

The Influence of Digital Leadership and Reward Systems in a Digital Work Environment on Job Engagement and Its Implications on Employee Performance in PT X's Work Unit in the Bandung Region

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ABSTRACT

This study aims to analyze the influence of Digital Leadership and Reward Systems in a digital work environment on Job Engagement and their implications for employee performance at PT X Regional Office Bandung. The study employed a quantitative approach using a survey method and an explanatory research design. The research population consisted of 120 active employees, all of whom were included as respondents through a saturated sampling technique. Data were collected using a questionnaire with a five-point Likert scale, while data analysis was conducted using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method with the assistance of SmartPLS software. The findings indicate that Digital Leadership has a positive and significant effect on Job Engagement ($\beta = 0.446$; $p = 0.000$) and employee performance ($\beta = 0.227$; $p = 0.022$). The Reward System also has a positive and significant effect on Job Engagement ($\beta = 0.356$; $p = 0.000$), but it does not have a direct effect on employee performance ($\beta = 0.081$; $p = 0.342$). Furthermore, Job Engagement was found to have a positive and significant effect on employee performance ($\beta = 0.448$; $p = 0.000$) and emerged as the strongest predictor in the research model. The mediation analysis revealed that Job Engagement partially mediates the effect of Digital Leadership on employee performance and fully mediates the effect of the Reward System on employee performance. The research model explains 41.3% of the variance in Job Engagement and 38.8% of the variance in employee performance and demonstrates good predictive relevance. These findings emphasize the importance of strengthening digital leadership and managing reward systems oriented toward enhancing work engagement to support employee performance in the era of digital transformation.

INTRODUCTION

Digital transformation has changed the paradigm of modern organizational management, including aspects of leadership, human resource management systems, and employee performance measurement. In the digital economy era, a company's competitive advantage is no longer solely determined by financial capability and technological mastery, but also by the organization's ability to manage adaptive, innovative, and highly engaged human resources (Ridwan et al., 2026). Organizations that are able to strategically integrate digital transformation with human capital management have higher levels of productivity and performance than those that focus solely on technology investments (Criscuolo et al., 2024).

In a digital work environment, the success of organizational transformation is greatly influenced by the leader's ability to direct change, utilize technology, and build a collaborative and innovative work culture (Yuliawati et al., 2026). The concept of *digital leadership* emerged as a form of leadership that is not only oriented towards mastery of technology, but also on the leader's ability to build a digital vision, encourage innovation, facilitate the use of technology, and empower employees in facing digital-based organizational changes (Kane et al., 2015). According to (Li et al., 2024) digital leaders have a crucial role in increasing organizational readiness for digital transformation while creating a work environment that supports employee engagement and productivity (Pramanik et al., 2026).

According to the World Economic Forum (2023), more than 70% of global organizations have integrated digital technology into their business processes. However, the success of digital transformation is determined not only by technology adoption but also by the readiness of human resources to adapt to these changes (Saep et al., 2026). This condition indicates that organizations require a leadership model that can connect technology with the psychological and social needs of employees so that digital transformation can run effectively and sustainably (Maulana et al., 2026).

In Indonesia, the acceleration of digitalization continues to increase along with the implementation of the national digital transformation policy and the development of Industry 4.0. (Ministry of Communication and Informatics of the Republic of Indonesia, 2023) positions the corporate sector and State-Owned Enterprises (SOEs) as the primary drivers of national digital transformation. One company that has consistently undertaken digital transformation is PT X, Indonesia's largest telecommunications company, focused on digital business development and strengthening digital talent through various human resource development programs.

However, digital transformation also presents new challenges for organizations, particularly regarding employee *job engagement* (Fadhilah et al., 2026). Gallup (2023) reported that employee engagement levels in the Asia Pacific region remain below the global average. Low levels of job engagement can impact employee motivation, productivity, loyalty, and performance quality (Ismail & Ghemy, 2026). Schaufeli et al., 2002, explain that *job engagement* is a positive psychological state characterized by three main dimensions: *vigor*, *dedication*, and *absorption*. Employees with high levels of *engagement* tend to demonstrate greater work enthusiasm, dedication to the organization, and the ability to fully concentrate on completing their work (Nursapni et al., 2026).

Besides digital leadership, another factor that plays a crucial role in improving employee engagement and performance is the reward system. (Armstrong, 2010) explains that an effective reward system encompasses not only financial compensation such as salary

and bonuses, but also non-financial rewards such as recognition, career development opportunities, training, work flexibility, and promotion opportunities. In the context of a digital workforce dominated by the productive generation, non-financial rewards often have a greater influence on intrinsic motivation and employee engagement than financial rewards alone (Simarmata et al., 2026).

PT X Bandung Region is one of the work units at the forefront of the company's digital transformation implementation. As an organization operating in the technology and telecommunications sector, the company is required to have human resources that are adaptive, innovative, and able to work effectively in a dynamic digital environment. However, the pre-survey results show that the level of employee *job engagement* is still not optimal with a score of 59% of the ideal score, which indicates that employee work engagement is still in the poor category. The *vigor dimension* received the lowest score compared to other dimensions, indicating that employee work enthusiasm and energy in facing the demands of digital work still need to be improved.

Furthermore, pre-survey results on the *digital leadership variable* indicate that employee perceptions of the digital leadership capabilities of work unit leaders remain in the poor category, with an achievement level of 56.3%. The aspect with the lowest rating was the leader's ability to facilitate the use of technology and digital solutions in completing work. This indicates that leaders have not fully acted as facilitators of digital transformation, capable of assisting employees in navigating technological changes in the workplace.

Similar findings were also observed in the company's reward system. Pre-survey results showed that the *reward system* scored 56%, still in the poor category. Non-financial reward aspects such as recognition, career development opportunities, and digital competency-based rewards were the indicators with the lowest scores. Yet, various studies have shown that non-financial rewards have a significant impact on employee motivation, job satisfaction, and engagement within an organization (Hoole & Hotz, 2016; Marleya et al., 2022).

Theoretically, the relationship between *digital leadership*, *reward systems*, and *job engagement* on employee performance still requires further study, particularly in the context of state-owned enterprises (SOEs) undergoing massive digital transformation. Most previous studies have focused more on the influence of digital leadership on innovation and technology adoption, while research examining psychological mechanisms through *job engagement* as a mediating variable is still relatively limited, particularly in the telecommunications sector in Indonesia (Khan et al., 2025; Yang et al., 2024).

Based on the empirical phenomena and research gaps, this study aims to analyze the influence of *digital leadership* and *reward systems* in a digital work environment on *job engagement* and its implications for employee performance at PT X Work Unit in the Bandung Region. This study is expected to provide theoretical contributions to the development of digital human resource management literature while providing practical recommendations for companies in designing leadership strategies and reward systems that can increase employee engagement and performance in the digital transformation era.

RESEARCH METHODS

This study uses a quantitative approach with a survey method and is *explanatory research* that aims to analyze the causal relationship between *digital leadership variables*, *reward systems*, *job engagement*, and employee performance. The quantitative approach was

chosen because this study focuses on testing hypotheses through variable measurements using numerical data obtained directly from respondents through a structured questionnaire instrument. Meanwhile, an explanatory research design is used to explain the direct and indirect influences between the variables studied in the research model.

The research was conducted at the Work Unit of PT X in the Bandung Region, which was chosen because the company is one of the organizations actively implementing digital transformation and digital talent development as part of the company's business strategy. This condition is considered relevant to testing the variables of *digital leadership*, *reward systems*, *job engagement*, and employee performance in the context of a digital work environment. The research was carried out from May to August 2026, which included the stages of preparing research instruments, collecting data, processing data, analyzing results, and preparing research reports.

The population in this study was all active employees at PT X's Bandung Region work unit, totaling 120 people and directly involved in digital-based work activities. Considering the relatively limited population size and the researcher's ability to reach all members of the population, the sampling technique used was *saturated sampling or census*, so that all members of the population became research respondents. This technique was chosen to obtain a more comprehensive picture of employee perceptions of the variables studied and to minimize sampling errors.

The data used in this study consisted of primary and secondary data. Primary data were obtained by distributing questionnaires to all respondents containing statements regarding *digital leadership*, *reward systems*, *job engagement*, and employee performance. All statement items were measured using a five-point Likert scale, ranging from 1 for "strongly disagree" to 5 for "strongly agree." Meanwhile, secondary data were obtained from company annual reports, sustainability reports, internal company documents, performance reports, and various scientific references in the form of books and journals related to the research variables.

The independent variables in this study consist of *digital leadership* (X1) and the *reward system* (X2), while *job engagement* (Y) is positioned as a mediating variable and employee performance (Z) as the dependent variable. The *digital leadership* variable is measured through the dimensions of *digital vision*, *digital mindset*, *digital skill*, and *digital governance*. The *reward system* variable is measured through indicators of direct financial rewards, indirect financial rewards, and non-financial rewards. Meanwhile, *job engagement* is measured using the dimensions of *vigor*, *dedication*, and *absorption* developed by Schaufeli et al. (2002). Employee performance is measured based on the dimensions of work quality, work quantity, timeliness, effectiveness, and work independence.

Data analysis was conducted using the *Structural Equation Modeling-Partial Least Squares* (SEM-PLS) method with the help of SmartPLS software. The selection of SEM-PLS is based on the ability of this method in testing simultaneous relationships between latent variables, both direct and indirect influences through mediating variables, as well as its ability to analyze research models that are predictive and have several latent constructs simultaneously. The analysis stages include testing the measurement model (*outer model*) through convergent validity tests, discriminant validity, and construct reliability using *outer loading values*, *Average Variance Extracted* (AVE), *Composite Reliability*, and *Cronbach's Alpha*. Furthermore, testing the structural model (*inner model*) is carried out by testing the

R-square value , *effect size (f-square)* , *predictive relevance (Q-square)* , and hypothesis testing using *bootstrapping techniques* with a significance level of 5%. The mediating effect of *job engagement* is analyzed through indirect effect tests to determine the mediating role of these variables in the relationship between *digital leadership* and *reward systems* on employee performance.

RESULTS AND DISCUSSION

Respondent Characteristics

Respondent characteristics were analyzed to provide an overview of the demographic profile of the 120 employees who participated in the study before analyzing the research variables. These characteristics included gender, age, highest education, length of service, and work unit, which served as context for understanding respondents' perceptions of *Digital Leadership*, *Reward Systems*, *Job Engagement*, and *Employee Performance*.

Table 1. Characteristics of Research Respondents

Characteristics	Category	Frequency (f)	Percentage (%)
Gender	Man	70	58.3
	Woman	50	41.7
	Total	120	100.0
Age	< 25 years	16	13.3
	25–35 years	53	44.2
	36–45 years	37	30.8
	> 45 years	14	11.7
	Total	120	100.0
Last education	High School/Vocational School	7	5.8
	Diploma	19	15.8
	S1	79	65.8
	Masters/Doctoral Degree	15	12.5
	Total	120	100.0
Years of service	< 1 year	12	10.0
	1–5 years	46	38.3
	6–10 years	33	27.5
	> 10 years	29	24.2
	Total	120	100.0
Work unit	Network & Infrastructure	17	14.2
	Operation & Maintenance Services	13	10.8
	Customer Care	19	15.8
	Marketing & Sales	15	12.5
	Enterprise/Business Service	13	10.8
	Information Technology & Digital Solutions	15	12.5
	Data Center/Digital Platform	7	5.8
	Human Capital	13	10.8
	Administration/Finance/General Affairs	8	6.7
	Total	120	100.0

Based on Table 1, the study respondents were dominated by male employees, amounting to 70 people (58.3%), while female respondents numbered 50 people (41.7%). Based on age, the majority of respondents were in the 25–35 age group (53 people (44.2%))

and 36–45 years old (37 people (30.8%)), so that approximately 75% of respondents were in the productive age group who were relatively familiar with the digital work environment. In terms of their last education, the majority of respondents had a Bachelor's degree (S1) as many as 79 people (65.8%), followed by Diploma (19 people (15.8%) and postgraduate education (S2/S3) as many as 15 people (12.5%). This indicates that the majority of respondents have an adequate level of education to understand the implementation of digital leadership and reward systems in the organization.

Based on length of service, the majority of respondents (46 respondents) had 1–5 years of work experience (38.3%), and 33 (27.5%) had 6–10 years of work experience. This indicates that most respondents have sufficient experience interacting with the company's work culture, leadership, and reward system.

Furthermore, based on work units, respondents were relatively evenly distributed across various organizational functions, with the largest number coming from the *Customer Care unit* with 19 people (15.8%) and *Network & Infrastructure* with 17 people (14.2%). This distribution indicates that respondents represented various work areas involved in the digital transformation process at PT X Bandung Region, allowing the research results to provide a more comprehensive picture of the overall condition of the organization.

Initial Validity Test (Item-Total Correlation)

Before testing the measurement model using *Structural Equation Modeling-Partial Least Squares* (SEM-PLS), an initial validity test was conducted on the research instrument using the *corrected item-total correlation method*. This test aims to determine the ability of each statement item to represent the construct it measures through the correlation between the score of each item and the total score of the same construct.

In this study, the number of respondents was 120 people, resulting in a degree of freedom of 118 ($df = n - 2$). With a significance level of 5%, the r-table value was 0.179. An item is declared valid if its r-count value is greater than the r-table ($r\text{-count} > 0.179$).

Table 2. Summary of Initial Validity Test Results (Item-Total Correlation) per Variable

Variables	Number of Items	Range of r-count	Information
Digital Leadership (X1)	12	0.672 – 0.825	All Valid
Reward System (X2)	9	0.650 – 0.757	All Valid
Job Engagement (Y)	9	0.617 – 0.801	All Valid
Employee Performance (Z)	11	0.655 – 0.780	All Valid

Based on Table 2, all statement items in the variables *Digital Leadership*, *Reward System*, *Job Engagement*, and *Employee Performance* have item-total correlation values greater than the r-table value of 0.179. The *Digital Leadership* variable has a calculated r-value range between 0.672 to 0.825, while the *Reward System* variable has a value range between 0.650 to 0.757. Furthermore, the *Job Engagement* variable shows a correlation value range between 0.617 to 0.801, while the *Employee Performance* variable has a value range between 0.655 to 0.780. These results indicate that all 41 items of the research instrument have met the initial validity criteria so that there are no items that need to be eliminated or dropped at this stage. Thus, all statement items are declared suitable for use in the next analysis stage, namely testing convergent validity, discriminant validity, and construct reliability in the measurement model (*outer model*) using the SEM-PLS approach.

Convergent Validity and Construct Reliability Test

The measurement model (*outer model*) testing was conducted to ensure that the indicators used were able to represent the constructs being measured validly and reliably. Convergent validity in this study was evaluated through the *outer loading* and *Average Variance Extracted* (AVE) values, while construct reliability was assessed through *Cronbach's Alpha* and *Composite Reliability values* . In accordance with the criteria proposed by (J. Hair & Alamer, 2022), a construct is declared to meet convergent validity if it has an *outer loading value* ≥ 0.70 and $AVE \geq 0.50$, while construct reliability is met if the *Cronbach's Alpha* and *Composite Reliability values* ≥ 0.70 .

Table 3. Results of Convergent Validity and Construct Reliability Tests

Variables	AVE	Cronbach's Alpha	Composite Reliability	Information
Digital Leadership (X1)	0.618	0.944	0.951	Valid and Reliable
Reward System (X2)	0.610	0.919	0.933	Valid and Reliable
Job Engagement (Y)	0.601	0.916	0.931	Valid and Reliable
Employee Performance (Z)	0.642	0.943	0.952	Valid and Reliable

Based on Table 3, all research variables have AVE values above the minimum limit of 0.50. The *Digital Leadership* variable has an AVE value of 0.618, the *Reward System* of 0.610, *Job Engagement* of 0.601, and *Employee Performance* of 0.642. These results indicate that each construct is able to explain more than 50% of the variance of its constituent indicators, so that all constructs meet the requirements of convergent validity. Convergent validity testing was also conducted through the *outer loading value* of each indicator on the construct. The analysis results show that all 41 research indicators have *outer loading values* ranging from 0.703 to 0.858. All of these values have exceeded the minimum limit of 0.70 as recommended by (J.F. Hair et al., 2019) so that no indicators need to be eliminated from the measurement model. Thus, all indicators are declared capable of adequately representing the latent variables they measure.

Furthermore, the results of the reliability test show that all constructs have *Cronbach's Alpha* and *Composite Reliability values* that exceed the threshold of 0.70. The *Digital Leadership* variable has a *Cronbach's Alpha* value of 0.944 and a *Composite Reliability* of 0.951. The *Reward System* variable has values of 0.919 and 0.933, respectively, while *Job Engagement* obtained values of 0.916 and 0.931. The *Employee Performance* variable has a *Cronbach's Alpha* value of 0.943 and a *Composite Reliability* of 0.952. Based on the overall test results, it can be concluded that all research constructs have met the requirements of convergent validity and construct reliability. Thus, the measurement model (*outer model*) is declared feasible to proceed to the stage of testing the structural model (*inner model*) and hypothesis testing using the SEM-PLS approach.

Reliability Test

Reliability testing is conducted to assess the level of internal consistency of indicators in measuring the same construct. In this study, construct reliability was evaluated using *Cronbach's Alpha* and *Composite Reliability values* . In accordance with the criteria proposed by (J. Hair & Alamer, 2022; J.F. Hair et al., 2019) , a construct is declared reliable if it has a *Cronbach's Alpha* and *Composite Reliability value* greater than 0.70. The results of the reliability test presented in Table 4 show that the *Cronbach's Alpha values* for the four constructs ranged from 0.916 to 0.944, while the *Composite Reliability values* ranged from 0.931 to 0.952. All of these values are above the required minimum limit of 0.70, so all research constructs are declared to have a very good level of reliability. These findings

indicate that the indicators used to measure the variables of *Digital Leadership* , *Reward Systems* , *Job Engagement* , and *Employee Performance* have a high level of internal consistency. Thus, respondents' answers to each construct can be considered stable and consistent, making them suitable for use as a basis for testing the structural model (*inner model*) and hypothesis testing using the SEM-PLS approach.

Discriminant Validity Test

In addition to meeting convergent validity, a construct must also meet discriminant validity to ensure that each latent variable truly measures a concept distinct from the other constructs. In this study, discriminant validity was evaluated using two approaches: *the Fornell-Larcker Criterion* and *the Heterotrait-Monotrait Ratio (HTMT)*.

a. Fornell-Larcker Criterion

Discriminant validity testing using *the Fornell-Larcker Criterion* is conducted by comparing the square root of the AVE of each construct with the correlation between other constructs. Discriminant validity is declared fulfilled if the square root of the AVE of a construct is greater than the correlation value of that construct with other constructs.

Table 4. Results of the Discriminant Validity Test (Fornell-Larcker Criterion)

Variables	X1	X2	Y	Z
Digital Leadership (X1)	0.786	0.245	0.540	0.476
Reward System (X2)	0.245	0.781	0.470	0.337
Job Engagement (Y)	0.540	0.470	0.775	0.590
Employee Performance (Z)	0.476	0.337	0.590	0.801

Based on Table 4, the AVE root values for each construct ranged from 0.775 to 0.801 and were all greater than the correlation between the construct and other constructs in the same row or column. The highest correlation between constructs was found in the relationship between *Job Engagement* and *Employee Performance* at 0.590, which was still lower than the AVE root values for each construct. Thus, the *Fornell-Larcker criteria* have been met.

b. Heterotrait-Monotrait Ratio (HTMT)

In addition to using *the Fornell-Larcker Criterion* , discriminant validity was also tested using *the Heterotrait-Monotrait Ratio (HTMT)* method. According to (Henseler et al., 2015), discriminant validity is declared fulfilled if the HTMT value is less than 0.90.

Table 5. Results of the Discriminant Validity Test (Heterotrait-Monotrait Ratio/HTMT)

Variables	X1	X2	Y	Z
Digital Leadership (X1)	-	0.264	0.581	0.504
Reward System (X2)	0.264	-	0.512	0.361
Job Engagement (Y)	0.581	0.512	-	0.635
Employee Performance (Z)	0.504	0.361	0.635	-

Based on Table 5, all HTMT values are in the range of 0.264 to 0.635 and all are below the maximum limit of 0.90. The highest HTMT value is found in the relationship between *Job Engagement* and *Employee Performance* at 0.635, while the lowest value is found in the relationship between *Digital Leadership* and *Reward Systems* at 0.264. Based on the test results using *the Fornell-Larcker Criterion* and HTMT, it can be concluded that all research constructs have met the requirements of discriminant validity. This indicates that the variables *Digital Leadership*, *Reward Systems*, *Job Engagement*, and *Employee Performance* are

conceptually and empirically different constructs, so there is no overlap in measurements between variables in the research model.

R-Square, Adjusted R-Square, and Q-Square Test Results

R-Square value is used to measure the extent of the ability of exogenous variables to explain endogenous variables, while *the Adjusted R-Square* is used to correct for the influence of the number of predictor variables in the model. Meanwhile, the *Q-Square value* is used to assess the predictive relevance of the model. According to (J.F. Hair et al., 2019), an *R-Square* value of 0.25 is categorized as weak, 0.50 as moderate, and 0.75 as strong. A *Q-Square* value greater than zero indicates that the model has good predictive ability.

Table 6. Results of R-Square, Adjusted R-Square, and Q-Square Tests

Endogenous Variables	R-Square	R-Square Adjusted	Q-Square
Job Engagement (Y)	0.413	0.403	0.371
Employee Performance (Z)	0.388	0.372	0.320

Based on Table 6, the *Job Engagement* variable has an *R-Square* value of 0.413 and an *Adjusted R-Square* of 0.403. These results indicate that *the Digital Leadership* and *Reward System* variables simultaneously explain 41.3% of the variation in *Job Engagement*, while the remaining 58.7% is explained by other variables outside the research model. Based on the criteria proposed by (JF Hair et al., 2019), this value is included in the moderate category, so it can be concluded that both independent variables have a fairly good ability to explain changes in employee *Job Engagement* levels.

Furthermore, the *Employee Performance* variable obtained an *R-Square* value of 0.388 and an *Adjusted R-Square* of 0.372. This finding indicates that the variables *Digital Leadership*, *Reward System*, and *Job Engagement* together are able to explain 38.8% of the variation in *Employee Performance*, while the remaining 61.2% is influenced by other factors outside the research model such as organizational culture, job satisfaction, work motivation, work environment, competence, and other individual factors. This value is also in the moderate category although it is relatively close to the lower limit of the category.

Furthermore, the test results show a *Q-Square* value of 0.371 for the *Job Engagement* variable and 0.320 for the *Employee Performance* variable. Both values are above zero, indicating that the research model has good *predictive relevance in explaining the endogenous variables studied*. Thus, *the structural model developed in this study is deemed suitable for use in hypothesis testing and causal relationship analysis between variables using the bootstrapping procedure in SEM-PLS*.

f-Square (Effect Size) Test Results

In addition to measuring the model's ability to explain endogenous variables through the *R-Square* value, structural model evaluation is also carried out through the *effect size (f-Square)* test. This test aims to determine the contribution of each exogenous variable to the endogenous variables in the research model. According to (Cohen, 2013; J.F. Hair et al., 2019), an *f-Square* value of 0.02 is categorized as a small effect, 0.15 as a medium effect, and 0.35 as a large effect.

Table 7. Results of *f*-Square Test (Effect Size)

Relationship Path	<i>f</i> -Square	Effect Category
Digital Leadership (X1) → Job Engagement (Y)	0.328	Currently
Reward System (X2) → Job Engagement (Y)	0.206	Currently
Digital Leadership (X1) → Employee Performance (Z)	0.057	Small
Reward System (X2) → Employee Performance (Z)	0.008	No Effect
Job Engagement (Y) → Employee Performance (Z)	0.180	Currently

Based on Table 7, the effect of *Digital Leadership* on *Job Engagement* yields an *f-square value* of 0.328, which falls into the moderate effect category and approaches the large effect category. This finding indicates that the presence of digital leadership makes a substantial contribution to increasing employee work engagement in a digital work environment. The better a leader's ability to direct digital transformation, facilitate technology use, and build digital communication, the higher the level of *Job Engagement* formed among employees.

Reward System on *Job Engagement* yields an *f-square value* of 0.206, which is included in the medium effect category. These results indicate that a fair, transparent, and relevant reward system to the needs of the digital workforce has a significant contribution in increasing employee enthusiasm, dedication, and engagement in their work. Furthermore, the effect of *Job Engagement* on Employee Performance yields an *f-square value* of 0.180, which is also in the medium effect category. These findings indicate that work engagement is an important factor capable of driving improvements in the quality, productivity, effectiveness, and independence of employee work in an organizational environment undergoing digital transformation.

On the other hand, the direct influence of *Digital Leadership* on Employee Performance only produces an *f-square value* of 0.057, which is categorized as a small effect. This indicates that the direct contribution of digital leadership to improving performance is relatively limited when compared to its influence through increasing *Job Engagement*. Meanwhile, the direct influence of the *Reward System* on Employee Performance produces an *f-square value* of 0.008, which is below the threshold of a small effect, so it can be categorized as having no practical significant effect after taking into account the existence of the *Job Engagement variable* in the research model. This finding indicates that the reward system tends to work through psychological mechanisms in the form of increasing work engagement before ultimately impacting on improving employee performance.

Overall, the results of the *effect size test* indicate that *Job Engagement* is the variable that has the largest unique contribution in explaining Employee Performance compared to the direct influence of *Digital Leadership* or the *Reward System*. This finding strengthens the initial assumption of the study that *Job Engagement* plays a central role as a mediating variable in the relationship between *Digital Leadership*, *Reward System*, and Employee Performance in the digital work environment of PT X Bandung Region.

Hypothesis Testing Results

Hypothesis testing in this study was conducted using a *bootstrapping procedure* with 5,000 subsamples in SEM-PLS to determine the significance of direct and indirect influences between research variables. A hypothesis is declared accepted if it has a *t-statistic value* greater than 1.96 and a *p-value* less than 0.05 at a significance level of 5%.

Direct Effect Testing

The results of testing the direct influence between research variables are presented in Table 8 below.

Table 8. Results of Direct Effect Hypothesis Testing

Hypothesis	Path of Influence	Coefficient (Beta)	t-statistics	p-values	Decision
H1	Digital Leadership (X1) → Job Engagement (Y)	0.446	5,953	0,000	Accepted
H3	Reward System (X2) → Job Engagement (Y)	0.356	4,221	0,000	Accepted
H2	Digital Leadership (X1) → Employee Performance (Z)	0.227	2,289	0.022	Accepted
H4	Reward System (X2) → Employee Performance (Z)	0.081	0.949	0.342	Rejected
H5	Job Engagement (Y) → Employee Performance (Z)	0.448	4,097	0,000	Accepted

Based on Table 8, the influence of *Digital Leadership* on *Job Engagement* produces a path coefficient of 0.446 with a *t-statistic* value of 5.953 and a *p-value* of 0.000. This value indicates that *Digital Leadership* has a positive and significant effect on *Job Engagement*, so the first hypothesis (H1) is accepted. This finding indicates that the better the leader's ability to direct digital transformation, facilitate the use of technology, and build effective digital communication, the higher the level of employee work engagement. Thus, this result also answers the problem formulation and the first research objective.

Reward System on *Job Engagement* produces a path coefficient of 0.356 with a *t-statistic* value of 4.221 and *p-values* of 0.000. These results indicate that the *Reward System* has a positive and significant effect on *Job Engagement*, so that the third hypothesis (H3) is accepted. This means that the better the reward system implemented by the company, both in the form of financial and non-financial rewards, the higher the level of enthusiasm, dedication, and involvement of employees towards their work. This finding answers the formulation of the problem and the third research objective.

Furthermore, the influence of *Digital Leadership* on Employee Performance yielded a path coefficient of 0.227 with a *t-statistic* of 2.289 and a *p-value* of 0.022. These results indicate that *Digital Leadership* has a positive and significant effect on Employee Performance, thus the second hypothesis (H2) is accepted. In other words, a leader's ability to manage digital change, utilize technology, and provide clear direction has been proven to improve employee work quality and productivity. These results also answer the problem formulation and the second research objective.

On the other hand, the direct influence of the *Reward System* on Employee Performance only produces a path coefficient of 0.081 with a *t-statistic* value of 0.949 and *p-values* of 0.342. This value does not meet the criteria for statistical significance because the *t-statistic* value is smaller than 1.96 and the *p-value* is greater than 0.05. Therefore, the fourth hypothesis (H4) is rejected. This finding indicates that the *Reward System* is not proven to have a direct influence on Employee Performance in this research model. These results indicate that the rewards given by the company tend to influence performance through certain psychological mechanisms, especially through increasing *Job Engagement*. Thus, these

results answer the problem formulation and the fourth research objective and become the basis for testing the mediation effect in the next stage.

The influence of *Job Engagement* on Employee Performance produces a path coefficient of 0.448 with a *t-statistic* value of 4.097 and a *p-value* of 0.000. These results indicate that *Job Engagement* has a positive and significant effect on Employee Performance, so the fifth hypothesis (H5) is accepted. These findings indicate that employees who have high work enthusiasm, pride in their work, and full involvement in carrying out tasks tend to be able to produce better work quality, higher productivity, and more effective work completion. Thus, these results answer the problem formulation and the fifth research objective.

Simultaneous Testing (*F Test*)

In addition to testing the partial influence through path coefficients, this study also conducted a simultaneous test to determine whether *Digital Leadership* and the *Reward System* jointly influence Employee Performance through *Job Engagement*. This simultaneous test was conducted to answer the problem formulation and the eighth research objective regarding the collective influence of independent variables on the dependent variable in the research model.

Table 9. Simultaneous Test Results (*F Test*)

Hypothesis	Hypothesis Statement	F-count	F-table	p-values	Decision
H8	<i>Digital Leadership</i> (X1) and <i>Reward System</i> (X2) simultaneously influence Employee Performance (Z) through <i>Job Engagement</i> (Y)	24,494	2,683	0,000	Accepted

Based on Table 10, the results of the simultaneous test produced an F-count value of 24.494, while the F-table value at a significance level of 5% with degrees of freedom (*df1* = 3 and *df2* = 116) was 2.683. The F-count value which is much larger than the F-table indicates that the research model has a significant ability to explain variations in Employee Performance.

Furthermore, the test results also showed a *p-value* of 0.000, which is smaller than the 0.05 significance level. Thus, the eighth hypothesis (H8) was accepted. These results indicate that *Digital Leadership* and the *Reward System* simultaneously have a significant influence on Employee Performance through *Job Engagement* at PT X in the Bandung Region.

These findings indicate that improved employee performance in a digital work environment cannot be explained by a single factor alone, but rather results from a combination of digital leadership quality, reward system effectiveness, and employee job engagement. In other words, organizational success in improving employee performance in the era of digital transformation requires an integration of technology-adaptive leadership, reward systems relevant to the needs of the digital workforce, and the organization's ability to foster high levels of employee *job engagement*.

The results of this simultaneous test also strengthen the results of the previous partial test which shows that *Job Engagement* plays a central role in bridging the influence of *Digital Leadership* and *Reward Systems* on Employee Performance, so that the existence of this mediating variable becomes an important element in the research model being built.

Testing of Indirect Effect or Mediation

In addition to testing the direct influence between variables, this study also tested the indirect effect to determine whether *Job Engagement* acts as a mediating variable in the relationship between *Digital Leadership* and *Reward Systems* on Employee Performance. Mediation testing was conducted using a *bootstrapping procedure* with 5,000 subsamples in SEM-PLS. An indirect effect is declared significant if it has a *t-statistic value* greater than 1.96 and a *p-value* less than 0.05.

Table 10. Results of Indirect Effect Testing

Hypothesis	Indirect Influence Path	Coefficient	t-statistics	p-values	The Nature of Mediation
H6	<i>Digital Leadership</i> (X1) → <i>Job Engagement</i> (Y) → Employee Performance (Z)	0.200	3,979	0,000	Partial Mediation
H7	<i>Reward System</i> (X2) → <i>Job Engagement</i> (Y) → Employee Performance (Z)	0.159	2,870	0.004	Full Mediation

Based on Table 10, the indirect effect of *Digital Leadership* on Employee Performance through *Job Engagement* produces a path coefficient of 0.200 with a *t-statistic value* of 3.979 and a *p-value* of 0.000. This value indicates that the indirect effect formed is positive and significant, so that the sixth hypothesis (H6) is declared accepted. These results indicate that improving the quality of *Digital Leadership* not only has a direct effect on Employee Performance, but is also able to improve performance through increasing employee *Job Engagement*.

Furthermore, because the previous test results showed that the direct effect of *Digital Leadership* on Employee Performance (H2) was also significant, the mediating role of *Job Engagement* on the relationship is included in the partial mediation category. In other words, *Digital Leadership* affects Employee Performance both directly and through increasing employee work engagement. Furthermore, the indirect effect of the *Reward System* on Employee Performance through *Job Engagement* produces a coefficient of 0.159 with a *t-statistic value* of 2.870 and a *p-value* of 0.004. These results indicate that the indirect effect formed is positive and significant so that the seventh hypothesis (H7) is declared accepted. This finding indicates that a good reward system is able to improve Employee Performance by increasing the level of employee *Job Engagement* towards their work. In contrast to the previous path, the results of the direct effect test show that the *Reward System* does not have a significant direct effect on Employee Performance (H4 is rejected). However, the indirect effect through *Job Engagement* is proven to be significant. Therefore, the nature of the mediation in this path is categorized as full mediation. This means that the effect of the *Reward System* on Employee Performance occurs entirely through increasing *Job Engagement*, not through a direct path.

Overall, the results of this mediation test strengthen the position of *Job Engagement* as the primary mediating variable in the research model. These findings indicate that job engagement functions as a psychological mechanism that translates organizational support in the form of digital leadership and reward systems into improved employee performance. Therefore, improving employee performance in the digital work environment of PT X Bandung Region requires not only adaptive leadership to technology and an adequate reward

system, but also the organization's ability to build and maintain high levels of *Job Engagement* among employees.

Path Diagram and Structural Model Testing Results Graph

outer model) and structural model (*inner model*) tests in an integrated manner, the results of *the outer loading test* , path coefficients, *R-Square values* , and hypothesis testing results are visualized in the form of a path diagram and a hypothesis significance graph. This visual presentation follows the SmartPLS output display convention *commonly* used in *Structural Equation Modeling-Partial Least Squares* (SEM-PLS) -based research (J. Hair & Alamer, 2022; J.F. Hair et al., 2019) .

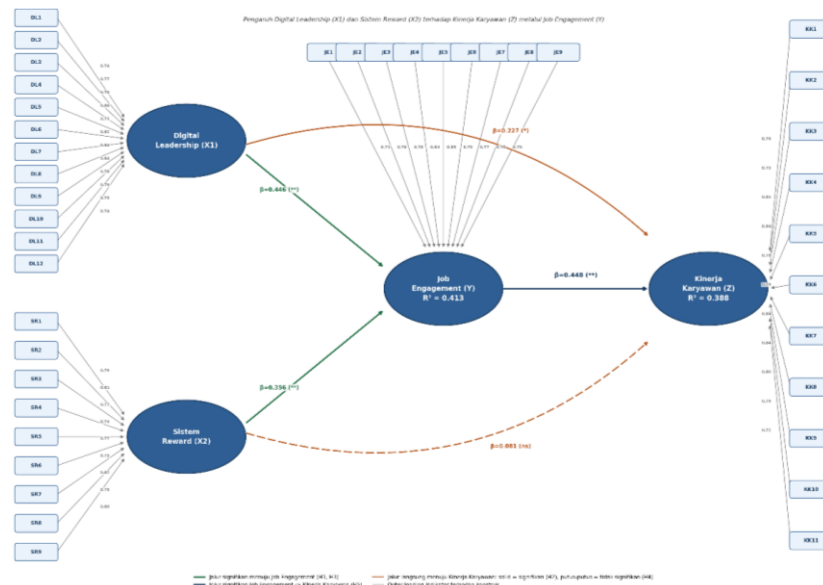


Figure 1. Structural Model Path Diagram of SEM-PLS Test Results

Figure 1 shows that all research indicators have *outer loading values* above 0.70, thus all indicators are declared valid in representing the constructs they measure. This finding is consistent with the results of the convergent validity test discussed in the previous subsection. The structural model shows that the path of influence of *Digital Leadership* on *Job Engagement* and the path of *Reward System* on *Job Engagement* have positive and significant path coefficients. Similarly, the path of influence of *Job Engagement* on *Employee Performance* shows a relatively large and statistically significant coefficient. These findings indicate that work engagement plays a crucial role in explaining improved employee performance in a digital work environment.

In contrast, the direct path of the *Reward System* to *Employee Performance* shows a relatively small coefficient and is not statistically significant. Therefore, in the path diagram, this relationship is depicted using a dotted line to distinguish it from other significant paths. In contrast, the direct path of *Digital Leadership* to *Employee Performance* is still depicted using a solid line because, despite its relatively small coefficient, its effect remains statistically significant.

In addition to the path diagram, the significance of each hypothesis is also visualized through a graph of the *t*-statistics values from the bootstrapping results presented in Figure 2.

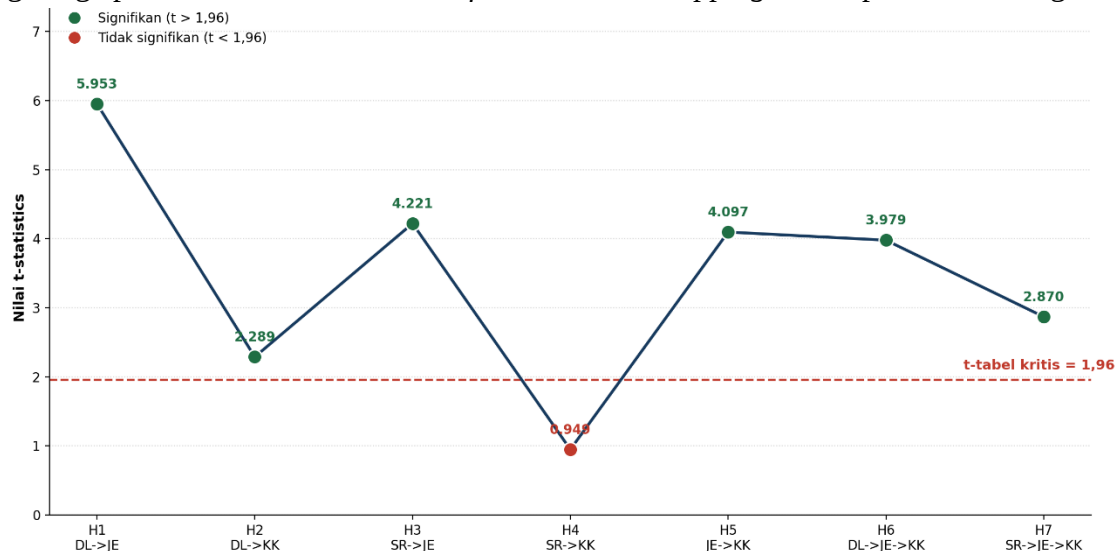


Figure 2. Graph of t-statistics values of hypothesis testing results

In Figure 2, the horizontal axis shows the entire path of the tested hypotheses (H1 to H7), while the vertical axis shows the *bootstrapping t*-statistics value. The horizontal line at 1.96 is used as the statistical decision-making boundary at the 5% significance level.

The visualization results show that the path H1 (*Digital Leadership* → *Job Engagement*) has the highest *t*-statistics value of 5.953, which indicates that the influence of digital leadership on job engagement is the relationship with the strongest statistical support in this research model. Furthermore, H3 (*Reward System* → *Job Engagement*) and H5 (*Job Engagement* → *Employee Performance*) also show a high level of significance with *t*-statistics values of 4.221 and 4.097, respectively.

In the mediation pathway, H6 (*Digital Leadership* → *Job Engagement* → *Employee Performance*) produced a *t*-statistic value of 3.979, while H7 (*Reward System* → *Job Engagement* → *Employee Performance*) produced a value of 2.870. Both pathways are above the critical limit and are therefore statistically significant.

Meanwhile, H2 (*Digital Leadership* → *Employee Performance*) produced a *t*-statistic value of 2.289, which is still above the significance limit, although it has a relatively lower level of relationship strength compared to other significant paths. Conversely, H4 (*Reward System* → *Employee Performance*) produced a *t*-statistic value of 0.949, making it the only path below the critical limit of 1.96 and declared insignificant.

Overall, the visual pattern in the graph confirms the results of the previous statistical test, which showed that of the seven pathways tested using the *t*-statistic, only the direct effect of the *Reward System* on *Employee Performance* did not receive empirical support. Meanwhile, the other six pathways proved significant at the 95% confidence level. The simultaneous test (H8) is not shown in this graph because it uses the F-statistic, so its interpretation is performed separately using the simultaneous test results.

Discussion

The Influence of Digital Leadership on Job Engagement (H1)

The results of the study indicate that *Digital Leadership* has a positive and significant effect on *Job Engagement* ($\beta = 0.446$; $p < 0.001$). This finding aligns with research (Li et al., 2024) which found that digital leadership can increase work engagement through employee empowerment and affective commitment. Leaders who are able to communicate a digital vision, encourage innovation, and facilitate the use of technology tend to increase employee enthusiasm, dedication, and engagement in their work. These results also support *Social Exchange Theory*, which states that organizational support through leadership will be reciprocated by employees in the form of higher work engagement.

Improving *Job Engagement* through *Digital Leadership* occurs because digital leaders act as change facilitators who are able to create an adaptive, collaborative, and technology-based work environment. In a dynamic digital work environment, employees often face changes in systems, work processes, and new competency demands that can create uncertainty. The presence of leaders who provide clear direction, technological support, and mentoring during the digital transformation process will increase employee confidence and readiness to face these changes. In addition, *Digital Leadership* also increases *engagement* by providing autonomy, learning opportunities, and digital competency development. When employees feel they have adequate skills and support to complete their work, they will demonstrate higher levels of enthusiasm (vigor), dedication (dedication), and full involvement (absorption) (Schaufeli et al., 2002). Digital leaders who encourage innovation and participation in decision-making can also increase a sense of ownership of their work and organization.

From the perspective of *Job Demands-Resources Theory* (JD-R), *Digital Leadership* can be categorized as a *job resource* that can reduce work pressure due to technological change while increasing employee intrinsic motivation (Bakker & Demerouti, 2017). Leadership support in the form of open communication, coaching, feedback, and the provision of digital resources makes employees feel valued and supported by the organization. This condition ultimately encourages increased emotional and psychological attachment of employees to their work, resulting in higher levels of *Job Engagement*.

In the context of PT X in the Bandung Region, as a company undertaking a sustainable digital transformation, the role of *digital leadership* is increasingly crucial because the success of technology implementation depends heavily on employee readiness and engagement. Leaders who can lead by example in utilizing technology, supporting innovation, and building a positive digital work culture will more easily foster employee *engagement* and drive overall organizational performance.

The Influence of Digital Leadership on Employee Performance (H2)

Digital leadership was shown to have a positive and significant effect on employee performance ($\beta = 0.227$; $p = 0.022$), although with a relatively small effect size ($f^2 = 0.057$). These results support research (Hidayat et al., 2023) which shows that digital leadership contributes to improved performance through technological support and digital competence. In contrast to research (Öngel et al., 2023) which found full mediation through individual creativity, this study shows that the direct effect remains significant, so the mediation is partial. This indicates the existence of a direct influence pathway in the form of improved coordination, digital governance, and work process efficiency.

Performance improvements through *digital leadership* occur because digital leaders are able to integrate technology with business processes and human resource management more

effectively. Leaders with digital capabilities tend to be quicker at making data-driven decisions, leveraging technology to accelerate information flow, and optimizing coordination between work units. This allows work to be completed more efficiently, accurately, and responsive to changes in the business environment (Aryanti et al., 2023).

Furthermore, *digital leadership* plays a role in creating a work culture that is innovative and adaptive to technological change. Leaders who encourage experimentation, continuous learning, and the use of digital technology will improve employees' ability to complete work with more effective methods (Yuliawati et al., 2025). In organizations undergoing digital transformation, such as PT X in the Bandung Region, the leader's ability to direct the use of technology is a crucial factor in increasing productivity and the quality of work results. From a *Resource-Based View* (RBV) perspective, digital leadership capabilities are one of the organization's strategic resources capable of creating competitive advantage by enhancing individual and organizational capabilities. Digital leaders function not only as decision-makers but also as drivers of change, ensuring that technology is optimally utilized to support the achievement of organizational goals. Therefore, the existence of *digital leadership* can have a direct impact on improving performance even without going through specific psychological variables.

However, the relatively small *effect size* ($f^2 = 0.057$) indicates that the direct influence of *Digital Leadership* on performance is still lower than the indirect influence through *Job Engagement*. This shows that digital leadership is indeed able to increase operational efficiency, improve coordination, and accelerate work processes directly, but a greater impact will be obtained when the leadership also succeeds in increasing employee work engagement. In other words, the success of *Digital Leadership* in improving performance depends not only on the technological and managerial capabilities of the leader, but also on his ability to build employee motivation, commitment, and engagement with work.

In the context of PT X in the Bandung Region, leaders who are able to set an example in the use of digital technology, support innovation, and create a collaborative work environment will more easily drive increased employee productivity and work quality. Therefore, developing *Digital Leadership competencies* needs to be a strategic organizational priority to support the success of digital transformation and sustainable performance improvement.

Reward System on Job Engagement (H3)

reward system was shown to have a positive and significant effect on *job engagement* ($\beta = 0.356$; $p < 0.001$). This finding is consistent with research (Nurindahsari, 2024) which shows that compensation can increase employee work engagement. The relatively greater effect in this study is likely due to the broader scope of the reward system, which includes both financial and non-financial rewards such as recognition, career development opportunities, and learning opportunities. This finding supports the view (Armstrong, 2010) that non-financial rewards have a strong psychological impact on work engagement.

Improving *Job Engagement* through *Reward Systems* occurs because rewards signal to employees that the organization values their contributions, efforts, and achievements. When employees feel that their hard work is recognized and appreciated fairly, they feel valued, a sense of belonging to the organization, and are motivated to make greater contributions to their work. This ultimately increases employees' emotional and psychological attachment to their work (Yuliawati et al., 2021). This finding can be explained through *Social Exchange Theory*, which states that the relationship between organizations and employees is reciprocal

. When organizations provide adequate rewards, whether in the form of financial incentives or non-financial recognition, employees tend to reciprocate this treatment through increased commitment, loyalty, and work engagement. In other words, rewards serve as a form of organizational support that encourages employees to exert greater effort and contribution to the organization.

Furthermore, from the perspective of *Self-Determination Theory*, an effective reward system can fulfill employees' basic psychological needs of competence, autonomy, and relatedness. Recognition of work performance increases feelings of competence, career development opportunities strengthen perceptions of professional growth, while social rewards and recognition from leaders and colleagues increase feelings of connectedness to the organization. Fulfilling these psychological needs contributes to increased levels of employee engagement.

In the context of X Bandung Region which is in a digital and competitive work environment, non-financial rewards such as opportunities to participate in technology training, professional certification, involvement in strategic projects, and recognition of digital innovation are very important factors in building *Job Engagement*. Employees who feel their organization supports the development of their competencies and careers tend to show higher levels of enthusiasm, dedication, and involvement in work. Therefore, a comprehensively designed *Reward system not only functions as a compensation tool, but also as a strategic instrument to increase Job Engagement* and retain talent in the era of digital transformation.

Reward System on Employee Performance (H4)

Contrary to initial expectations, the *reward system* did not have a significant direct effect on employee performance ($\beta = 0.081$; $p = 0.342$). This result indicates that rewards do not automatically improve performance, but rather first influence the psychological aspects of employees in the form of work engagement. This finding aligns with a study by Sihombing et al., 2026, which concluded that the influence of rewards on performance generally occurs through *employee engagement*. Thus, the reward system remains important, but its effectiveness depends heavily on its ability to build work engagement.

The insignificant direct effect can be explained because employee performance in digital-based organizations such as PT X in the Bandung Region is not only determined by rewards but is also influenced by digital competence, leadership, organizational culture, team collaboration, and the level of adaptation to technological change. In these conditions, the provision of financial or non-financial rewards does not necessarily directly translate into increased productivity if employees do not yet have an emotional and psychological attachment to their work. Furthermore, based on the perspective of *Social Exchange Theory*, the rewards received by employees generally first form the perception that the organization values their contributions (*perceived organizational support*). This perception then increases motivation, commitment, and work engagement before ultimately driving increased performance. In other words, *rewards* work through an indirect psychological mechanism, so their influence on performance requires an intermediary variable in the form of *Job Engagement*. From the perspective of *Self-Determination Theory*, external rewards that are too oriented towards financial aspects are also not always able to increase employee intrinsic motivation sustainably. Employees working in knowledge- and technology-based sectors tend to value learning opportunities, career development, professional recognition, and autonomy

in their work more than just financial incentives. Therefore, new rewards will have an impact on performance if they are able to fulfill employees' psychological needs for competence, autonomy, and *relatedness*.

The results of this study are supported by the mediation findings which show that the *Reward System* has a significant effect on Employee Performance through *Job Engagement* ($\beta = 0.159$; $p = 0.004$). These findings indicate the existence of *full mediation*, where rewards first increase employee enthusiasm, dedication, and engagement towards their work, then this engagement is translated into increased performance. Thus, organizations need to design a reward system that is not only oriented towards work results, but also able to foster a sense of belonging, pride, and employee attachment to the organization so that its impact on performance is more optimal.

The Influence of Job Engagement on Employee Performance (H5)

Job Engagement proved to be the strongest predictor of Employee Performance ($\beta = 0.448$; $p < 0.001$; $f^2 = 0.180$). These results support research (Ramadhan & Sembiring, 2014) in PT X Bandung Region, which found that work engagement has a significant contribution to improving employee performance. Employees who have high work energy, pride in their work, and focus on tasks tend to produce better productivity and work quality. Similar findings were also reported by (Nurindahsari, 2024) in the banking sector, which showed that work engagement is a consistent determinant of performance across various industrial sectors.

The dominant influence of *job engagement* on performance can be explained by the psychological state that directly influences employees' daily work behavior. Unlike leadership or reward systems, which act as external factors, *job engagement* reflects an employee's level of energy, enthusiasm, and emotional attachment to their work, thus having a closer relationship with actual performance achievement. According to Schaufeli et al., 2002, *Job engagement* consists of three main dimensions: *vigor*, *dedication*, and *absorption*. *Vigor* encourages employees to work with high energy and mental resilience in facing work challenges. *Dedication* fosters pride, enthusiasm, and meaning in their work, thus motivating employees to achieve organizational goals. *Absorption*, meanwhile, enables employees to fully concentrate and engage deeply in their work, thereby reducing errors and improving the quality of work output.

From the perspective of *Job Demands-Resources Theory* (JD-R), *Job Engagement* is the primary motivational mechanism that connects job resources with performance outcomes (Bakker & Demerouti, 2017). When organizations provide supportive leadership, adequate technology, and a fair reward system, these resources will increase employee *engagement levels*. Furthermore, *engagement* will encourage the emergence of positive work behaviors such as proactivity, innovation, adaptability to change, and a willingness to provide extra effort (*discretionary effort*) which ultimately improves performance.

In a digital work environment like PT X in the Bandung Region, job engagement is becoming increasingly important as employees are required to continuously adapt to technological developments and rapid changes in business models. Employees with high *job engagement* tend to be more receptive to change, learn new technologies more quickly, and are more active in creating innovation than employees with low levels of engagement. This condition makes *job engagement* a strategic factor in maintaining organizational productivity and competitiveness in the era of digital transformation.

The path coefficient value of 0.448 and the *effect size* (f^2) value of 0.180, which are in the moderate category, indicate that increasing work engagement significantly contributes to improving employee performance. Therefore, organizations need to prioritize strategies to improve *job engagement* through strengthening *digital leadership*, providing meaningful reward systems, developing competencies, and creating a work environment that supports employee psychological well-being.

The Mediating Role of Job Engagement (H6 and H7)

The results of the study indicate that *Job Engagement* partially mediates the effect of *Digital Leadership* on Employee Performance and fully mediates the effect of the *Reward System* on Employee Performance. In the leadership pathway, the direct and indirect effects are both significant, so the mediation is partial. Conversely, in the reward system pathway, the direct effect is not significant while the indirect effect is significant, so there is full mediation. This difference in mediation patterns indicates that digital leadership has structural and technical influences that can directly improve performance, while the reward system works primarily through psychological mechanisms in the form of increased work engagement. This finding supports the *Social Exchange Theory*, which explains that rewards will result in higher work contributions if employees first build emotional and cognitive attachment to their work.

The dominant role of *job engagement* in this study demonstrates that employee performance in the digital transformation era is determined not only by the availability of technology, leadership quality, or reward systems, but primarily by the extent to which employees feel psychologically connected to their work. Employees with high levels of *engagement* tend to demonstrate greater enthusiasm, dedication, and concentration in completing tasks, resulting in improved productivity and work quality.

According to (Schaufeli et al., 2002) *Job Engagement* consists of three main dimensions: *vigor*, *dedication*, and *absorption*. Employees with *vigor* will demonstrate high energy and mental resilience at work, employees with *dedication* have a sense of pride and meaning in their work, while *absorption* makes employees fully involved and focused on the tasks being done. These three dimensions contribute directly to improving the quality, quantity, timeliness, and effectiveness of work, making *Job Engagement* an important predictor of employee performance. From the perspective of *Job Demands-Resources Theory* (*JD-R*), *Job Engagement* is the main mechanism that connects various organizational resources (*job resources*) with work results (*performance outcomes*). *Digital Leadership and Reward Systems* in this study act as *job resources* that provide support, recognition, development opportunities, and a conducive work environment. However, these resources can only be translated into improved performance if they succeed in increasing the level of employee *engagement*. In other words, *Job Engagement* functions as a driving force that transforms organizational resources into productive work behavior.

In the context of PT X in the Bandung Region, which operates in a dynamic and competitive digital business environment, work engagement is becoming increasingly important because employees are required to continuously learn, adapt to new technologies, and innovate continuously. In such conditions, employees who are solely motivated by external rewards tend to have unstable performance. Conversely, employees who have a strong emotional and psychological attachment to their work will continue to demonstrate good performance despite facing the pressures of change and high job complexity.

These findings explain why *Job Engagement* is the most dominant factor in the research model, while also explaining why *Reward Systems* are unable to directly improve performance. Rewards will only lead to improved performance if they foster employee enthusiasm, dedication, and engagement in their work. Therefore, performance improvement strategies in the digital era should not only focus on technology and compensation, but also on building strong *employee engagement* through supportive leadership, a positive organizational culture, and a reward system that is meaningful to employees.

Simultaneous Testing and Overall Model (H8)

The results of the simultaneous test show that *Digital Leadership and Reward Systems* together, through *Job Engagement*, have a significant effect on Employee Performance ($F = 24.494$; $p < 0.001$). This finding strengthens previous research which shows that the combination of leadership and reward systems is an important predictor for improving organizational performance when accompanied by high work engagement. The *R-Square value* of 0.413 on *Job Engagement* and 0.388 on Employee Performance indicates that the research model has moderate explanatory power.

These simultaneous influences indicate that improving employee performance in the digital transformation era cannot be achieved through a single managerial approach, but requires a combination of technology-adaptive leadership and a reward system that meets employee needs. *Digital Leadership* plays a role in providing strategic direction, technological support, and creating an innovative work culture, while the *Reward System* serves as a mechanism for recognizing and appreciating employee contributions. The combination of the two creates a work environment that supports increased motivation and work engagement. The results also show that *Job Engagement* is the main mechanism linking these two variables to employee performance. From the perspective of *Job Demands-Resources Theory* (JD-R), *Digital Leadership* and the *Reward System* are forms of *job resources* that can increase employee psychological energy and intrinsic motivation. These resources are then translated into higher levels of work engagement, which ultimately results in increased productivity, work quality, and achievement of organizational targets.

R-Square value of 0.413 on the *Job Engagement variable* indicates that 41.3% of the variation in employee work engagement can be explained by *Digital Leadership* and the *Reward System*. Meanwhile, the *R-Square value* of 0.388 on the Employee Performance variable indicates that 38.8% of the variation in performance can be explained by the combination of *Digital Leadership*, the *Reward System*, and *Job Engagement*. This value indicates that the model's predictive ability is in the moderate category, which means the model has a fairly good ability to explain the phenomenon studied, although it does not fully describe all factors that influence employee performance. There are still 58.7% of variations in *Job Engagement* and 61.2% of variations in Employee Performance that are influenced by other factors outside the research model. In the context of a digital-based organization such as PT X Bandung Region, these factors can be digital organizational culture, employee digital competence and literacy, intrinsic motivation, job satisfaction, work *-life balance*, innovation climate, and organizational readiness to face technological change. Therefore, further research can consider these variables to improve the explanatory power of the model and gain a more comprehensive understanding of the factors that influence employee performance in the era of digital transformation.

Overall, the results of this study indicate that successfully improving employee performance in the digital era requires an integrated approach that encompasses leadership, reward systems, and job engagement. Organizations that focus solely on technology or compensation without addressing employee psychological engagement are likely to achieve less than optimal results. Conversely, organizations that combine effective *digital leadership*, meaningful reward systems, and high levels of *job engagement* will have a greater chance of achieving superior and sustainable performance.

CONCLUSION AND SUGGESTIONS

Based on the results of data analysis using the *Structural Equation Modeling-Partial Least Squares* (SEM-PLS) approach, this study produced several conclusions that *Digital Leadership* has a positive and significant effect on *Job Engagement* of employees of PT X Bandung Region. The better the leadership's ability to build a digital vision, encourage innovation, utilize technology, and manage digital work governance, the higher the level of employee work engagement. *Digital Leadership* has a positive and significant effect on Employee Performance. Although the magnitude of the direct effect is relatively small, digital leadership is still proven to be able to improve the quality, effectiveness, and productivity of employee work in a digital work environment. The *Reward System* has a positive and significant effect on *Job Engagement*. Providing fair and adequate rewards, both in the form of financial compensation and non-financial rewards, has been shown to increase employee enthusiasm, dedication, and engagement in their work. The *Reward System* does not have a direct effect on Employee Performance. This finding indicates that rewards given by the organization do not automatically improve performance if they are not followed by an increase in employee work engagement. *Job Engagement* has a positive and significant effect on Employee Performance and is the variable with the largest contribution in explaining performance variations in this research model. Employees who have high levels of energy, dedication, and work engagement tend to show better performance. *Job Engagement* partially mediates the effect of *Digital Leadership* on Employee Performance. This shows that digital leadership is able to improve performance both directly and through increasing employee work engagement. *Job Engagement* fully mediates the effect of the *Reward System* on Employee Performance. Thus, the effectiveness of the reward system in improving performance is highly dependent on its ability to build employee work engagement first. *Digital Leadership* and the *Reward System* simultaneously have a positive and significant effect on Employee Performance through *Job Engagement*. The research model has an explanatory ability that is in the moderate category with an *R-Square* value of 41.3% for *Job Engagement* and 38.8% for Employee Performance, and has good predictive relevance based on a positive *Q-Square* value. Overall, this study confirms that improving employee performance in the digital work environment of PT X Bandung Region is not only determined by the quality of digital leadership and the reward system, but primarily by the organization's ability to build and maintain a high level of *Job Engagement* among employees.

Practically, companies need to prioritize improving *Job Engagement* by strengthening reward systems that are oriented towards work engagement, developing digital leadership, and regularly monitoring employee engagement to support performance improvement. Academically, further research is recommended to add other relevant variables, expand the sample scope, use a longitudinal design, and further examine the mediating mechanisms and

factors that influence the relationship between *Digital Leadership*, *Reward Systems*, *Job Engagement*, and employee performance.

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