



The Influence Of Leader Member Exchange On Employee Engagement With Person- Environment Fit As A Moderating Variable In PT. Kimia Farma Research And Development Division

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Abstract. This study examines the importance of employee engagement in facing the era of globalization, disruptive technology, and the fourth industrial revolution. Focusing on the Social Exchange Theory (SET) and the Leader-Member Exchange (LMX) approach, this study explores how the alignment between employees and the work environment (Person-Environment Fit/P-E Fit) can strengthen the relationship between LMX and employee engagement (Employee Engagement/EE). The type of research used is descriptive and verification research which is research conducted on large or small populations but the data studied is from sample data taken from the population. The respondents in this study were 72 employees of PT. Kimia Farma R&D Division. Data collection was carried out through library research and field research. Based on the results of data analysis, it was found that the implementation of the Leader Member Exchange at PT. Kimia Farma, R&D Division, received a positive response from respondents, the majority of whom agreed with its implementation. So that Leader Member Exchange has a positive influence on Employee Engagement as evidenced by the correlation test value of 0.578 with a significance value of 0.000 lower than 0.005. In the study, the influence of the moderating variable, namely Person-Environment-Fit, strengthens the relationship between Leader Member Exchange and Employee Engagement as evidenced by an increase in the coefficient of determination from 0.334 to 0.410. The results of this study indicate that increasing the relationship between Leader Member Exchange strengthened by Person-Environment Fit can increase Employee Engagement at PT. Kimia Farma, R&D Division.

Keywords: Leader Member Exchange, Person- Environment Fit, Employee-Engagement.

1 Introduction

In the era of globalization and the fourth industrial revolution, companies must transform to remain competitive[1] (Harahap et al., 2023). Mizrak (2023) [2] highlights that highly engaged employees are key assets for managing change effectively. Employee engagement is crucial for gaining a competitive advantage, especially during organizational changes[3] (Anitha J, 2014). It involves commitment, enthusiasm, and a strong connection to one's work and organization[4] (Saks, 2006). According to a management study by Gallup[5] (2024b), Employee Engagement reflects employees' involvement and enthusiasm in their work and workplace. Gallup (2024b) categorizes employees as engaged, not engaged, or actively disengaged. Engagement occurs when employees' basic needs are met, and they have opportunities to contribute, feel a sense of belonging, and grow. Unengaged employees are not psychologically connected to their work or company, merely putting in time energy or passion. Actively disengaged employees are unhappy, frustrated by unmet needs, and may undermine their engaged

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colleagues. Gallup's annual employee engagement study[6] (2024a) shows that while engagement levels in the U.S. have gradually increased, only a minority of employees are fully engaged, with 33% of U.S. employees engaged in 2023. Globally, engagement rates are even lower at just 23%, reflecting diverse workplace cultures and economic conditions.

Gallup's research shows that managers significantly impact employee engagement, influencing up to 70% of team engagement variation. Effective managers build strong relationships, recognize individual strengths, and offer growth opportunities, leading to higher engagement, lower turnover, and increased productivity. Strength-based management is crucial, as employees who feel their strengths are valued are more engaged and less likely to leave. Best-practice organizations prioritize employee development, resulting in better customer satisfaction and overall performance. In Southeast Asia, 26% of employees are engaged, 68% are not, and 6% are actively disengaged. In Indonesia, 24% are engaged, 68% are not, and 8% are actively disengaged (2020-2022 data).

Several theories and models explain employee engagement, including Social Exchange Theory (SET). According to Cropanzano and Mitchell (2005) [7], SET is based on the idea that relationships between parties can develop into meaningful commitment, trustworthy, and reciprocal commitments if both follow certain "rules of exchange." The most well-known rule involves reciprocity. SET suggests that when employees perceive valuable resources given by the organization, they feel an obligation to reciprocate through prosocial behavior and engagement[8] (Albrecht, 2010). Employee engagement is crucial for organizational performance, making it important to study its key drivers. Fleck and Inceoglu (2010) noted that engagement drivers are work environment characteristics, and higher engagement occurs when these align well with employee needs[9]. Tummers and Bakker (2021) added that leaders offering emotional and instrumental support can boost engagement by making employees feel valued and supported in their work.

PT Kimia Farma Tbk, a state-owned pharmaceutical company, implements the core values of AKHLAK (Amanah, Kompeten, Harmonis, Loyal, Adaptif, Kolaboratif). These values aim to enhance integrity, professionalism, and teamwork among employees, which contributes to organizational efficiency and effectiveness. AKHLAK values, such as Amanah and Kompeten, can foster trust and professionalism, strengthening Leader-Member Exchange (LMX). Similarly, Harmonis and Kolaboratif values create a supportive work environment, improving Person-Environment Fit (P-E Fit) and boosting employee engagement (EE). By integrating AKHLAK, Kimia Farma can increase P-E Fit and employee engagement.

PT Kimia Farma Tbk's Research & Development Division focuses on product research and development, consisting of three main divisions: Research Center, Pharma Research & Development, and Non-Pharma Research & Development, each with its own sub-divisions. The companies are carrying out business transformations and massively restructuring organizations that have an impact on the work in the field, such as adjusting superiors, business targets, work, and even having an impact on salaries that can indicate the level of employee engagement.

Based on these studies, it is clear that P-E Fit is a significant moderator in the relationship between LMX and EE. P-E Fit strengthens the positive relationship between LMX and EE, making employees who feel aligned with their work environment more engaged when they have a strong LMX. Strengthening leader-member relationships (LMX), ensuring individual fit with the new work environment (P-E Fit), and enhancing employee engagement (EE) are key to maintaining stability, effectiveness, and success during this period of change.

2 Literature

2.1 Leader Member Exchange

Leader member exchange (LMX) is a new perspective of the traditional leadership model. LMX originated from the vertical dyad linkage (VDL) theory which focuses on the relationship and development process between superiors and subordinates (Dansereau, Graen, & Haga, in Wu 2009). Dyad is two parts that interact so that they form a single unit. The dyad consists of members (employees, subordinates) who are tasked with reporting directly to the leader (superior, supervisor) (Dansereau, Graen & Haga; Graen & Chasman; Liden & Graen, in Mendez 1999). The VDL approach then provides a special study to conduct leadership research in studying the reciprocal relationship between superiors and subordinates. Graen, et al. began to be afraid to see the importance of the quality of the reciprocal relationship that occurs between superiors and subordinates where the reciprocal relationship is then known as leader member exchange (LMX) (Graen, Novak, & Sommerkamp, 1982 in Wu, 2009).

The dimensions of leader-member exchange used in this study are the dimensions according to Dienesch & Liden which have been refined by Liden & Maslyn (1998), consisting of 4 dimensions, including Contribution, Affect, Professional.

2.2 Person- Environment Fit

Fit theory assumes that individuals have an inherent need to align with their environment. They seek environments that match their personal characteristics, desire acceptance, and seek happiness and life satisfaction (Yu, 2013). Theories such as Self-consistency (Lecky, 1968), Social comparison (Festinger, 1954), and Self-affirmation (Steele, 1988) emphasize that individuals seek self-validation through the alignment of their attitudes, beliefs, and behaviors. Compatibility also facilitates better social interactions and helps individuals feel accepted (Hogg, 2000; Edwards & Cable, 2009).

In organizational psychology, fit refers to the compatibility between individual and organizational attributes[10] (Kristof-Brown et al., 2005). The fit between individuals and their work environment (Person-Environment Fit) is closely related to job satisfaction, organizational commitment, and positive behavior (Kristof & Brown, 2000; Edwards et al., 2006). When there is alignment between an individual's talents and needs with their work environment, it enhances job satisfaction and commitment. The Person-Environment Fit perspective encompasses Person-Job Fit, Person-Group Fit, and Person-Organization Fit (Edwards & Billsberry, 2010; Ballout, 2007). Research by Kristof-Brown & Guay (2011) also adds that this fit can be measured through four types: Person-Job Fit, Person-Organization Fit, Person-Group Fit, and Person-Supervisor Fit.

2.3 Employee Engagement

There are numerous definitions of employee engagement from both academic and organizational perspectives. William Kahn (1990) was the first to propose the concept, defining it as a psychological state where employees engage physically, cognitively, and emotionally in their job roles. Other scholars define employee engagement as emotional and intellectual commitment to the organization (Baumruk, 2004; Richman, 2006), or as enthusiasm for work, including vitality, dedication, and full involvement (Schaufeli et al., 2002).

Meere (2005) in research (Mohan, Jitendra et al, 2018)[11] explains three levels of employee engagement in organizations: fully engaged, not engaged, and actively disengaged. These levels describe how employees interact and contribute to their work environment and the impact on organizational performance. Fully Engaged: Employees are highly motivated, enthusiastic, and dedicated. They contribute extra effort, align with the organization's vision, and often exceed expectations. Their engagement drives innovation and significantly enhances overall performance. Not Engaged: These employees are physically present but lack emotional or cognitive involvement. They perform only basic tasks without enthusiasm or initiative, contributing minimally and rarely engaging in innovation or improvement efforts. Actively Disengaged: These employees are unmotivated, unhappy, and express negative attitudes, which harm team morale and performance. Their frustration often leads to poor personal performance and negatively affects their coworkers.

3 Model Framework

This research aims to explore the relationship between Leader-Member Exchange (LMX) and Employee Engagement (EE), with Person-Environment Fit (PE Fit) as a moderating variable. LMX is examined through four dimensions: affection, loyalty, contribution, and professional respect, while EE is assessed based on emotional, cognitive, and physical engagement. P-E Fit moderates the relationship between LMX and EE and includes Person-Job Fit, Person-Organization Fit, Person-Group Fit, and Person-Supervisor Fit.

Based on the problem background, research questions, and literature review, the hypothesis of this study is formulated as follows:

H₁: Leader Member Exchange has a significant effect on Employee Engagement

H₂: Person-Environment Fit strengthening relationship between Leader-Member Exchange and Employee Engagement.

4 Method

The object of this research is employees of PT. Kimia Farma Tbk Research and Development Division is located at Jl. Raya Banjaran KM 16 Banjaran, West Java 40379. The method in this study was used to test how much influence Leader Member Exchange has on Employee Engagement with Person-Environment Fit moderator on employees of PT. Kimia Farma Tbk RnD Division. Although many studies have explored the influence of LMX on EE, this study makes a new contribution by

integrating P-E Fit as a moderating variable, an aspect that has not been widely studied in depth in the pharmaceutical industry, especially in Indonesia.

This study uses a quantitative approach that aims to measure to obtain results from research using questionnaires on employees of PT. Kimia Farma Tbk RnD Division and conduct hypothesis testing whether the hypothesis is accepted or rejected.

The sample used in this study was 113 employees at the office of PT. Kimia Farma Tbk Research and Development Division. The researcher took the entire population as a sample, which amounted to 113 employees. In total sampling, information will be collected from members of the population who are willing to provide the information needed. Based on the results of the author's survey, out of 113 sample people who were willing to fill out the questionnaire (response rate) to become respondents, there were 72 people.

5 Data Analyses & Result

Data was analyzed in SPSS version 26 through descriptive statistics, correlation, and moderated regression analysis. After analyzing and interpreting the data on moderated regression analysis and the coefficient of determination, the following results were obtained. The t-value of the LMX → EE variable is $5.929 > 0.1669$ or the Sig value is $0.000 \leq 0.005$ and the direction of the coefficient is positive then H_1 is supported, meaning that LMX has a positive effect on EE. The determination coefficient value of LMX*P-E Fit → EE is 0.410 while the regression coefficient value of LMX > EE is 0.334 (there is an increase) and the t-value is $3.010 >$ the t-table value of 1.670 or the Sig value is $0.004 \leq 0.005$ then H_2 is supported, meaning that P-E Fit strengthens the influence of LMX on EE.

6 Discussion & Conclusion

From the results of the research that has been done, the researcher made the following conclusions. The results of the hypothesis test state that the influence of Leader Member Exchange on Employee Engagement has a positive and significant effect, this is evidenced by the calculated t value > t table ($5.926 > 1.669$) and Significance < 0.05 ($0.000 < 0.05$). The Moderating Variable Person Environment-Fit is able to moderate the influence of Leader Member Exchange on Employee Engagement. Based on the results of the moderate regression analysis, there is an increase in the determination coefficient value from 0.334 to 0.410 so that the role of Person Environment-Fit can strengthen the relationship between Leader Member Exchange and Employee Engagement.

The study results provide support for the generalization that P-E Fit enhances the relationship between LMX and Employee Engagement, emphasizing its importance in the context of the Research and Development Division of PT. Kimia Farma.

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