol (2010) demonstrated that empowering leadership styles that encourage employee participation in decision-making can significantly elevate engagement. Amah and Ahiauzu (2013) reinforced that employee involvement in organizational decisions increases ownership and commitment, enhancing engagement. Furthermore, Parent & Lovelace (2018) and Ansell et al. (2020), investigated how different governance structures affect organizational culture and employee engagement. They found that inclusive and collaborative governance structures foster a positive organizational culture conducive to employee engagement. Parent & Lovelace (2018) and Moore & Hanson (2022) also identified a similar trend, noting that governance structures prioritizing employee well-being and development contribute significantly to a culture of engagement. Collectively, these empirical studies provide robust evidence that effective corporate governance practices, characterized by transparency, ethical leadership, participative decision-making, and inclusivity, are positively associated with and influential in enhancing employee engagement.

H1. Corporate governance is positively associated with employment engagement.

4.2. Internal control and employee engagement

Agency theory provides a critical lens through which to examine organizational dynamics, particularly the relationship between employees (agents) and owners or shareholders (principals) (Eisenhardt, 1989). This theory elucidates the inherent conflicts of interest that emerge when agents are tasked with making decisions and taking actions on behalf of the principals. These conflicts arise due to the two groups' differing objectives and risk preferences, where agents may prioritize personal gain or risk aversion over the principals' interests. Eisenhardt's expansion of this theory delves into how internal control mechanisms can serve as pivotal tools in mitigating these conflicts (Eisenhardt, 1989). Internal controls, encompassing a range of policies, procedures, and practices, ensure that employees' actions and decisions align with the organization's overarching goals and strategies (Hermanson et al., 2012; Otoo et al., 2023). These mechanisms can include performance measurement systems, incentive schemes, and transparent reporting processes, which collectively aim to align agent behavior with principal objectives.

The effectiveness of internal controls in agency theory hinges on the premise that when employees understand their actions and outcomes are monitored, evaluated, and linked to rewards or sanctions, it instills a sense of accountability and responsibility (Adams, 1994; Li, 2020; Tumwebaze et al., 2022). This awareness influences employee behavior, aligning it more closely with the desired organizational outcomes. As such, internal controls are a compliance and monitoring tool to communicate organizational values and objectives to employees (Otoo et al., 2023). Importantly, the theory suggests that this alignment can significantly enhance employee engagement. When employees perceive that their efforts are recognized and valued and that their personal goals are congruent with the organization's, their commitment and motivation will likely increase (Erkutlu & Chafra, 2016; Rahn et al., 2020). They feel more integral to the organization's success, which fosters a sense of belonging and purpose. This heightened sense of engagement is theorized to result in better performance, lower turnover, and a more harmonious workplace environment.

Agency theory's emphasis on internal control mechanisms spotlights the critical role these systems play in governance and compliance and, crucially, in fostering a workplace where employees' goals are synchronized with the organization's goals, leading to enhanced engagement and organizational cohesion (Lopez-Valeiras et al., 2022; Verburg et al., 2018). Lin et al. (2023) explored the relationship between internal control systems and employee perceptions. Their findings indicated that when employees perceive their working environment as well-structured and secure due to effective internal controls, they feel more valued and secure in their roles (Lin et al., 2023). This sense of security translates into higher engagement levels. Findings of previous studies indicate a positive correlation between stringent internal controls and increased employee motivation and engagement (Andriono et al., 2018; Haryanto et al., 2023). This study highlighted that employees in environments with clear guidelines and expectations tend to have higher morale and motivation. Otoo et al. (2023) emphasized the role of internal controls in fostering an environment of trust and transparency within the organization. The study posited that internal controls create an open and transparent working environment (Otoo et al., 2023), essential for fostering employee engagement. When employees trust that the system is fair and transparent, they are more likely to commit fully to their roles.

H2. Internal control is positively associated with employee engagement.

4.3. Corporate reputation and employee engagement

Within the RBV framework, corporate reputation is increasingly recognized as a strategic resource (Pires & Trez, 2018). It is valuable because a strong reputation can significantly influence stakeholders' perceptions and behaviors (Baumgartner et al., 2022), including those of current and potential employees. It is rare and difficult to imitate because building a positive reputation requires consistent, long-term effort in quality, reliability, and ethical behavior. Furthermore, reputation is not easily replicated by competitors once established, making it a non-substitutable asset. A strong corporate reputation is a magnet for talent (Junça Silva & Dias, 2023). Highly skilled individuals are drawn to well-regarded organizations, perceiving them as more desirable employers. This is particularly relevant in industries where talent is a critical differentiator. Once attracted, retaining these employees becomes more manageable as the positive aspects of the corporate reputation contribute to job satisfaction and organizational commitment (Alniacik et al., 2011). According to RBV, resources that are unique and valuable to the firm can be leveraged to improve various organizational outcomes (D'Oria et al., 2021), including employee engagement. Engaged employees show higher enthusiasm, commitment, and productivity (Sahni, 2021). A reputable organization can foster these positive employee attitudes and behaviors by providing a sense of pride and affiliation.

Empirical research further fortifies this theoretical stance. Shirin & Kleyn (2017) demonstrated a positive correlation between corporate reputation and employee engagement. Their study suggested that employees in firms with a strong reputation are likely to exhibit higher engagement, driven by pride and prestige associated with their employer. Similarly, A study by Almeida & Coelho (2019) indicates that employees in well-reputed organizations show higher levels of motivation and commitment. Hadi & Ahmed (2018) argue that a company with good branding possesses better employee retention. Ali et al. (2020) reported that an excellent Corporate reputation reduces employee fatigue even under unstable working conditions, including the intention to resign. This finding aligns with that of Gatzert & Schmit (2016). They found that companies with good reputations have an advantage in hiring employees with higher qualifications. However, it's important to note that the relationship between corporate reputation and employee engagement is subject to various moderating and mediating factors (Iddagoda & Opatha, 2020). For instance, as highlighted by Liu et al. (2021), cultural context plays a significant role in employee engagement. The impact of corporate reputation on engagement can vary across cultures, potentially being more pronounced in societies where organizational affiliation is highly valued. Additionally, leadership practices, as discussed by Men & Stacks (2013), can moderate this relationship. For example, transformational leadership styles may enhance the positive effects of corporate reputation on employee engagement (Decuypere & Schaufeli, 2020; Xu et al., 2022).

H3. Corporate reputation is positively associated with employee engagement.

4.4. Moderating role of leadership style

Empirical studies have shown that democratic leadership, characterized by participative decision-making, can positively influence corporate governance. For instance, research by Bass (1985), Liu & Yin (2020), and Moore & Hanson (2022) suggests that democratic leaders, by fostering an environment of openness and shared responsibility, can enhance board effectiveness and stakeholder engagement, leading to improved governance outcomes. Leadership guides corporate governance practices and strongly influences related matters (Ali et al., 2017). Democratic leaders invite team members to share their input in decisions but ultimately retain decision-making authority. This approach enables employees to take control of their destinies and promotions, motivating them to work harder instead of being solely incentivized by financial rewards (Bhatti et al., 2012). This leadership style tends to implement a form of corporate governance that emphasizes employee opinions. According to a study by Khan et al. (2015), democratic leaders showcase their abilities by expressing their opinions instead of pressuring others to conform. This leadership style makes a corporation reputable for being friendly to its employees, thus positively affecting corporate reputation (Alfalah, 2017). Bergmark & Westman (2018) argue that democratic leadership is better for engagement because it connects employees and encourages them to voice their thoughts.

Bureaucratic leadership, which emphasizes strict adherence to rules and a hierarchical structure, may have a more mixed impact on corporate governance. While it ensures compliance and uniformity, it might also stifle innovation and adaptability, which are crucial for effective governance in a rapidly changing business environment. The bureaucratic leadership style (BLS) is associated with specific policies or procedures as a predetermined decision for every condition that allows leaders to refer their employees to their superiors (Khan et al., 2015). However, strict regimes tend to restrict freedom and create dissatisfaction among the citizens. The bureaucratic leadership style entails leaders leading and depending on rules (Kelly & MacDonald, 2019). This leadership style can not only increase internal control implementation but can also create employee dissatisfaction. In addition, Ohemeng et al. (2020) found that bureaucracy strictly follows fixed procedures, which means that employees trust the system more than the leader says, leading to disengagement.

Laissez-faire leadership, which entails a hands-off approach, might lead to a lack of direction in corporate governance practices (Amini et al., 2019). This style could result in lower organizational commitment and accountability levels, detrimental to effective governance. Kelly & MacDonald (2019) found that in a laissez-faire leadership style (LLS), the leader gives subordinates the power to decide and solve problems. Under an LLS, subordinates have complete decision-making authority, leaders provide only the necessary resources, and employees are encouraged to solve existing issues (Khan et al., 2015). LLS allows employees to work freely without interference and does not establish specific goals (Bhatti et al., 2012). This kind of leadership may create a particular reputation, a 'freedom company' in which leaders permit employees to execute specific tasks independently.

Authoritarian leadership, characterized by centralized control and limited employee input, might lead to efficient decision-making processes. However, it could also suppress critical discussions and employee engagement, ultimately hindering long-term governance effectiveness. Studies have revealed that authoritarian leadership style (ALS) leaders anticipate their subordinates to comply with their authority without any inquiry, resulting in a lack of participation from the group when they intend to make any decision (Khan et al., 2015). This finding is vital in guiding corporate governance practices and strongly influences related matters (Ali et al., 2017). The practical implementation of corporate governance requires good leadership (O Connell, 2016). ALS makes most decisions without group involvement (Kelly & MacDonald, 2019). Leaders primarily communicate with subordinates to convey directions, focus intensely on tasks, and determine how to implement company rules or IC. Therefore, leaders must adopt them to effectively and efficiently achieve their business goals. Good leaders tend to possess robust IC systems (Aziz et al., 2015), ultimately affecting employee engagement within a corporation (Chaudhary, 2019). Additionally, a company's reputation is closely associated with the quality of its leadership. However, ALS can impair team morale and effectiveness by exhibiting a dominant attitude.

H4. Democratic leadership style positively and significantly increases the effect of corporate governance on employee engagement.

H5. Democratic leadership style positively and significantly increases the effect of internal control on employee engagement.

H6. Democratic leadership style positively and significantly increases the effect of corporate reputation on employee engagement.

H7. Bureaucratic leadership style positively and significantly increases the effect of corporate governance on employee engagement.

H8. A Bureaucratic leadership style positively and significantly increases the effect of internal control on employee engagement.

H9. Bureaucratic leadership style positively and significantly increases the effect of corporate reputation on employee engagement.

H10. Laissez-faire leadership style positively and significantly increases corporate governance's effect on employee engagement.

H11. Laissez-faire leadership style positively and significantly increases the effect of internal controls on employee engagement.

H12. Laissez-Faire leadership style positively and significantly increases the effect of corporate reputation on employee engagement.

H13. An Authoritarian leadership style positively and significantly increases the effect of corporate governance on employee engagement.

H14. An Authoritarian leadership style positively and significantly increases the effect of internal control on employee engagement.

H15. An Authoritarian leadership style positively and significantly increases the effect of corporate reputation on employee engagement.

To understand the relationship between variables mentioned in hypotheses H1–H15, this study graphically portrays the research model in [Figure 1](#). The hypothesis stated in H1–H3 is a direct effect of corporate governance, internal control, and corporate reputation on employee engagement. Meanwhile, the moderating role of leadership style is presented in H4–H15.

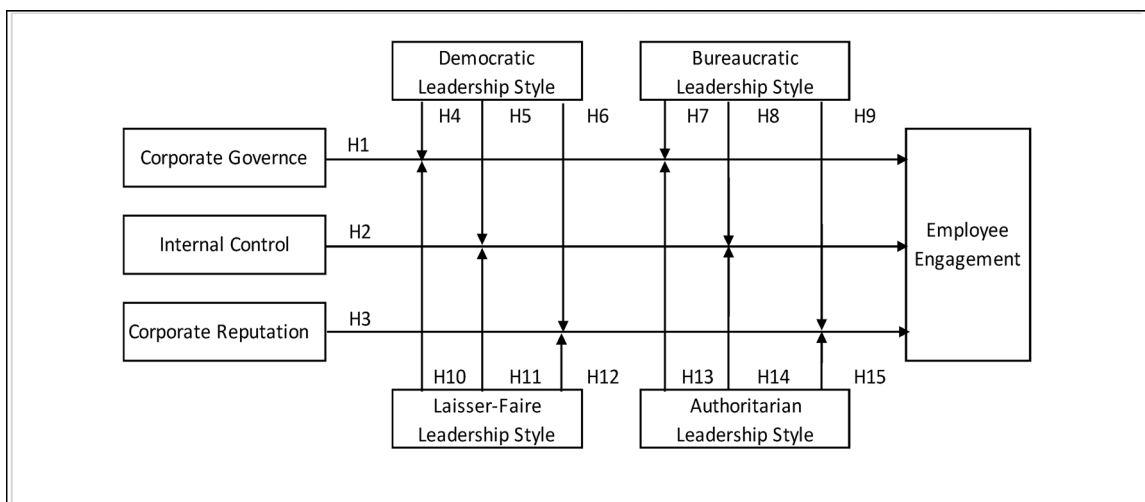


Figure 1. Research model.

5. Research design

5.1. Data collection

Questionnaires were sent out via Google Forms to employees of logistics companies who were registered members of the Indonesian Logistics Association (ILFA). The study sample was determined using a purposive sampling technique. For this study, respondents were required to hold supervisor roles and have a minimum vocational education level. Of the 3412 companies registered as ILFA members, 802 questionnaires were completed and returned. However, 37 of these questionnaires were identified as invalid. Therefore, the remaining 765 questionnaires were used for data analysis. The data collection process is summarized in Table 1.

5.2. Variable and measurement

In the model analysis, employee engagement acts as the dependent variable. Meanwhile, corporate governance, internal controls, and corporate reputation are independent variables. The study also incorporates a moderating variable, namely leadership style. In this study, leadership style is breakdown into four categories of leaderships (Democratic leadership style, Bureaucratic leadership style, Laissez-faire leadership style, and Authoritarian leadership style)

The five KNKG pillars formed the basis of the corporate governance variable (KNKG, 2019). It refers to transparency, accountability, responsibility, independence, and fairness. The Internal control measurements refer to the five indicators from the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013). It refers to the control environment, risk assessment, control activities, information and communication, and monitoring. The corporate reputation measurements were adopted from a study by Morsing (Morsing et al., 2008), who used six parameters. It includes measurement indicators: emotional attraction, products and services, the working environment, financial performance, vision and leadership, and social responsibility.

The employee engagement measurement is based on Imandin's study (Imandin et al., 2015). It consists of 11 indicators: emotional engagement, behavioral engagement, feeling valued and involved, engaged leadership team, trust and integrity, job nature, the connection of employees, corporate performance, growth opportunity, stress-free environment, and change management. For measurements of democratic, bureaucratic, laissez-faire, and authoritarian leadership style variables, this study follows a previous study Kelly & MacDonald (2019). Three measurement indicators were used: decision-making, interactions, and employee motivation. The description of the variables employed in this study is presented in Table 2.

5.3 Data analysis

Data was analyzed using structural equation modeling (SEM) analysis. The SmartPLS software (Trial version 4.0) was used to analyze the data. Confirmatory factor analysis (CFA) was conducted to evaluate the model's value by ensuring the latent constructs are valid and reliable. Convergent and discriminant validity and internal consistency reliability determine the measurement model test. This study has two model analyses: direct effect and moderating effect. Direct effect analysis is addressed to analyze the impact of corporate governance, internal control, and corporate reputation on employee engagement. Meanwhile, the moderating effect is to analyze the moderating role of leadership style on the relationship between corporate governance, internal control, corporate reputation, and employee engagement.

Table 1. Description of the data collection process.

Population and Sample	Total	Percentage
Questionary sent to target population	3412	100%
Questionary return and completed	802	23,5% of total population
Invalid Questionary	37	4,6% of total returned questionnaire
Questionary used for analysis (Sample)	765	95,4% of total returned questionnaire

Table 2. Variable description.

Variables	Variable Role	Indicators of measurement	References
Employee Engagement	Dependent Variable	<ul style="list-style-type: none"> Emotional engagement Behavioral engagement Feeling valued and Involved Engaged leadership team Trust and Integrity Job Nature Connection of employees Corporate performance Growth opportunity Stress-free environment Change management 	Imandin et al. (2015)
Corporate governance	Independent Variable	<ul style="list-style-type: none"> Transparency Accountability Responsibility Independence Fairness 	KNKG (2019)
Internal Control	Independent Variable	<ul style="list-style-type: none"> Control environment Risk assessment Control activities Information and communication Monitoring 	Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013)
Corporate Reputation	Independent Variable	<ul style="list-style-type: none"> Emotional Attraction Products And Services The Working Environment Financial Performance Vision, And Leadership Set Social Responsibility. 	Morsing et al. (2008)
Leadership Style (Democratic, Bureaucratic, Laissez-faire, Authoritarian)	Moderating Variable	<ul style="list-style-type: none"> Decision-making Interactions Employee motivation 	Kelly and MacDonald (2019)

Table 3. Respondents profile.

Characteristics	Total	Percentage
Working Position:		
Supervisory	323	42.22%
Managerial	348	45.49%
General Managerial	46	6.01%
Director	37	4.84%
Commissioner	11	1.44%
Total	765	100%
Working Experiences		
Less than two years	23	3.01%
2 to 5 Years	477	62.35%
Above 5 Years	265	34.64%
Total	765	100%
Education Level		
Vocational	125	16.34%
Undergraduate	388	50.72%
Master/Doctorate	252	32.94%
Total	765	100%

6. Empirical results and discussion

6.1. Descriptive analysis

Table 3 lists the respondents' work positions, length of service, and educational levels. The respondents were divided into five groups based on their job titles: supervisory, managerial, general managerial, director, and commissioner. The percentages of each group were 42.22%, 45.49%, 6.01%, 4.84%, and 1.44%, respectively. The employment tenure was categorized into three groups: less than two years, two to five years, and above five years, with percentages of 3.01%, 62.35%, and 34.64%, respectively. Most respondents fell under the staff with two to five years of employment tenure. Based on their recent education, the respondents were classified into three groups: Vocational, Undergraduate, and Master/Doctorate, with the following percentages: 16.34%, 50.72%, and 32.94%, respectively. The respondents with undergraduate qualifications constituted the most significant portion.

The following (Table 4) lists sample firms' locations that participated in this research. Logistics firms from Java and Bali accounted for 84.38% of the total, followed by companies on Borneo Island (Kalimantan)

Table 4. Sample's geographic location.

Region	Total	Percentage
Bali and Java	308	84.38%
Borneo	18	4.93%
Sumatra	20	5.48%
Celebes	12	3.29%
Others	7	1.92%
Total	365	100.00%

Table 5. Leadership style of sample firm.

Leadership Style	Total	Percentage
Democratic	277	75.89%
Laissez-faire	18	4.93%
Bureaucratic	49	13.42%
Authoritarian	21	5.75%
Total	365	100.00%

Table 6. Convergent validity and reliability test.

Construct Validity				Construct Reliability			
Construct (s)	Item (s)	Loadings	Sig. Loadings	CA	CR (rho_a)	CR (rho_c)	AVE
Corporate Governance (CG)	X1.1	0.811	0.000	0.869	0.871	0.905	0.657
	X.1.2	0.795	0.000				
	X.1.3	0.809	0.000				
	X.1.4	0.850	0.000				
	X.1.5	0.786	0.000				
Internal Control (IC)	X.2.1	0.807	0.000	0.925	0.926	0.944	0.771
	X.2.2	0.883	0.000				
	X.2.3	0.913	0.000				
	X.2.4	0.885	0.000				
	X.2.5	0.897	0.000				
Corporate Reputation (CR)	X.3.1	0.816	0.000	0.907	0.909	0.928	0.683
	X.3.2	0.843	0.000				
	X.3.3	0.853	0.000				
	X.3.4	0.861	0.000				
	X.3.5	0.851	0.000				
Employee Engagement (EE)	X.3.6	0.730	0.000	0.940	0.942	0.948	0.626
	Y.1.1	0.783	0.000				
	Y.1.2	0.720	0.000				
	Y.1.3	0.778	0.000				
	Y.1.4	0.805	0.000				
	Y.1.5	0.781	0.000				
	Y.1.6	0.779	0.000				
	Y.1.7	0.776	0.000				
	Y.1.8	0.819	0.000				
	Y.1.9	0.841	0.000				
	Y.1.10	0.850	0.000				
	Y.1.11	0.766	0.000				

at 4.93%, logistics firms in Sumatra at 5.48%, ILFA members on Celebes Island (Sulawesi) at 3.29%, and logistics companies operating in other parts of Indonesia at 1.92%.

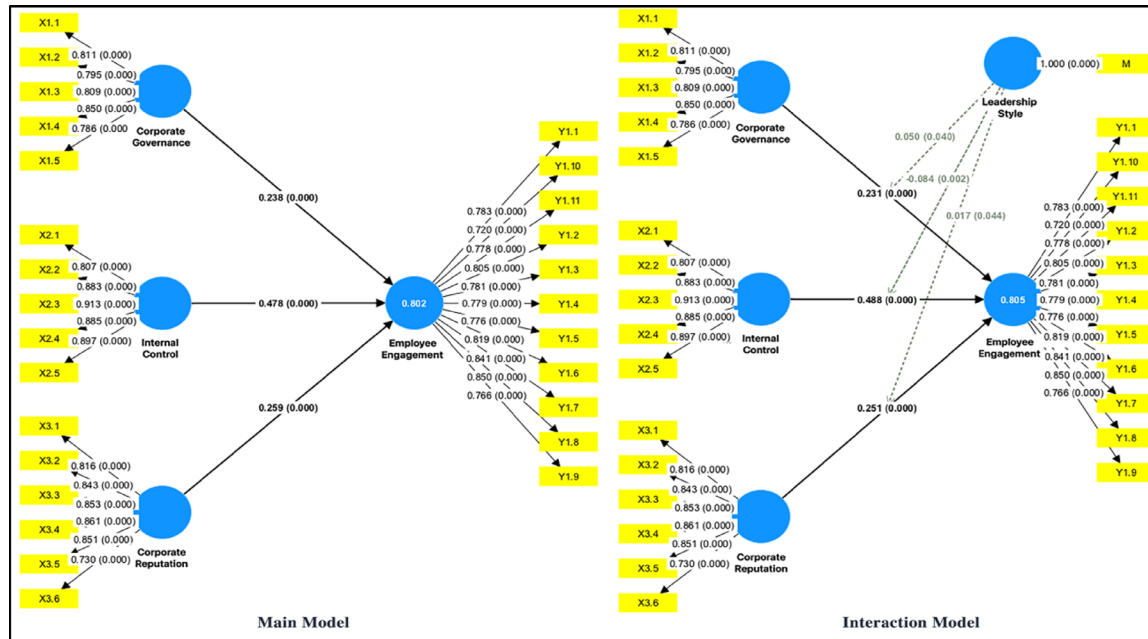
Table 5 provides information on the characteristic leadership styles of the sample firms. The logistics companies were categorized into four leadership styles based on the questionnaire responses. These styles include democratic, laissez-faire, bureaucratic, and authoritarian. Interestingly, 75.89% of the companies practiced a democratic leadership style, while only 4.93% had a laissez-faire approach. On the other hand, bureaucratic and autocratic styles were used by 13.42% and 5.75% of the companies, respectively. It is worth noting that most of the companies opted for the democratic leadership style.

6.2. Outer model evaluation

Table 6 displays the data results, showing that all indicators of independent and dependent variables had loading factors exceeding 0.7, with an Average Variance Extracted (AVE) above 0.5, confirming their validity in measuring each latent variable (Hair et al., 2021). All latent variables are proven reliable from

Table 7. Fornell lacker criterion test.

	Employee Engagement	Internal Control	Corporate Reputation	Corporate Governance
Employee Engagement	0.891			
Internal Control	0.855	0.878		
Corporate Reputation	0.806	0.779	0.827	
Corporate Governance	0.780	0.736	0.736	0.811

**Figure 2.** Bootstrapping results.

the reliability test results because the test values are above 0.7, not only from Composite Reliability (CR) but also from Cronbach's alpha (CA) figures (Hair et al., 2021). This figure implies that all the dimensions used as measuring tools were valid and appropriate for determining each construct.

According to Table 7, the Fornell Lacker Criterion test results show that the Employee engagement (EE) construct has a significantly higher AVE root score of 0.891 than the Internal control, Corporate reputation, and Corporate governance constructs. This result indicates that the model can distinguish between the variables (Hair et al., 2021).

6.3. Inner model analysis

According to the findings shown in Figure 2, Corporate Governance, Internal control, and Corporate reputation were identified as critical factors that drove employee engagement, accounting for 80.2% of the variance. However, other factors beyond the structural model affected employee engagement, accounting for 19.8%. Considering the moderating interaction, the R-Square value increased to 0.805, with Corporate Governance, Internal control, and Corporate reputation contributing 80.5% to employee engagement. Other variables outside the structural model, such as compensation level, work motivation, and organizational culture, influenced 19.5% of employee engagement.

The predictive relevance value was derived using the PLSpredict technique to illustrate the capability of independent indicators to predict the dependent variable. Hair et al. (2021) suggested that a Q^2 value above zero for given latent dependent variables indicates the predictive relevance of the PLS pathway model (Putra & Ardianto, 2022), as shown in Table 8.

Table 8 shows that the RMSE value in PLS-SEM, both the model without interaction and with interaction, was smaller than the RMSE value in the simple linear model (LM). In other words, the model has high predictive power. In addition, all indicators of endogenous variables produce Q^2 prediction values

Table 8. PLSpredict (Q-Square).

Observed Variables	PLS		LM		PLS-LM		Q ² _predict
	RMSE	MAE	RMSE	MAE	RMSE	MAE	
Main Model							
Y1.1	0.680	0.485	0.699	0.493	−0.019	−0.009	0.465
Y1.10	0.716	0.519	0.727	0.528	−0.010	−0.009	0.385
Y1.11	0.680	0.484	0.688	0.485	−0.008	−0.001	0.481
Y1.2	0.650	0.487	0.654	0.487	−0.004	0.000	0.507
Y1.3	0.688	0.503	0.697	0.503	−0.009	−0.001	0.488
Y1.4	0.615	0.438	0.692	0.511	−0.077	−0.073	0.466
Y1.5	0.659	0.474	0.675	0.482	−0.017	−0.008	0.465
Y1.6	0.596	0.328	0.600	0.418	−0.004	−0.090	0.554
Y1.7	0.520	0.386	0.613	0.470	−0.093	−0.085	0.605
Y1.8	0.541	0.393	0.563	0.401	−0.022	−0.009	0.584
Y1.9	0.607	0.445	0.707	0.535	−0.100	−0.091	0.476
Interaction Model							
Y1.1	0.682	0.486	0.701	0.495	−0.019	−0.008	0.462
Y1.10	0.716	0.518	0.728	0.529	−0.012	−0.011	0.385
Y1.11	0.679	0.484	0.689	0.487	−0.010	−0.003	0.483
Y1.2	0.651	0.487	0.656	0.488	−0.005	−0.001	0.507
Y1.3	0.688	0.502	0.698	0.504	−0.010	−0.002	0.487
Y1.4	0.716	0.539	0.794	0.613	−0.078	−0.074	0.465
Y1.5	0.660	0.475	0.676	0.483	−0.016	−0.008	0.463
Y1.6	0.602	0.432	0.602	0.620	0.000	−0.188	0.547
Y1.7	0.526	0.390	0.614	0.672	−0.089	−0.282	0.595
Y1.8	0.543	0.396	0.565	0.403	−0.022	−0.007	0.580
Y1.9	0.612	0.448	0.708	0.657	−0.096	−0.209	0.467

Table 9. Model fit.

	Cut off	Saturated Model	Estimated Model	Conclusion
Main Model				
SRMR	< 0.08 – 0.10	0.075	0.075	Good Fit
d_ULS	na	2.135	2.135	na
d_G	na	1.020	1.020	na
Chi-Square	na	1989.655	1989.655	na
NFI	0.90	0.982	0.982	Good Fit
Interaction Model				
SRMR	< 0.08 – 0.10	0.073	0.073	Good Fit
d_ULS	na	2.176	2.178	na
d_G	na	1.038	1.038	na
Chi-Square	na	2021.532	2021.700	na
NFI	0.90	0.979	0.979	Good Fit

greater than zero. Using PLS-based predictions leads to improved accuracy in out-of-sample predictions, resulting in more minor prediction errors across all indicators.

Two criteria were considered when evaluating the fit of the model. The first is the standardized root-mean-square residual (SRMR) value, which compares the observed correlation matrix with the hypothesis matrix. The second is the normed fit index (NFI), which measures the model's suitability compared to the baseline. To be considered a good fit, the SRMR value should be less than 0.10 or 0.08, and the NFI value should be greater than 0.90 (Hair et al., 2021).

According to Table 9, the SRMR and NFI values in the saturated model were 0.075 (< 0.08) and 0.982 (> 0.9), respectively, indicating that the criteria for the fit model were met in the model without interaction. This was also the case in the models with moderation. The interaction model was also tested, resulting in SRMR and NFI values of 0.073 (< 0.08) and 0.979 (> 0.9) respectively. As a result, the model was found to be well-suited for research purposes and fell under the category of a good fit.

6.4. Hypothesis testing

Table 10 presents a summary of the hypothesis testing for H1 to H15. The table shows that corporate governance (CG), internal control (IC), and corporate reputation (CR) are positively and significantly associated with employee engagement (EE). Therefore, hypothesis statements in the main model (H1, H2, and H3) are accepted. The hypotheses related to the moderating role of leadership style (H4, H5, H6, H8, H9,

Table 10. Hypothesis testing.

Hypothesis	Path Direction	Path Coefficient	t-value	P-Values	Conclusion
H1	CG → EE	0.231	4.375	0.000	Accepted
H2	IC → EE	0.488	10.292	0.000	Accepted
H3	CR → EE	0.251	4.754	0.000	Accepted
H4	CG×DLS → EE	0.273	4.545	0.000	Accepted
H5	IC×DLS → EE	0.441	8.911	0.000	Accepted
H6	CR×DLS → EE	0.265	4.386	0.000	Accepted
H7	CG×BLS → EE	0.148	1.205	0.114	Rejected
H8	IC×BLS → EE	0.533	4.005	0.000	Accepted
H9	CR×BLS → EE	0.298	2.035	0.021	Accepted
H10	CG×LLS → EE	−0.011	0.043	0.483	Rejected
H11	IC×LLS → EE	0.655	2.011	0.022	Accepted
H12	CR×LLS → EE	0.323	1.727	0.042	Accepted
H13	CG×ALS → EE	0.465	2.186	0.014	Accepted
H14	IC×ALS → EE	0.486	1.747	0.040	Accepted
H15	CR×ALS → EE	0.010	0.043	0.483	Rejected

H11, H12, H13, and H14) are also accepted. However, the remaining hypothesis statements in the interaction model (H7, H10, and H15) are rejected. This means that the impact of corporate governance on employee engagement (EE) is not significantly strengthened by the Bureaucratic leadership style (BLS) and laissez-faire leadership style (LLS). Similarly, authoritarian leadership did not positively or significantly boost the impact of corporate reputation on employee engagement (EE).

6.5. Discussion

6.5.1. Impact of corporate governance on employee engagement

Stakeholder Theory provides a comprehensive approach to understanding the relationship between corporate governance and employee engagement, emphasizing that organizations should consider the interests of all stakeholders, including employees, beyond just shareholders (Miles, 2017). This theory suggests that effective corporate governance should strive to balance the diverse interests of various stakeholders (DesJardine et al., 2023), thereby ensuring employee welfare and engagement are given due importance. Such an approach advocates for a long-term perspective in managing organizational affairs, focusing on financial outcomes and ethical and sustainable business practices, naturally fostering a more engaged and committed workforce. Additionally, Stakeholder Theory promotes open dialogue and inclusivity in decision-making (Rubinelli & von Groote, 2017), allowing employees to feel valued and heard. This inclusive approach enhances employee engagement and bolsters the organization's overall reputation and long-term success, demonstrating how treating employees as key stakeholders can be integral to a company's sustainable growth and ethical standing in the business world (Nonet et al., 2022; Wells et al., 2020; Winkler et al., 2019).

Agency Theory, which explores the dynamics between shareholders (principals) and company managers or employees (agents), sheds light on the relationship between corporate governance and employee engagement. It posits that aligning the interests of employees with those of the company is crucial. Effective corporate governance achieves this through clear goals, transparent performance measures, and incentives like bonuses or stock options that motivate employees toward the company's success. Moreover, good governance practices address information asymmetries by fostering open communication and feedback, enhancing trust and engagement in the workplace. However, balancing these incentives is essential to avoid a short-term focus that could undermine ethical behavior and long-term commitment. Agency Theory illustrates how robust corporate governance can harmonize employee and company interests, leading to a more motivated and productive workforce while mitigating the principal-agent problem.

Empirical research supports the positive association between corporate governance and employee engagement. Studies, such as the one conducted by Harter et al. (2002), Zhenjing et al. (2022), Colquitt et al. (2007), Baquero (2023), Islam et al. (2023), Schnackenberg & Tomlinson (2016), and Jiang & Luo (2018), have shown that organizations with strong governance frameworks tend to exhibit higher levels of employee satisfaction and engagement. This positive correlation is often attributed to factors such as

transparent communication channels, ethical conduct, and equitable treatment of employees (Ajayi & Mmutle, 2021; Arjoon, 2005; de Villiers & Dimes, 2021; Janning et al., 2020). However, it is important to note that this relationship is not uniform across different sectors and organizational cultures, indicating that the impact of corporate governance on employee engagement may vary based on various factors (de Villiers & Dimes, 2021; Vijayalakshmi et al., 2021).

The implications of these findings are extensive and multifaceted. For one, there is a strategic imperative for organizations to integrate corporate governance principles into their human resource management strategies. This integration could play a crucial role in enhancing employee engagement (Aubert & Hollandts, 2023; Kujala et al., 2022). Additionally, these findings have significant policy implications, particularly in corporate governance regulations, where there is a growing need to consider the perspectives and well-being of employees (Aubert & Hollandts, 2023; Hill, 2003). Furthermore, these findings suggest a potential paradigm shift in business ethics, highlighting the importance of viewing corporate governance not merely as a tool for compliance but as a fundamental aspect of ethical business practices prioritizing employee welfare (Bhattacharya et al., 2023). Lastly, the relationship between corporate governance and employee engagement presents new opportunities for academic research, especially in exploring the causality and mechanisms underlying this relationship in varying cultural and organizational contexts (Paruzel et al., 2021; Stein et al., 2021).

6.5.2. Impact of internal control on employee engagement

Agency theory, focusing on resolving principal-agent conflicts, offers a vital perspective on how internal controls influence employee engagement. This theory addresses the issues of information asymmetry and conflicting interests between the organization (principal) and its employees (agents) (Jensen & Meckling, 1976). Effective internal controls align employee actions with organizational goals, fostering engagement by providing clear, transparent guidelines and reducing opportunities for self-serving behaviors (Eisenhardt, 1989; Vardaman et al., 2023). These controls ensure compliance and performance and create a more equitable, trust-based work environment (Davis et al., 2018). By setting ethical standards and offering feedback mechanisms, internal controls help build trust and facilitate employee development (Verburg et al., 2018). Such an environment, where employees understand their roles and the impact of their actions on the organization's success, leads to increased security, autonomy, and, ultimately, higher engagement. Agency theory thus underscores the significance of designing internal controls that are regulatory measures and tools for enhancing employee motivation and commitment (Henk, 2020; Mahaputra, 2022; Pincus, 2023).

Empirical research on the link between internal control and employee engagement has yielded diverse findings, reflecting the complexity of this relationship. Ashraf & Siddiqui (2020) Mapuranga et al. (2021) and Haryanto et al. (2023), found that certain types of internal controls, particularly enabling controls, positively influence employee engagement and job satisfaction. This suggests that controls that empower employees rather than restrict them, can enhance engagement levels. Conversely, research Xu et al. (2021), Rasool et al. (2021), Oliveira & Najnudel (2023), highlighted the potential negative effects of excessive control, indicating a possible decline in motivation and engagement among employees subjected to overly stringent controls. These contrasting findings indicate a delicate balance in implementing internal controls, with the nature and perception of these controls being crucial determinants of their impact on employee engagement. The current study's findings contribute to this body of literature by suggesting a generally positive association, underscoring the importance of the context and application of internal controls.

The study's practical implications are significant for organizational management and human resource development. From a managerial perspective, the finding underscores the importance of designing and implementing internal controls that effectively ensure compliance and efficiency and are also perceived as supportive and fair by employees. This involves integrating internal controls into the organizational culture and aligning them with employees' values and goals. The study highlights the potential of internal controls for human resource practitioners to enhance employee engagement. A study by Elmghaamez & Ntim (2016) implies that the effectiveness of internal governance control depends on interpersonal and technical skills, including public speaking, presentation skills, IT audit, and international financial report preparation skills. This could involve training programs that help employees understand the value

of these controls and feedback mechanisms that align employee performance with organizational objectives. The study, therefore, serves as a call for a holistic approach to internal control systems, considering their impact on employee attitudes and behaviors.

6.5.3. Impact of corporate reputation and employee engagement

The Resource-Based View (RBV) offers a robust theoretical lens to understand the positive correlation between corporate reputation and employee engagement. Within this framework, corporate reputation is construed as a strategic resource that is valuable, rare, inimitable, and non-substitutable qualities that are central to a firm's sustainable competitive advantage (D'Oria et al., 2021). Reputation, as an intangible asset, is accumulated over time and is not easily replicated due to its deep entrenchment in a company's history, culture, and stakeholder interactions (Milala et al., 2021; Rindova, 2018; Veh et al., 2019). This uniqueness makes it a resource of immense strategic value. In RBV, resources that possess these characteristics confer a sustainable competitive advantage. A strong corporate reputation contributes to this advantage by bolstering customer loyalty, enabling premium pricing, and attracting and retaining top talent (Junça Silva & Dias, 2023).

From an internal organizational standpoint, a reputable firm is likelier to foster a sense of employee pride and accomplishment (Sturm et al., 2022). This feeling often translates into higher motivation and commitment, key indicators of employee engagement. Employees in reputable firms typically experience a stronger connection to their organization (Stouten et al., 2018), driven by the belief in its success and their roles within it. This perception enhances their engagement, with perceived job security and career advancement opportunities as additional motivators. Furthermore, a symbiotic relationship exists between corporate reputation and employee engagement (Che et al., 2022; Suomi et al., 2021), characterized by a dynamic feedback loop. While a strong reputation can lead to increased employee engagement, engaged employees, in turn, contribute to the firm's overall performance and customer satisfaction, thereby further enhancing its reputation. This reciprocal dynamic underscores the multifaceted impact of reputation as a resource, extending beyond external market value to include internal organizational benefits.

A study conducted on 509 employees of a renowned South African bank confirmed that perceptions of corporate reputation are a significant predictor of employee engagement (Shirin & Kleyn, 2017). It is also in line with a study conducted by Khuong et al. (2021), they found that stakeholder engagement (including employee engagement) is significantly associated with corporate reputation. Corporate reputation can be seen as the collective assessment of a company's past actions and ability to deliver valuable outcomes to its stakeholders. It is a reflection of the company's overall quality and reliability. When employees perceive their company to have a good reputation, they are more likely to feel proud and motivated to contribute positively to the organization. Delving deeper into empirical studies Jiang et al. (2022) and Frare & Beuren (2022) provide quantitative evidence supporting the link between corporate reputation and employee engagement.

On the other hand, employee engagement is the connection and dedication employees feel towards their organization and work. Engaged employees are more likely to be productive and loyal and provide better customer service. They are also more likely to speak positively about the company, enhancing its reputation. The study found that a company's reputation significantly impacts employee engagement. Companies with a good reputation are more likely to have fully engaged employees. These companies also tend to enjoy a better public image. This suggests a reciprocal relationship between corporate reputation and employee engagement. A good reputation leads to higher engagement, further enhancing the company's reputation. However, it's important to note that employee engagement is not just about having satisfied employees. It involves aligning employees with the company's goals and values, fostering a sense of belonging, and providing them with the resources they need to perform their jobs effectively. When engaged, employees are more likely to act in ways that uphold and enhance the company's reputation.

The practical implications of this finding are manifold. The study highlights the necessity of integrating reputation management into strategic planning for business leaders and human resources professionals. Reputation management should not be seen as solely an external affair but as a

crucial internal driver of employee morale and productivity. In terms of internal communication strategies, organizations must actively communicate their achievements and positive reputation to employees. This communication can take various forms, such as internal newsletters, meetings, or social media platforms, and should aim to foster a sense of pride and belonging among employees. For academic researchers, these findings open new avenues of inquiry. It would be beneficial to explore the causal mechanisms behind this association. For example, future research could examine how different dimensions of corporate reputation (e.g. ethical standards, financial performance) differentially impact employee engagement. Additionally, the potential moderating effects of organizational culture, leadership style, and individual differences among employees represent fruitful areas for further study.

6.5.4. Discussion on the moderating role of leadership styles

According to the fourth, fifth, and sixth hypotheses, democratic leadership style (DLS) has a crucial moderating effect on independent variables. This finding indicates that a strong will further positively and significantly moderate the independent variable's effects on EE. This statement is consistent with contingency theory, which states that the best course of action relies on changes in both internal and external situations. In a democratic leadership style, there is usually a conflict between the corporation and the interests of every individual. Practical implementation of Internal control requires leaders to possess the ability to actively listen to employee feedback and make informed decisions based on it. democratic leadership style is one of the best choices because, with input from employees, leaders can make firm decisions and effectively implement Internal control. This finding confirms the results of a previous study, which stated that democratic leadership style had a more positive effect than other methods (Iqbal et al., 2015). Employees are more likely to work with caring leaders with high moral values, which makes them feel engaged. Logisticians also view democratic leadership better because they are good communicators and listeners who provide reasonable solutions, making the job easier and increasing employee satisfaction.

The seventh hypothesis proves that the bureaucratic leadership style does not moderate the effect of Corporate Governance on Employee engagement. By contrast, the eighth and ninth hypotheses prove that bureaucratic leadership style increases Internal control's impact on employee engagement. The moderating role of the bureaucratic leadership style applies to the effect of corporate reputation on employee engagement. A Bureaucratic leadership style creates a situation in which employees strictly adhere to rules, thereby increasing the implementation of Internal control and employee engagement. This situation usually occurs when there is a consistent implementation of leadership style, in this case, the consistency of rules. This result aligns with prior research, which states that leadership styles increase employee engagement depending on their application and produce different reputations (Men & Stacks, 2013). A Bureaucratic leadership style creates a reputation that strictly adheres to the rules. This fact makes companies appear to be trusted by employees and stakeholders, increasing their engagement. The leadership style is also a company portrait, and Corporate governance tends to implement it accordingly. When a company's portrait runs according to rules, it creates a situation in which employees feel uncomfortable, leading to disengagement. This fact can also occur when leaders engage in micromanagement.

The tenth hypothesis proves that a laissez-faire leadership style does not increase Corporate governance's effect on employee engagement. In comparison, The eleventh and twelfth hypotheses prove that the laissez-faire leadership style positively and significantly moderates the effect of Internal control on employee engagement. The moderating role of the laissez-faire leadership style applies to the effect of corporate reputation on employee engagement. This finding indicates that the more accessible the laissez-faire leadership style, the lesser the impact on corporate governance, but the stricter the control's effect on employee engagement, and the same situation applies to corporate reputation and employee engagement. How a leadership style plays within a company depends on the circumstances. This result aligns with contingency theory, which states that the best course of action relies on changes in both internal and external situations. However, when employees have too many degrees of freedom, it creates a problem in which the company runs inappropriately because no proper governance rules are applied.

Considering the impact of Internal control, each leadership style has advantages and disadvantages. Laissez-faire leadership style creates a situation where employees must control themselves and others. This situation causes employees to develop rules, improve Internal control, and increase engagement. Every activity carried out by leaders affects corporate reputation and employee engagement. Each leadership style provides the corporation with an impressive reputation. For instance, the authoritarian leadership style portrays democratic safety and comfort, whereas Laissez-Faire provides trust in strict rules. However, this finding contradicts a previous study showing that a laissez-faire leadership style can create a toxic relationship with employee engagement (Leary & Miller, 2021).

The thirteenth and fourteenth hypotheses prove that authoritarian leadership style significantly moderates the effects of corporate governance and Internal control on employee engagement. After examining the fifteenth hypothesis, it was concluded that authoritarian leadership style does not affect the influence of corporate reputation on employee engagement. This finding suggests that, as authoritarian leadership style increases, the impact of corporate governance on employee engagement also becomes more significant. The same moderating role of authoritarian leadership style applies to the impact of internal control on employee engagement. Every activity carried out by the leader tends to affect corporate reputation and employee engagement. Each leadership style provides the corporation with an impressive reputation. The authoritarian leadership style emphasizes strict control, and the leader runs the company without accepting the employees' opinions. This reputation makes employees uncomfortable, which leads to disengagement.

This research confirms that leadership styles guide corporate governance practices, leading to employee engagement (Chaudhary, 2019). A strong leader sets standards, enforces them, and ensures employees adhere to them. As the leader sets an example, employees follow, creating a situation where they become engaged. In addition, leadership style changes should be applied to suit the situation and condition of each workplace. For example, some students required strict rules, freedom, and opportunities for fantastic listening. Ideally, an authoritarian leadership style strengthens Internal control because when a leader has sufficient power, an employee will act accordingly, boosting internal control and employee engagement.

7. Conclusions

7.1. Summary of findings

The connection between corporate governance and employee engagement is crucial for a deeper understanding of organizational dynamics. It highlights the need for a harmonized approach that aligns shareholders' interests with employees' welfare. Such an approach contributes to the long-term success and sustainability of businesses. This study's findings offer valuable insights into the dynamic between internal control systems and employee engagement. It reinforces the need for a nuanced understanding of how control mechanisms are perceived and implemented within organizations. The study also highlights their broader impact on employee motivation and organizational performance. The positive association between corporate reputation and employee engagement adds to the complex puzzle of organizational dynamics. It underscores the multifaceted role of corporate reputation as a determinant of market success and a critical factor in shaping an organization's internal health and vitality.

The study highlights the significant correlation between corporate governance factors and employee engagement, particularly emphasizing the moderating role of democratic leadership style. The findings demonstrate that a democratic leadership style substantially influences the effectiveness of corporate governance in fostering employee engagement in three distinct areas: the linkage between corporate governance and employee engagement, internal control mechanisms and employee engagement, and the interplay between corporate reputation and employee engagement. The study's results indicate that a democratic leadership style is a critical catalyst in these relationships. In corporate governance, democratic leadership enhances the positive impact of governance practices on employee engagement, potentially by fostering a more inclusive and participatory work environment. Similarly, democratic leadership seems to augment the effectiveness of internal controls in engaging employees, possibly by ensuring a transparent and open organizational culture. Lastly, the influence of corporate reputation on employee

engagement is also amplified by democratic leadership, possibly because ethical and transparent leadership practices are aligned with a positive organizational reputation.

The study suggests that in organizations where bureaucratic leadership prevails, the effectiveness of internal control systems in engaging employees is significantly impacted. This indicates that the rigid and hierarchical nature of bureaucratic leadership can either enhance or reduce the positive effects of internal controls on employee engagement, depending on how these controls are implemented and perceived within the organizational structure. Additionally, the study reveals that the impact of corporate reputation on employee engagement is also subject to the influence of bureaucratic leadership style. Bureaucratic leadership could act as a stabilizing force that aligns corporate reputation with employee expectations and norms, thereby influencing employee engagement levels. On the other hand, it might also create a disconnect between the organization's reputation and employee engagement if the bureaucratic approach is perceived as overly rigid or out of sync with employee values.

The study emphasizes that in workplaces where laissez-faire leadership is prevalent, the effectiveness of internal control systems in engaging employees is significantly affected. This is because laissez-faire leadership involves a hands-off approach, potentially resulting in reduced effectiveness of internal controls in motivating employee engagement. This might be due to a lack of direct leadership involvement, resulting in weaker implementation or enforcement of these controls. The laissez-faire leadership style also influences the relationship between corporate reputation and employee engagement. In this situation, minimal intervention and guidance from leaders could impact how employees perceive and align with the organization's reputation. This could lead to a situation where the organization's reputation has a lesser or more variable effect on employee engagement, depending on how employees independently align with the corporate reputation without active leadership reinforcement.

The study suggests that authoritarian leadership influences the connection between corporate governance and employee engagement. In an environment where such leadership prevails, the impact of corporate governance on employee engagement may be different than in more democratic settings. The directive and centralized decision-making typical of authoritarian leadership can either enhance or dampen the positive influence of corporate governance on employee engagement, depending on how employees perceive and implement governance policies. Moreover, the impact of internal control on employee engagement is also influenced by authoritarian leadership. This indicates that authoritarian leadership's strict and controlling nature can significantly affect how internal control mechanisms impact employee engagement. In such a leadership context, internal controls might be more strictly enforced, leading to a more pronounced effect on employee engagement. This could either boost alignment and compliance or lead to disempowerment and reduced employee motivation, depending on the nature of the controls and the overall organizational culture.

7.2. Implications

This study breaks new ground in integrating several constructs, such as corporate governance, internal control, corporate reputation, and leadership styles, into the framework of employee engagement. This approach challenges traditional theories that often view these elements in isolation and offers a more holistic perspective. It encourages scholars to investigate these factors' interconnectedness and examine how they collectively impact organizational dynamics. Future research could explore the nuances of these relationships across different sectors, cultures, and organizational sizes, thus potentially revealing unique interactions and effects. Such research would validate and extend this study's findings and contribute to a more nuanced and comprehensive body of knowledge in organizational behavior and management.

The study emphasizes the crucial role of leadership style, particularly democratic leadership, in mediating the effectiveness of corporate governance and internal control mechanisms in improving employee engagement. This means that leadership development programs should promote inclusivity, transparency, and participation while cultivating leaders who can balance organizational goals with employee welfare. By doing so, organizations can foster a culture of engagement and collaboration. Organizations may consider implementing regular leadership training, promoting open communication channels, and encouraging participative decision-making processes to achieve this alignment.

The study suggests a new approach to how organizations structure and implement their corporate governance and internal control systems. Instead of focusing solely on compliance, organizations should prioritize employee engagement and participation. This means reimagining these systems to be more adaptive, transparent, and inclusive. This will create an environment where employees feel valued and are more likely to be engaged. Organizations can achieve this by involving employees in developing governance policies, promoting ethical practices, and ensuring that control mechanisms are fair and transparent.

There is a strong connection between a company's reputation and its employees' engagement. Therefore, organizations should consider managing their reputation as a vital strategic asset for internal and external stakeholders. Achieving this requires a commitment to ethical practices, social responsibility, and open and honest communication. Organizations should strive to align their public image with their internal practices so that employees can become ambassadors of the company's reputation. This can be done through regular feedback mechanisms, transparent communication strategies, and active participation in community and social initiatives.

The study has found that leadership style significantly influences the effectiveness of corporate strategies and the engagement of employees. Organizations need to align their culture and structure with their leadership style. For example, in an environment with democratic leadership, an organizational structure that promotes collaboration, flexibility, and employee empowerment is likely more effective. On the other hand, a structured and hierarchical approach might be more appropriate in more authoritarian regimes. Organizations can create a productive and harmonious work environment by understanding and aligning these aspects.

The findings suggest that HR and management practices must be congruent with the leadership style and overall organizational strategy. In organizations with democratic leadership, HR practices should focus on employee empowerment, continuous learning, and performance feedback. In more authoritarian settings, the emphasis might be on clear role definitions, structured performance evaluations, and strict policy adherence. These practices should be designed to align with the leadership style and support and reinforce the desired organizational culture and employee engagement strategies.

The study indicates that employee engagement strategies should be customized to align with the prevalent leadership style and organizational culture. Engagement initiatives in a democratic setting might focus on team-based projects, employee recognition programs, and open forums for feedback and idea sharing. In contrast, in a more authoritarian environment, engagement might be driven by clear goal setting, direct feedback, and reward systems tied to performance metrics. The key is to develop engagement strategies that resonate with the workforce, considering their perceptions, values, and expectations within the organization's leadership and culture.

7.3. Limitations and suggestions

The study's applicability across various sectors and cultures might be limited. It was conducted within specific organizational settings (logistic industry), which may not reflect the diverse global business landscape. This limitation is significant because organizational dynamics, including leadership styles and employee engagement, can vary widely across cultural and economic environments. Thus, the findings may not be relevant or applicable to organizations operating in markedly different contexts. Handoyo et al. (2023b) and Handoyo et al. (2023a) argue that an organization's behavior in responding to the external environment depends on the firm's characteristics. This study focuses on the logistics industry, which is unique compared to other industries regarding the working environment and business process. Therefore, it may have different results if a similar study is conducted in a different industry.

When assessing perceptions of leadership style and employee engagement, using self-reported measures can introduce biases. Respondents may alter their answers to align with what they perceive as socially acceptable or desirable. It's important to note that this limitation can lead to overestimating or underestimating the strength of the relationships between the studied variables. Additionally, it's important to note that categorizing leadership styles into distinct groups can oversimplify a complex reality. In reality, leadership behavior often exists on a spectrum rather than a

set of discrete categories. This limitation is significant because it can lead to a lack of understanding of how mixed or overlapping leadership styles impact employee engagement and organizational dynamics.

This research predominantly relies on quantitative methods for data analysis. While robust in handling numerical data and statistical trends, this approach can only partially encompass the intricate dynamics in constructs like employee engagement and corporate governance. The limitation stems from the potential oversimplification of complex human-centric phenomena, which are fundamental to understanding organizational behavior. Employee engagement, for instance, is a multifaceted construct influenced by individual perceptions, emotions, and social dynamics, elements that are often elusive to quantitative metrics. Similarly, corporate governance entails intricate interactions among various stakeholders, influenced by cultural, ethical, and behavioral dimensions extending beyond the purview of quantitative measurement. Therefore, while the study provides valuable insights through its quantitative approach, it may not accurately reflect the full spectrum of subjective and intangible factors that significantly influence organizational behavior.

The scope of this study, encompassing elements like corporate governance, internal control, corporate reputation, employee engagement, and the moderating role of leadership style, presents a significant challenge in terms of depth and detail. Each area is substantial in its own right and warrants thorough investigation. Consequently, the breadth of this study may limit the depth of exploration in each domain, potentially affecting the granularity of the findings. Methodologically, the study might face constraints associated with specific approaches, such as surveys or interviews. While effective in many respects, these methods have inherent limitations in fully capturing the complexities of human behavior and organizational dynamics. The intricate interplay between the variables under investigation adds another layer of complexity. Isolating the impact of one variable on another is challenging, and there's a risk of oversimplification in interpreting these relationships.

In future research, it would be beneficial to use longitudinal study designs. These designs would enable an investigation into how the connections between variables evolve and transform over time. This would give us insights into the lasting impacts of leadership styles and corporate governance on employee engagement. This approach is crucial for comprehending the dynamic nature of organizational behavior. Additionally, expanding the research to different cultural and economic contexts would improve the applicability of the findings (Handoyo, 2023; Handoyo et al., 2023c). Comparative studies across various global settings could help reveal how cultural norms and business practices affect the relationship between leadership, governance, and employee engagement. This suggestion is crucial for understanding whether the study's findings can be applied universally.

Adding qualitative research methods, such as detailed interviews or comprehensive case studies, would provide deeper insights into the qualitative aspects of leadership, governance, and engagement. This approach would offer a more nuanced understanding of the relationships among these variables, capturing elements that quantitative data might overlook. Future research could explore various leadership styles or consider more fluid classifications. This approach would acknowledge the complexity and diversity of leadership behaviors in different organizational settings, potentially uncovering more nuanced relationships with employee engagement. Incorporating variables like organizational culture, external environmental factors, or individual employee characteristics could offer a more comprehensive view of the dynamics at play. This expansion is essential for understanding how broader contextual factors influence the relationships between corporate governance, leadership styles, and employee engagement.

Future research could benefit from focusing on specific elements of this study. For instance, concentrating on how different leadership styles affect the relationship between corporate governance and employee engagement could yield more detailed and insightful results. Additionally, examining these dynamics in various cultural or organizational contexts would deepen the understanding of their universal versus context-specific nature. Longitudinal studies could provide valuable insights into how these relationships evolve, especially in response to shifting economic, technological, and societal factors.

Authors' contributions

Poppy Sofia Koeswayo: led the conception and design of the research study. She was primarily responsible for the interpretation of the data and the drafting of the manuscript. She also coordinated among authors and assumed the role of corresponding author. She takes responsibility for the integrity and accuracy of the entire work, particularly overseeing data collection and analysis. **Haryanto Haryanto:** contributed significantly to the analysis and interpretation of the data. He also provided intellectual inputs during the revision of the paper, especially concerning the accounting perspectives. Haryanto is accountable for the data analysis section and ensures its methodological rigor. **Sofik Handoyo:** was involved in the conception of the research design and provided critical revisions to the manuscript for intellectual content, especially in corporate governance and management domains. Handoyo is responsible for the theoretical framework and contributes to ensuring its relevance and robustness.

Final approval and accountability

All three authors have critically reviewed and approved the final version of the manuscript to be published. Furthermore, each author agrees to be accountable for all aspects of the work in ensuring that questions related to the accuracy or integrity of any part of the work are appropriately investigated and resolved. By delineating these roles and responsibilities, we affirm that all authors listed meet the ICMJE criteria for authorship.

The SmartPLS software (version 4.0)

We used a 30-day trial version. Running the Trial Version doesn't require a copyright license.

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Data availability statement

Data is available upon request.

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