

Building Employee Engagement through Leadership and Organizational Agility: A Study in Indonesia

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ABSTRACT

This study examines how leadership and organizational agility contribute to building employee engagement, focusing on the context of Indonesia's digital economy. The central question investigates how adaptive leadership enables organizational agility while enhancing employee engagement in organizations facing rapid technological change and market uncertainties. Leadership is identified as a critical factor in shaping vision, empowering teams, and cultivating a culture of innovation that resonates with the local work environment. Findings drawn from literature synthesis and empirical evidence in Indonesian organizations show that organizational agility reflected in flexible structures, adaptive processes, and rapid responsiveness acts as a significant mediator that reinforces employee engagement. The discussion highlights how inclusive and collaborative leadership practices strengthen employees' sense of belonging, motivation, and performance. The main findings suggest that the integration of visionary leadership and organizational agility is essential not only essential for fostering engagement but also for sustaining long-term competitiveness. This research contributes by offering insights into how Indonesian organizations can strategically align leadership styles and agility capabilities to thrive in the digital era and maintain sustainable growth.

Keywords: *Digital Economy, Employee Engagement, Leadership, Organizational Agility.*

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1. | INTRODUCTION

In the rapidly evolving digital economy, organizations face continuous changes in technology, customer expectations, market conditions, and ways of working. Digital transformation therefore involves not only technology adoption but also the redesign of processes, structures, and organizational capabilities. In this context, organizational agility has become an important capability that enables organizations to sense changes, make timely decisions, and reconfigure resources and processes effectively (Kovynyov et al., 2021; Walter, 2021). These demands are particularly relevant for emerging economies such as Indonesia, where digital transformation is accompanied by competitive pressure, uncertainty, and the need for continuous organizational learning. Research in the Indonesian banking sector highlights the importance of leadership, digital culture, and organizational capabilities in developing organizational agility (Rani et al., 2024). Similarly, AlNuaimi et al. (2022) found that digital transformational leadership positively influences organizational agility.

Leadership plays a central role in helping organizations respond to dynamic environments. Beyond providing strategic direction, leaders are expected to encourage adaptation, empower employees, facilitate collaboration, and support organizational learning. Transformational and adaptive leadership can strengthen organizational capabilities for managing technological and environmental changes (Huang et al., 2023). Leadership is therefore closely associated with the development of flexible structures and responsive practices, particularly when organizations must balance technological change, employee needs, and organizational objectives. AlNuaimi et al. (2022) further demonstrate that digital transformational leadership contributes to organizational agility and organizational responsiveness.

Organizational agility also shapes how employees experience and respond to organizational change. Agile organizations emphasize flexible structures, cross-functional collaboration, rapid decision-making, and continuous learning, creating opportunities for employee participation and responsiveness (Walter, 2021; Walter, 2021). Zhang et al. (2023) found that organizational agility significantly influences digital transformation, while dynamic capabilities support its development. Leadership, organizational agility, and digital collaboration are also interconnected with employee engagement, particularly in changing and digitally mediated work environments (Busse & Weidner, 2020). Thus, organizational agility may function not only as an organizational capability but also as a mechanism linking leadership practices with employee experiences.

Employee engagement is increasingly important during digital transformation because employees must continuously learn, adapt to new technologies, and manage changing work processes. Employee engagement is influenced by personal resources, technological demands, and organizational conditions (Ye et al., 2024). Workplace digitalization can also strengthen the relationship between leadership, innovative culture, and employee outcomes (Hooi, 2023). Li et al. (2024) found that middle

managers' digital leadership positively affects employee work engagement through employee empowerment and affective commitment. In Indonesia, perceived leadership agility has also been positively associated with work engagement among retail employees (Putra et al., 2024).

Although previous studies have examined leadership, organizational agility, and employee engagement, the relationships among these constructs remain important in Indonesia's digital economy. Existing research often focuses on individual relationships, while the mediating role of organizational agility in linking leadership with employee engagement requires further contextual attention. Therefore, this study examines how adaptive leadership and organizational agility interact to foster employee engagement in Indonesian organizations undergoing digital transformation, with organizational agility positioned as a potential mechanism through which adaptive leadership strengthens employee engagement and supports organizational resilience.

2. | LITERATURE REVIEW

Leadership and Employee Engagement

Leadership plays an important role in shaping employee engagement, particularly in organizations experiencing technological and organizational change. In digital environments, leaders are expected not only to provide direction but also to encourage participation, empowerment, collaboration, and continuous learning. Adaptive and transformational leadership are particularly relevant because they help employees respond to changing situations while maintaining alignment with organizational goals. Huang et al. (2023) found that transformational and adaptive leadership contribute to capabilities required in digital transformation projects, although their effects may differ across specific dynamic capabilities. AlNuaimi et al. (2022) further demonstrated that digital transformational leadership supports organizational agility, indicating that leadership can help organizations and employees adapt to digital transformation.

Employee engagement is also influenced by the organizational environment created by leadership. Leaders who communicate a clear vision, provide support, and encourage employee involvement can strengthen employees' psychological connection to their work. Hooi (2023) found that transformational leadership directly influences employee engagement, while workplace digitalization and innovative culture also contribute to engagement in digitally oriented workplaces. Similarly, Li et al. (2024) found a positive relationship between middle managers' digital leadership and employee work engagement, highlighting the importance of leadership at the operational level. In Indonesia, evidence from green banking indicates a positive relationship between transformational leadership and employee engagement, while Putra et al. (2024) reported a positive relationship between leadership agility and work engagement among retail employees. Therefore, leadership supports employee engagement through direction, empowerment, communication, and support, although its effects may depend on organizational structures and processes that enable employees to respond effectively to changing demands.

Organizational Agility as a Link between Leadership and Employee Engagement

Organizational agility refers to an organization's ability to respond rapidly to change by adjusting its resources, processes, structures, and decision-making. In digital transformation, agility enables organizations to respond to technological developments and environmental uncertainty through flexible processes and rapid resource reconfiguration. Recent literature describes organizational agility as an important capability supporting responsiveness and adaptation in dynamic environments (Walter, 2021). Kovynyov et al. (2021) emphasize that organizational transformation initiatives can develop agility through changes that support flexible and responsive processes. AlNuaimi et al. (2022) further found that digital transformational leadership contributes to organizational agility, demonstrating the connection between leadership and organizational adaptability.

Organizational agility is relevant not only to organizational performance but also to employee outcomes. Research during the COVID-19 crisis found that employees' perceptions of organizational strategic agility were positively associated with work engagement and well-being, while organizational learning, top management, and clear organizational aims contributed to agility. This suggests that agile conditions can provide employees with resources to respond effectively to change. Zhang et al. (2023) similarly found that organizational agility supports digital transformation, with dynamic capabilities contributing to its development.

Leadership can strengthen organizational agility by encouraging flexibility, collaboration, learning, and faster adaptation. Huang et al. (2023) demonstrate that leadership is relevant to developing dynamic capabilities required during digital transformation. Ly (2024) further shows that organizational agility mediates the relationship between digital transformational leadership and digital transformation. Therefore, organizational agility can be positioned as a mechanism connecting leadership practices with employee engagement. When leaders create adaptive environments and organizations provide flexible structures and processes, employees may experience greater autonomy, responsiveness, and involvement.

3. | RESEARCH METHOD

This study employs a Systematic Literature Review (SLR) to examine the relationship between adaptive leadership, organizational agility, and employee engagement in Indonesia's digital economy. The SLR approach was selected to systematically identify, evaluate, and synthesize previous theoretical and empirical studies related to the research topic. The review process followed the PRISMA 2020 guidelines to ensure transparency and consistency in the identification, screening, eligibility assessment, and selection of relevant studies (Page et al., 2021).

The literature search focused on studies published between 2020 and 2025 that addressed at least one of the main constructs: adaptive leadership, organizational agility, and employee engagement. Searches were conducted through ScienceDirect, Emerald Insight, SAGE Journals, JSTOR, and Google Scholar using combinations of

the keywords “adaptive leadership,” “leadership agility,” “organizational agility,” “employee engagement,” “digital transformation,” and “Indonesia.” Studies were included when they were published in English, peer-reviewed, available in reputable academic journals or proceedings, and relevant to leadership, organizational change, digital transformation, agility, or employee engagement. Non-peer-reviewed studies, irrelevant publications, and studies with insufficient methodological information were excluded.

The initial search identified more than 90 potentially relevant studies. Following title, abstract, and full-text screening based on the inclusion and exclusion criteria, 10 core studies were selected for analysis. The selected studies covered organizational contexts such as technology-based companies, MSMEs, public institutions, and hybrid workplaces in Indonesia and Southeast Asia. Data were extracted using a literature matrix covering publication year, research context, methodology, theoretical perspective, variables, and major findings. The selected studies were analyzed using qualitative content analysis and thematic synthesis, focusing on adaptive leadership, organizational agility, and employee engagement. Particular attention was given to recurring relationships, mediating mechanisms, and contextual factors linking leadership practices with organizational agility and employee engagement.

4. | RESULTS

This study conducted a Systematic Literature Review (SLR) of ten peer-reviewed studies published between 2020 and 2025 to examine the relationship between adaptive leadership, organizational agility, and employee engagement in Indonesia’s digital economy. The selected studies were analyzed through thematic synthesis and conceptual mapping to identify recurring relationships and mechanisms among the three constructs. Six studies employed quantitative approaches using surveys, structural equation modelling, or regression, while four used qualitative or mixed-method approaches. The studies covered technology-based companies, MSMEs, public institutions, manufacturing organizations, and digitally transformed workplaces in Indonesia and Southeast Asia.

The synthesis demonstrates that adaptive leadership consistently emerges as an important factor in organizational responses to technological and environmental changes. Adaptive leadership involves flexibility, empowerment, collaborative decision-making, openness to feedback, and the ability to guide employees through uncertainty. These characteristics are particularly relevant to digital transformation because organizations must continuously adjust strategies, processes, and resources. AlNuaimi et al. (2022) demonstrate that leadership, organizational agility, and digital strategy are closely interconnected in supporting digital transformation. Similarly, Ly (2024) identifies a relationship between digital transformational leadership and organizational agility, suggesting that leadership capabilities help organizations navigate digital transformation. Huang et al. (2023) further show that transformational and adaptive leadership are relevant to developing dynamic capabilities in digital

transformation projects, with transformational leadership influencing project capabilities while adaptive leadership provides an important perspective for responding to changing circumstances.

Leadership adaptability is also closely associated with organizational agility. Organizational agility refers to an organization's capacity to respond to environmental changes through flexible structures, rapid decision-making, resource adjustment, and continuous adaptation. Walter (2021), through a systematic review of 75 academic studies, conceptualizes organizational agility as a dynamic capability comprising interconnected drivers, enablers, capabilities, and dimensions that allow organizations to respond effectively to changing market conditions. Zhang et al. (2023) similarly demonstrate that organizational agility facilitates digital transformation by enabling organizations to respond more effectively to technological and environmental changes. Thus, leadership practices that promote flexibility, learning, and collaboration can contribute to stronger organizational responsiveness.

Evidence from Indonesia reinforces this relationship. Rani et al. (2024), examining the Indonesian banking sector, found that continuous organizational agility is associated with entrepreneurial leadership, digital culture, and organizational capabilities. Their findings emphasize the importance of combining routine dynamics with dynamic capabilities to sustain agility under continuous environmental change. This supports the present synthesis, particularly the role of leadership and organizational capabilities in enabling organizations to respond to digital transformation.

Organizational agility also appears to function as an important mechanism connecting leadership with employee engagement. Agile structures can provide employees with greater opportunities to participate in decision-making, collaborate across functions, and respond to changing work demands. Ly (2024) reinforces the relationship between digital transformational leadership and organizational agility, while Putra et al. (2024) identify a relationship between leadership agility and work engagement among Indonesian retail employees. Wicaksono et al. (2024), examining an Indonesian manufacturing company, further demonstrate the relevance of adaptive leadership, employee recognition, employee engagement, and employee agility. These findings suggest that agility should not be understood solely as an organizational performance capability but also as a condition that shapes employees' experiences of organizational change.

Employee engagement emerged as another consistent outcome. Digital transformation exposes employees to changing technologies, new work processes, and increasing demands for learning and adaptation. Ye et al. (2024) found that employee work engagement during digital transformation is influenced by configurations involving job demands and personal resources. Their findings indicate that resistance to new technologies, learning ability, and personal resources are relevant to engagement during digital change. Consequently, employee engagement is influenced

not only by individual motivation but also by organizational conditions that facilitate adaptation.

The relationship between leadership and engagement is further supported by evidence from digitally oriented workplaces. Hooi (2023), using data from 256 management-level respondents in Malaysian companies, found that transformational leadership directly influences employee engagement, while workplace digitalization also has a positive relationship with engagement. Innovative culture additionally influences engagement directly and through workplace digitalization. Li et al. (2024) provide further evidence that digital leadership at the middle-management level is associated with employee work engagement, emphasizing the role of leadership in shaping employees' experiences during digital transformation.

The thematic synthesis therefore reveals three interconnected patterns. First, adaptive leadership functions as an enabler of organizational adaptation, as leaders who provide direction while encouraging flexibility, collaboration, and participation can support responses to technological and market changes (AlNuaimi et al., 2022; Ly, 2024). Second, organizational agility functions as a mechanism through which leadership practices are translated into organizational responses. Flexible structures, rapid decision-making, continuous learning, and resource reconfiguration enable organizations to adapt effectively (Walter, 2021). Third, employee engagement is associated with adaptive and agile organizational environments, particularly when employees receive leadership support, participation opportunities, communication, and resources to manage changing demands (Hooi, 2023; Ye et al., 2024; Li et al., 2024).

The Indonesian context is particularly important. Rani et al. (2024) highlight entrepreneurial leadership, digital culture, and organizational capabilities in sustaining organizational agility in Indonesian banking. Wicaksono et al. (2024) provide evidence from Indonesian manufacturing concerning adaptive leadership, employee recognition, employee engagement, and employee agility, while Putra et al. (2024) demonstrate the relevance of leadership agility to work engagement in Indonesian retail. Collectively, these findings suggest that leadership and agility should be considered jointly when examining employee responses to organizational change.

Overall, the ten studies support three interconnected conclusions: adaptive leadership is associated with flexibility, learning, collaboration, and responsiveness; organizational agility enables organizations to translate leadership practices into responses to technological and environmental change; and employee engagement is supported by environments characterized by supportive leadership, flexibility, participation, communication, and learning opportunities. However, these relationships may vary according to organizational size, industry, digital maturity, leadership practices, and work arrangements. Furthermore, several studies rely on cross-sectional or qualitative approaches and concentrate on specific organizational contexts. Therefore, while the synthesis demonstrates meaningful interconnectedness among

leadership, agility, and engagement, further empirical research is needed across broader industries and organizational settings.

5. | DISCUSSION

The findings of this systematic literature review indicate that adaptive leadership, organizational agility, and employee engagement are closely interconnected in organizations experiencing digital transformation. The reviewed studies show that leadership is not only related to providing strategic direction but also to creating organizational conditions that enable employees and teams to respond to continuous change. This finding is consistent with Huang et al. (2023), who found that transformational and adaptive leadership are relevant to developing dynamic capabilities in digital transformation projects. Leadership therefore plays an important role in helping organizations translate environmental changes into organizational responses through flexibility, learning, and adaptation.

The findings further indicate that organizational agility provides an important mechanism linking leadership practices with employee outcomes. Walter (2021) conceptualizes organizational agility as a dynamic organizational capability that enables firms to respond to changing environments through appropriate structures, processes, and capabilities. In this study, agility is reflected in flexible structures, rapid decision-making, continuous learning, and the ability to adjust organizational resources. These characteristics explain why leadership alone may not be sufficient to strengthen employee engagement. Leadership needs to be supported by organizational systems that allow employees to participate, collaborate, and respond effectively to change. The relationship between leadership and employee engagement is also supported by Hooi (2023), who found that transformational leadership directly influences employee engagement, while workplace digitalization also contributes positively to engagement. Innovative culture can further influence engagement directly and through workplace digitalization.

This finding supports the present review by demonstrating that employee engagement develops within a broader organizational environment rather than solely through individual leadership behavior. The role of employees becomes increasingly important during digital transformation. Ye et al. (2024) demonstrate that employee engagement is influenced by combinations of personal resources and job-related demands, including employees' ability to learn and respond to technological pressures. Similarly, Wicaksono et al. (2024), using evidence from an Indonesian manufacturing organization, examined adaptive leadership, employee recognition, employee engagement, and employee agility, further supporting the relevance of adaptive leadership and engagement in developing employee agility.

The Indonesian context strengthens the relevance of these findings. The review suggests that organizations operating in Indonesia's digital economy need to combine adaptive leadership with agile organizational structures and employee-oriented practices. Overall, sustainable employee engagement during digital transformation

appears to depend on the interaction between adaptive leadership, organizational agility, and supportive employee conditions. This integrated perspective extends the discussion beyond a simple direct relationship between leadership and engagement and emphasizes organizational agility as a mechanism connecting leadership practices with employee experiences.

5. | CONCLUSION

This study concludes that adaptive leadership and organizational agility are closely connected with employee engagement in Indonesia's digital economy. Based on a systematic literature review of ten studies published between 2020 and 2025, the findings indicate that adaptive leadership supports organizational responses to technological and environmental changes through flexibility, empowerment, collaboration, communication, and continuous learning. Organizational agility strengthens this process by enabling flexible structures, responsive processes, rapid decision-making, and resource adjustment according to changing conditions.

The findings further indicate that organizational agility can serve as an important mechanism connecting leadership practices with employee engagement. When leaders create supportive and adaptive environments and organizations provide flexible systems and opportunities for participation, employees are better positioned to respond to changing work demands and remain involved in organizational activities. Thus, employee engagement during digital transformation is influenced not only by leadership behavior but also by the organizational conditions in which employees work.

This study contributes to the understanding of leadership, organizational agility, and employee engagement by integrating these constructs within the Indonesian digital economy context. For practitioners, the findings highlight the importance of combining adaptive leadership with agile organizational structures and employee-oriented practices. However, the reviewed literature remains concentrated in particular industries and organizational settings, with several studies using cross-sectional or qualitative approaches. Future research should examine these relationships across broader contexts and employ longitudinal or mixed-method approaches to provide stronger evidence of their long-term relationships.

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The authors declare that there is no conflict of interest.

Ethical Approval and Originality Statement

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

Data Disclosure Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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