

Employee Engagement as the Key Mechanism Driving Leadership and Work-Life Balance Toward Employee Performance

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ABSTRACT

Purpose: This study examines the influence of leadership and work-life balance on employee performance through employee engagement as a mediating variable. The study hypothesizes that leadership and work-life balance positively affect employee engagement and employee performance, both directly and indirectly.

Research Method: This study employed a quantitative approach with a causal-correlational design. Data were collected through questionnaires distributed to 100 employees selected from a population of 144 employees using simple random sampling. The research variables consisted of leadership, work-life balance, employee engagement, and employee performance. Data analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS).

Results and Discussion: The findings indicate that leadership and work-life balance positively and significantly affect employee engagement and employee performance. Employee engagement also has a significant positive effect on employee performance. Furthermore, employee engagement significantly mediates the relationship between leadership and employee performance, as well as between work-life balance and employee performance.

Implications: The findings emphasize the importance of strengthening leadership quality and implementing work-life balance policies to improve employee engagement and organizational performance in the financial service industry.

Originality: This study integrates the Job Demands-Resources Model and Social Exchange Theory by positioning employee engagement as a mediating mechanism in the multifinance industry, a gap noted in previous studies.

Keywords: leadership; work-life balance; employee engagement; employee performance.

1. Introduction

Employee performance has become one of the most critical determinants of organizational sustainability and competitiveness, particularly in the multifinance industry, which is characterized by intense market competition, high productivity demands, and continuous customer interactions. In the financial services sector, employee performance directly influences organizational effectiveness, customer satisfaction, and business growth, as employees are the primary drivers of operations and



service quality. According to Albrecht *et al.*, (2018), employee performance reflects not only employees' ability to achieve organizational targets but also their contribution to maintaining organizational adaptability and competitiveness in dynamic business environments. Likewise, Koopmans *et al.*, (2021) emphasized that employee performance encompasses task performance, contextual performance, and adaptive behavior that collectively support organizational objectives.

The multifinance industry also faces increasing operational pressures due to aggressive performance targets, workload intensity, digital transformation, and rapidly changing customer expectations. Such conditions frequently contribute to declining employee engagement and an imbalance between work and personal life. Employees experiencing excessive workload and poor work-life balance tend to demonstrate lower motivation, emotional exhaustion, and reduced productivity (Talukder *et al.*, 2020). In addition, employee engagement has emerged as a strategic issue in human resource management because engaged employees are more likely to demonstrate greater enthusiasm, dedication, and organizational commitment. Saks (2022) argued that employee engagement represents a psychological condition that encourages employees to invest physical, cognitive, and emotional energy into their work roles. Consequently, leadership plays a crucial role in shaping positive workplace experiences, supporting employees psychologically, and fostering sustainable employee performance.

Previous studies have extensively examined the relationship between leadership and employee performance. Leadership is widely recognized as a significant organizational resource capable of influencing employee attitudes and behaviors. Transformational leadership, in particular, has been found to improve employee motivation, trust, and work effectiveness, thereby enhancing performance outcomes (Breevaart & Bakker, 2018). Research conducted by Lee *et al.*, (2021) demonstrated that effective leadership positively affects employee performance through psychological empowerment and work motivation. Similarly, Badaruddin *et al.*, (2025) found that leadership contributes substantially to employee productivity by strengthening employee engagement and organizational support systems. Research concerning work-life balance and employee performance has also gained increasing scholarly attention. Work-life balance refers to an individual's ability to manage work responsibilities alongside personal and family life in a harmonious way. Haar *et al.*, (2019) reported that employees with balanced work and personal lives tend to experience higher job satisfaction, lower stress levels, and stronger organizational commitment, which ultimately improve performance. Moreover, Badaruddin *et al.*, (2024) revealed that supportive work-life balance practices and professional development initiatives create healthier work environments that enhance employee productivity and psychological well-being.

Another important determinant of employee performance is employee engagement. Employee engagement describes a positive psychological state characterized by vigor, dedication, and absorption toward work (Schaufeli, 2021). Employees with high engagement generally demonstrate greater initiative, persistence, and higher-quality work. Saks (2022) further explained that engaged employees are more likely to contribute positively to organizational effectiveness because they develop a stronger emotional attachment and commitment to organizational goals. Nevertheless, several empirical studies have reported inconsistent findings regarding the direct influence of leadership and work-life balance on employee performance. Some studies identified significant direct relationships, whereas others suggested that the relationships become stronger when mediated by psychological variables such as employee engagement, job satisfaction, or organizational commitment (Anugrah & Priyambodo, 2021).

These inconsistencies indicate unresolved issues regarding the mechanisms by which leadership and work-life balance influence employee performance. Several previous studies primarily focused on direct relationships without considering employee engagement as an explanatory mechanism.

Furthermore, findings regarding the direct effect of work-life balance on employee performance remain inconclusive across industries and organizational settings. Research on the multifinance industry in Indonesia remains limited, despite the sector's unique work characteristics, including sales pressure, customer orientation, and operational intensity.

Another limitation in prior studies is the limited integration of theoretical perspectives that can explain both organizational and psychological dimensions simultaneously. Many studies have examined leadership, work-life balance, or employee engagement separately, resulting in fragmented explanations of how employee performance is formed. Therefore, there is a need for a more integrative approach that combines organizational resources and psychological processes to explain employee performance comprehensively. Based on these issues, this study aims to analyze the influence of leadership and work-life balance on employee performance, with employee engagement as a mediating variable, at a multifinance company in South Sulawesi, Indonesia. This study offers theoretical novelty by integrating the Job Demands-Resources (JD-R) Model and Social Exchange Theory (SET) to explain how organizational resources, such as leadership and work-life balance, shape employee engagement and, in turn, improve employee performance. In addition, this study contributes empirically by examining employee engagement as a mediating mechanism in the multifinance industry, a topic that remains relatively underexplored in Indonesian human resource management research.

The remainder of this paper is organized as follows. Section 2 provides a literature review and hypothesis development. Section 3 presents the research method and design. Section 4 presents the results and discussion; Section 5 provides Concluding Remarks and Recommendations.

2. Literature Review and Hypothesis Development

2.1 Leadership

Leadership is an essential organizational factor that influences employee attitudes, engagement, and performance. Leadership refers to a leader's ability to influence, direct, and motivate employees toward achieving organizational goals effectively (Schaufeli, 2021). In contemporary organizations, leadership is not only associated with authority but also with the capacity to inspire employees, create trust, and foster supportive working relationships (Saks, 2022). This study adopts Transformational Leadership Theory, which emphasizes leaders' ability to motivate employees through inspiration, vision, communication, and empowerment. Transformational leaders encourage employees to exceed formal expectations by strengthening motivation, commitment, and psychological attachment to work (Eva *et al.*, 2019). Within the multifinance industry, transformational leadership is particularly important because employees face demanding targets, operational pressures, and intensive customer interactions.

Leadership in this study is reflected through four main indicators: vision clarity, motivational support, effective communication, and employee empowerment. Leaders who communicate organizational goals clearly, provide encouragement, maintain open communication, and empower employees tend to strengthen employee engagement and performance (Breevaart & Bakker, 2018). Previous studies consistently demonstrate that leadership positively affects employee engagement. Lee *et al.*, (2021) found that transformational leadership increases employee engagement by enhancing psychological empowerment and meaningful work experiences. Similarly, Schaufeli (2021) emphasized that engaging leadership contributes significantly to employees' vigor, dedication, and absorption at work. Leadership also positively influences employee performance, as supportive leadership improves

employee productivity, work quality, and organizational commitment (Alrowwad *et al.*, 2020). Furthermore, Badaruddin *et al.*, (2025) confirmed that leadership significantly improves employee performance through stronger workplace engagement in the financial services sector.

H1: *Leadership positively and significantly affects employee performance.*

H3: *Leadership positively and significantly affects employee engagement.*

2.2 Work-Life Balance

Work-life balance (WLB) refers to an individual's ability to maintain equilibrium between work responsibilities and personal life roles without experiencing excessive conflict or pressure. Work-life balance has become an increasingly important issue in modern organizations because employees are required to manage demanding workloads while maintaining personal well-being and family responsibilities. Haar *et al.*, (2019) defined work-life balance as an individual's perception of achieving compatibility and satisfaction across work and non-work domains. Employees with better work-life balance generally experience lower stress, greater well-being, and stronger organizational attachment. This study adopts the Job Demands-Resources (JD-R) Model to explain the role of work-life balance in shaping employee attitudes and performance. The JD-R Model proposes that job resources, including work flexibility, organizational support, and balanced work conditions, help employees reduce job strain and enhance motivation and engagement (Bakker & Demerouti, 2014). In this regard, work-life balance functions as an important organizational resource that supports employees psychologically and emotionally, thereby improving work engagement and performance outcomes.

Work-life balance in this study consists of three dimensions: time balance, involvement balance, and satisfaction balance. Time balance reflects employees' ability to allocate sufficient time between work and personal life. Involvement balance refers to a psychologically balanced level of involvement in both work and family roles. Satisfaction balance indicates the extent to which employees feel satisfied with their ability to manage professional and personal responsibilities harmoniously (Haar *et al.*, 2019). Previous studies have shown that work-life balance positively influences employee engagement. Employees who experience a balance between work and personal lives tend to demonstrate greater enthusiasm, emotional attachment, and dedication to their jobs (Talukder *et al.*, 2020). Likewise, Badaruddin *et al.*, (2024) found that supportive work-life balance practices significantly improve employee engagement and productivity by reducing stress and strengthening psychological well-being. Work-life balance also contributes positively to employee performance. Employees with balanced work conditions are generally more focused, productive, and committed to achieving organizational goals (Haar *et al.*, 2019). However, several studies suggest that the influence of work-life balance on performance may also operate indirectly through psychological mechanisms such as employee engagement (Anugrah & Priyambodo, 2021).

H2: *Work-life balance positively and significantly affects employee engagement.*

H4: *Work-life balance positively and significantly affects employee performance.*

2.3 Employee Engagement

Employee engagement represents a positive psychological condition in which employees are emotionally, cognitively, and physically connected to their work and organization. Employee engagement has become a central concept in human resource management because engaged

employees tend to demonstrate higher motivation, commitment, and productivity. Schaufeli (2021) defined employee engagement as a fulfilling work-related state of mind characterized by vigor, dedication, and absorption. Employees with strong engagement are more likely to invest energy and enthusiasm into their work responsibilities and contribute positively to organizational goals.

Employee engagement in this study consists of three primary dimensions. Vigor reflects high levels of energy, resilience, and persistence in carrying out work tasks. Dedication refers to employees' sense of enthusiasm, pride, and meaningful involvement in their work. Meanwhile, absorption refers to a state in which employees are fully focused and deeply immersed in their work (Schaufeli, 2021). These dimensions collectively indicate the extent to which employees are psychologically attached to their work roles. Previous studies have consistently shown that employee engagement positively affects employee performance. Engaged employees generally exhibit stronger work initiative, better productivity, higher service quality, and greater organizational commitment (Saks, 2022). Albrecht *et al.*, (2018) also emphasized that employee engagement is one of the strongest predictors of employee performance, as it encourages employees to go beyond formal job expectations. In addition, Badaruddin *et al.*, (2025) found that workplace engagement significantly improves employee performance in the financial services industry by strengthening employees' motivation and psychological attachment to work.

H5: *Employee engagement positively and significantly affects employee performance.*

2.4 Mediation Role of Employee Engagement

This study positions employee engagement as a mediating variable that explains how leadership and work-life balance influence employee performance. The mediating mechanism is supported by Social Exchange Theory (SET) and the Job Demands-Resources (JD-R) Theory. Social Exchange Theory explains that employees tend to reciprocate favorable organizational treatment through positive attitudes and behaviors toward the organization (Cropanzano *et al.*, 2016). When employees perceive supportive leadership and balanced work conditions, they are more likely to develop stronger emotional attachment and engagement, which subsequently improves their performance.

The JD-R Theory also provides a relevant explanation regarding the mediating role of employee engagement. According to Bakker and Demerouti (2018), organizational resources such as leadership support, communication quality, and work-life balance function as job resources that enhance employee motivation and psychological well-being. These resources encourage employees to become more engaged in their work, resulting in higher productivity and better performance outcomes. Employee engagement, therefore, serves as a psychological mechanism linking organizational resources to employee performance.

Several previous studies support the mediating role of employee engagement. Saks (2022) emphasized that supportive organizational practices improve employee performance indirectly through enhanced engagement levels. Likewise, Albrecht *et al.*, (2018) found that organizational resources significantly influence employee performance through employee engagement as a motivational pathway. In addition, Badaruddin *et al.*, (2025) reported that workplace engagement mediates the relationship between organizational practices and employee performance within the financial services industry.

H6: *Employee engagement mediates the influence of leadership on employee performance.*

H7: *Employee engagement mediates the influence of work-life balance on employee performance.*

3. Research Method

3.1 Research Design

This study employed a quantitative approach using a descriptive causal correlational design. The quantitative method was selected because the study aims to examine the relationships among variables objectively through numerical data and statistical analysis. According to Hair *et al.*, (2021), quantitative research is appropriate for testing theoretical relationships and explaining causal associations among latent variables. The descriptive approach was used to examine respondents' perceptions of leadership, work-life balance, employee engagement, and employee performance. At the same time, the causal-correlational design was intended to analyze direct and indirect relationships among variables.

3.2 Population and Sample

The study was conducted at ADIRA Finance in South Sulawesi, Indonesia, which represents the multifinance industry, characterized by high work intensity and performance-oriented operations. The population consisted of all employees within the organization, totaling 144. The sample size was determined using the Isaac and Michael sampling table at a 95% confidence level, yielding 100 respondents. The sampling technique applied was simple random sampling, which provides equal opportunity for each population member to be selected as a respondent and minimizes sampling bias (Sekaran & Bougie, 2020).

3.3 Data Collection

Data were collected using a structured questionnaire distributed directly to respondents. The questionnaire employed a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The Likert scale was used because it is widely recognized as an effective measurement tool for assessing perceptions, attitudes, and behavioral tendencies in organizational research (Joshi *et al.*, 2021).

3.4 Variable Measurement

The research variables consisted of leadership, work-life balance, employee engagement, and employee performance. Each variable was measured using indicators adapted from established previous studies.

Table 1. Variables and Indicators

Variable	Code	Indicator	Major Reference
Leadership	X1	Vision clarity, motivational support, communication, and employee empowerment	Schaufeli (2021); Breevaart & Bakker (2018)
Work-Life Balance	X2	Time balance, involvement balance, satisfaction balance	Haar <i>et al.</i> , (2019)
Employee Engagement	Z	Vigor, dedication, absorption	Schaufeli (2021)
Employee Performance	Y	Work quality, quantity, timeliness, effectiveness, responsibility, teamwork	Koopmans <i>et al.</i> , (2021)

3.5 Data Analysis Technique

Data analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS software. SEM-PLS was selected because it is suitable for predictive analysis, complex models,

and relatively moderate sample sizes (Hair *et al.*, 2021). The analysis process included evaluation of the measurement model (outer model) and structural model (inner model).

The outer model evaluation consisted of convergent validity, discriminant validity, and reliability testing using outer loading, Average Variance Extracted (AVE), Cronbach’s Alpha, and Composite Reliability. Meanwhile, the inner model evaluation included the coefficient of determination (R^2), predictive relevance (Q^2), effect size (f^2), multicollinearity testing, and hypothesis testing via bootstrapping to assess the significance of direct and indirect effects among variables.

4. Results and Discussion

4.1 Analysis Results

4.1.1 Respondent Characteristics

Respondent characteristics were analyzed to provide an overview of the demographic composition of employees participating in this study. The characteristics examined include gender, age, educational background, and work experience. These demographic profiles are important because they may influence employees’ perceptions regarding leadership, work-life balance, employee engagement, and employee performance within the organization.

Table 2. Respondent Characteristics

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	86	59.7
	Female	58	40.3
Age	20–25 years	28	19.4
	26–30 years	52	36.1
	31–35 years	39	27.1
	>35 years	25	17.4
Educational Background	Senior High School/Vocational School	31	21.5
	Diploma (D3)	29	20.1
	Bachelor’s Degree (S1)	74	51.4
	Master’s Degree (S2)	10	7.0
Work Experience	<2 years	24	16.7
	2–5 years	61	42.4
	6–10 years	38	26.4
	>10 years	21	14.5

Based on Table 2, the majority of respondents were male employees (59.7%) of the total, while female employees accounted for 40.3%. Most respondents were aged 26–30 years, indicating that the workforce was dominated by employees in the productive working-age category. In terms of educational background, most respondents held bachelor’s degrees, reflecting adequate educational qualifications among employees in the multifinance industry. Regarding work experience, the majority of respondents had worked for 2–5 years, suggesting that employees generally possessed sufficient organizational experience and understanding of operational activities within the company.

4.1.2 Measurement Model Evaluation

The measurement model evaluation (outer model) was conducted to assess the validity and reliability of the research constructs. In SEM-PLS analysis, measurement model evaluation aims to ensure that

each indicator accurately measures its respective latent variable. The evaluation consists of convergent validity, discriminant validity, and reliability testing.

- *Convergent Validity*

Convergent validity evaluates the extent to which indicators of a construct share a high proportion of variance. Convergent validity in this study was assessed using outer loadings and the Average Variance Extracted (AVE). According to Hair *et al.*, (2021), indicator outer loading values should exceed 0.70, while AVE values should be greater than 0.50 to indicate satisfactory convergent validity.

Table 3. Outer Loading Values

Variable	Indicator Range	Criteria	Result
Leadership (X1)	0.772 – 0.864	> 0.70	Valid
Work-Life Balance (X2)	0.812 – 0.885	> 0.70	Valid
Employee Engagement (Z)	0.807 – 0.867	> 0.70	Valid
Employee Performance (Y)	0.821 – 0.884	> 0.70	Valid

Source: Data Analysis (2026)

Based on Table 3, all indicator outer loading values exceeded the recommended threshold of 0.70. These findings indicate that each indicator has a strong correlation with its respective construct and adequately explains the latent variable.

Table 4. Average Variance Extracted (AVE)

Variable	AVE	Criteria	Result
Leadership (X1)	0.670	> 0.50	Valid
Work-Life Balance (X2)	0.728	> 0.50	Valid
Employee Engagement (Z)	0.707	> 0.50	Valid
Employee Performance (Y)	0.724	> 0.50	Valid

Source: Data Analysis (2026)

The AVE results presented in Table 4 indicate that all constructs exceeded 0.50. This indicates that each latent variable explains more than 50% of the variance of its indicators, confirming satisfactory convergent validity.

- *Discriminant Validity*

Discriminant validity assesses the extent to which a construct differs from other constructs within the model. In this study, discriminant validity was evaluated using the Fornell-Larcker Criterion and Heterotrait-Monotrait Ratio (HTMT).

Table 5. Fornell-Larcker Criterion

Variable	X1	X2	Z	Y
Leadership (X1)	0.819			
Work-Life Balance (X2)	0.476	0.853		
Employee Engagement (Z)	0.508	0.609	0.841	
Employee Performance (Y)	0.503	0.562	0.601	0.851

Source: Data Analysis (2026)

The Fornell-Larcker results indicate that the square root of AVE values for each construct was higher than the correlations between constructs. This finding confirms that each construct possesses adequate discriminant validity and is empirically distinct from other constructs in the model.

Table 6. Heterotrait-Monotrait Ratio (HTMT)

Variable	X1	X2	Z	Y
Leadership (X1)				
Work-Life Balance (X2)	0.494			
Employee Engagement (Z)	0.538	0.647		
Employee Performance (Y)	0.518	0.583	0.636	

Source: Data Analysis (2026)

Table 6 shows that all HTMT values were below the recommended threshold of 0.90, indicating that the constructs are empirically distinguishable from one another. Therefore, the discriminant validity requirements were successfully fulfilled.

- **Reliability Test**

Reliability testing was conducted to evaluate the internal consistency of the measurement instruments. Reliability in this study was assessed using Cronbach’s Alpha and Composite Reliability. According to Hair *et al.*, (2021), values exceeding 0.70 indicate acceptable construct reliability.

Table 7. Reliability Test Results

Variable	Cronbach’s Alpha	Composite Reliability	Criteria	Results
Leadership (X1)	0.955	0.961	> 0.70	Reliable
Work-Life Balance (X2)	0.958	0.964	> 0.70	Reliable
Employee Engagement (Z)	0.917	0.935	> 0.70	Reliable
Employee Performance (Y)	0.965	0.969	> 0.70	Reliable

Source: Data Analysis (2026)

The results presented in Table 7 indicate that all constructs achieved Cronbach’s Alpha and Composite Reliability values above 0.70. These findings confirm that the research instruments possess strong internal consistency and reliability for measuring the latent constructs used in this study.

4.1.3 Structural Model Evaluation

The structural model evaluation (inner model) was conducted to examine the predictive capability and explanatory power of the proposed research model. The evaluation includes the assessment of the coefficient of determination (R^2), predictive relevance (Q^2), effect size (f^2), and multicollinearity (VIF). These analyses are important to determine whether the structural relationships among variables are statistically acceptable and theoretically meaningful.

- **R-Square (R^2)**

The coefficient of determination (R^2) measures the proportion of variance in the endogenous variables explained by the exogenous variables in the model. According to Hair *et al.*, (2021), R^2 values of 0.25, 0.50, and 0.75 may be categorized as weak, moderate, and substantial explanatory power, respectively.

Table 8. R-Square Results

Variable	R Square	Adjusted R-Square
Employee Engagement (Z)	0.433	0.424
Employee Performance (Y)	0.453	0.441

Source: Data Analysis (2026)

Based on Table 8, the R^2 value for employee engagement was 0.433, indicating that leadership and work-life balance jointly explained 43.3% of the variance in employee engagement. Meanwhile, the R^2 value for employee performance was 0.453, meaning that leadership, work-life balance, and employee engagement explained 45.3% of the variance in employee performance. These findings indicate that the model possesses moderate explanatory power.

- *Q-Square (Q^2)*

Predictive relevance (Q^2) was evaluated using the blindfolding procedure to determine the model's predictive capability. A Q^2 value greater than zero indicates that the model has predictive relevance (Hair *et al.*, 2021).

Table 9. Q-Square Results

Variable	Q^2 Value	Interpretation
Employee Engagement (Z)	0.299	Predictive relevance
Employee Performance (Y)	0.321	Predictive relevance

Source: Data Analysis (2026)

Table 9 demonstrates that the Q^2 values for employee engagement and employee performance were greater than zero. Therefore, the structural model possesses adequate predictive relevance and effectively predicts endogenous constructs.

- *Effect Size (f^2)*

Effect size (f^2) analysis was conducted to evaluate the contribution of each exogenous variable to the endogenous variables. According to Cohen's criteria, f^2 values of 0.02, 0.15, and 0.35 indicate small, medium, and large effects, respectively.

Table 10. Effect Size (f^2) Results

Variable	Employee Engagement (Z)	Employee Performance (Y)
Leadership (X1)	0.108	0.056
Work-Life Balance (X2)	0.307	0.071
Employee Engagement (Z)		0.120

Source: Data Analysis (2026)

The results indicate that work-life balance had the strongest effect on employee engagement, with a moderate effect size. Leadership demonstrated a small-to-moderate effect on employee engagement and a relatively small effect on employee performance. Employee engagement also showed a moderate contribution to employee performance. These findings suggest that work-life balance and employee engagement play important roles in improving employee performance within the organization.

- *Multicollinearity (VIF)*

Multicollinearity testing was conducted to assess whether high correlations existed among the model's predictor variables. Variance Inflation Factor (VIF) values below 5 indicate the absence of severe multicollinearity issues (Hair *et al.*, 2021).

Table 11 shows that all VIF values were below the threshold value of 5.00. These findings indicate that the model is free of multicollinearity, and each construct contributes independently to explaining the endogenous variables.

Table 11. Multicollinearity Test Results (VIF)

Variable	VIF Range	Criteria	Result
Leadership (X1) Indicators	2.332 – 3.551	< 5.00	No multicollinearity
Work-Life Balance (X2) Indicators	2.616 – 3.964	< 5.00	No multicollinearity
Employee Engagement (Z) Indicators	2.090 – 2.814	< 5.00	No multicollinearity
Employee Performance (Y) Indicators	2.786 – 4.059	< 5.00	No multicollinearity

Source: Data Analysis (2026)

4.1.4 Hypothesis Testing

Hypothesis testing was conducted using the bootstrapping procedure in SEM-PLS to examine the significance of both direct and indirect relationships among variables. The significance level was determined based on the criteria of *t-statistics* greater than 1.96 and *p-values* less than 0.05 (Hair *et al.*, 2021).

- *Direct Effects*

The direct effect analysis was performed to evaluate the influence of leadership and work-life balance on employee engagement and employee performance, as well as the influence of employee engagement on employee performance.

Table 12. Direct Effects Testing

Hypothesis	Relationship	T-Statistics	P-Values	Result
H1	Leadership → Employee Performance	3.028	0.002	Accepted
H2	Work-Life Balance → Employee Engagement	6.512	0.000	Accepted
H3	Leadership → Employee Engagement	3.757	0.000	Accepted
H4	Work-Life Balance → Employee Performance	3.112	0.002	Accepted
H5	Employee Engagement → Employee Performance	3.762	0.000	Accepted

Source: Data Analysis (2026)

Based on Table 12, leadership had a positive and significant effect on employee performance and engagement. These findings indicate that effective leadership practices improve employees' psychological attachment and work outcomes. Work-life balance also demonstrated a positive and significant influence on employee engagement and employee performance, suggesting that balanced working conditions enhance employees' motivation and productivity. Furthermore, employee engagement significantly improved performance, indicating that engaged employees tend to exhibit higher quality work, greater commitment, and higher productivity.

▪ *Indirect Effects*

Indirect effect analysis was conducted to examine the mediating role of employee engagement in the relationships between leadership, work-life balance, and employee performance.

Table 13. Indirect Effects Testing

Hypothesis	Relationship	T-Statistics	P-Values	Result
H6	Leadership → Employee Engagement → Employee Performance	2.596	0.009	Accepted
H7	Work-Life Balance → Employee Engagement → Employee Performance	3.342	0.001	Accepted

Source: Data Analysis (2026)

The results presented in Table 13 indicate that employee engagement significantly mediates the relationships between leadership and employee performance, as well as between work-life balance and employee performance. These findings suggest that leadership and work-life balance improve employee performance not only directly but also indirectly through strengthening employee engagement. In other words, employees who experience supportive leadership and balanced working conditions tend to develop greater engagement, which in turn enhances their performance within the organization.

4.2 Discussion

4.2.1 Leadership and Employee Performance

The findings indicate that leadership has a positive and significant effect on employee performance. This result demonstrates that leaders who provide clear direction, motivation, communication, and empowerment can improve employees' productivity, work quality, and sense of responsibility. Within the multifinance industry, effective leadership is essential because employees operate under demanding performance targets and operational pressures, requiring continuous managerial support.

These findings support Transformational Leadership Theory, which explains that leaders can influence employee behavior and performance through inspiration and psychological encouragement. The results are consistent with Lee *et al.*, (2021) and Alrowwad *et al.*, (2020), who found that leadership positively contributes to employee performance by strengthening employee motivation and organizational commitment.

4.2.2 Work-Life Balance and Employee Engagement

The results reveal that work-life balance has a positive and significant effect on employee engagement. Employees who can maintain a balance between work responsibilities and personal life tend to demonstrate higher levels of enthusiasm, dedication, and emotional attachment to their work. Balanced working conditions help employees reduce stress and maintain psychological well-being.

These findings align with the JD-R Model, which emphasizes that work-life balance is an important job resource that enhances employee motivation and engagement. The results are consistent with Talukder *et al.*, (2020) and Badaruddin *et al.*, (2024), who reported that supportive work-life balance practices strengthen employee engagement and workplace well-being.



4.2.3 Leadership and Employee Engagement

The study findings confirm that leadership has a positive and significant effect on employee engagement. Leaders who communicate effectively, motivate employees, and provide support create positive working relationships that encourage employees to become more engaged in their work roles. Employees who perceive supportive leadership tend to feel more valued and emotionally connected to the organization.

This finding supports Social Exchange Theory, which explains that employees reciprocate positive organizational treatment with stronger engagement and commitment. The results are in line with Schaufeli (2021) and Saks (2022), who emphasized that engaging leadership contributes significantly to employees' vigor, dedication, and absorption.

4.2.4 Work-Life Balance and Employee Performance

The findings indicate that work-life balance has a positive and significant effect on employee performance. Employees who maintain a balance between work and personal lives are more likely to sustain concentration, reduce emotional exhaustion, and perform their responsibilities effectively. Balanced work conditions also contribute to better time management and stronger work commitment.

These results support previous studies suggesting that work-life balance enhances productivity and job effectiveness by improving employees' psychological conditions. The findings are consistent with Haar *et al.*, (2019) and Talukder *et al.*, (2020), who found that employees with better work-life balance generally demonstrate stronger organizational performance and lower work stress.

4.2.5 Employee Engagement and Employee Performance

The study findings demonstrate that employee engagement has a positive and significant effect on employee performance. Employees who possess high levels of vigor, dedication, and absorption tend to show greater initiative, persistence, and productivity in completing their work responsibilities. Engaged employees also contribute positively to teamwork and organizational effectiveness.

These findings support the perspective that employee engagement functions as a key psychological driver of performance improvement. The results are consistent with Saks (2022) and Albrecht *et al.*, (2018), who found that employee engagement is among the strongest predictors of employee performance in modern organizations.

4.2.6 Employee Engagement Mediates Leadership and Performance

The findings indicate that employee engagement significantly mediates the relationship between leadership and employee performance. This result suggests that leadership improves employee performance not only directly but also indirectly by strengthening employees' psychological attachment and work enthusiasm. Leaders who provide inspiration, communication, and empowerment encourage employees to become more engaged, thereby improving performance outcomes.

These findings support Social Exchange Theory and the JD-R Model, which explain that organizational resources contribute to performance through psychological mechanisms such as engagement. The results align with Saks (2022) and Badaruddin *et al.*, (2025), who reported that leadership strengthens employee performance by enhancing workplace engagement.

4.2.7 Employee Engagement Mediates Work-Life Balance and Performance

The study findings reveal that employee engagement significantly mediates the relationship between work-life balance and employee performance. Employees who experience balanced working conditions tend to develop greater engagement, which in turn encourages higher productivity and effectiveness. Work-life balance, therefore, contributes to performance improvement through enhanced psychological involvement in work.

These results support the JD-R Model, which posits that work-life balance is a job resource that increases employee motivation and engagement. The findings are consistent with Anugrah and Priyambodo (2021) and Badaruddin *et al.*, (2024), who emphasized that work-life balance indirectly improves employee performance through employee engagement and psychological well-being.

5. Concluding Remarks and Recommendation

This study aimed to examine the influence of leadership and work-life balance on employee performance, with employee engagement serving as a mediating variable in the multifinance industry in South Sulawesi. The study employed a quantitative approach with a descriptive-causal research design and analyzed the data using PLS-SEM in SmartPLS. The findings demonstrate that leadership and work-life balance positively and significantly influence employee engagement and employee performance. In addition, employee engagement was found to significantly improve employee performance and mediate the relationships between leadership, work-life balance, and employee performance. These results indicate that psychological attachment to work plays a crucial role in strengthening employee productivity and organizational effectiveness.

The findings make important contributions to the development of the human resource management literature by integrating the Job Demands-Resources (JD-R) Model and Social Exchange Theory to explain employee performance in the multifinance sector. The study confirms that leadership and work-life balance function as organizational resources that enhance employee engagement and ultimately improve performance outcomes. From a managerial perspective, the findings highlight the importance of strengthening leadership quality, improving work-life balance policies, and developing engagement-oriented work environments to support employee productivity. The novelty of this study lies in integrating employee engagement as a mediating mechanism linking leadership and work-life balance to employee performance in the Indonesian multifinance industry. This relationship remains relatively underexplored in previous studies.

Despite its contributions, this study has several limitations. First, the research used a cross-sectional design, which limited its ability to capture changes in employee perceptions over time. Second, the study relied on self-reported questionnaire data, which may increase the possibility of response bias. Third, the research focused only on a single industrial sector and a limited geographic area, thereby reducing the generalizability of the findings to broader organizational settings. Future studies are encouraged to employ longitudinal approaches, incorporate additional variables such as organizational culture, job satisfaction, or organizational commitment, and expand research coverage across different industries and regions to strengthen the robustness and generalizability of the findings.

Statement of Use of Generative AI

This study utilized generative AI tools to support the research writing process. NotebookLM was used to assist with organizing the literature, summarizing references, and managing research notes. In contrast, Grammarly was used for grammar checking, language refinement, and improving the clarity of academic writing. All interpretations, analyses, and conclusions presented in this study remain the sole responsibility of the author.

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