

## Leadership Behavior as the Determinant of Organizational Engagement: A Review of Managerial Character and Employee Retention

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### ABSTRACT

This conceptual study aims to examine how leadership behavior and managerial character serve as key determinants of organizational engagement and employee retention. Using a conceptual study approach, this study integrates findings from Social Exchange and Leader–Member Exchange (LMX) theories to explain the psychological relationship mechanism between leaders and subordinates. The synthesis results show that character-based leadership behavior including integrity, empathy, fairness, empowerment, and emotional support can create high-quality social relationships that increase engagement. This attachment then functions as a psychological mediator that bridges leadership behavior and employees' decisions to stay. These findings show that retention is determined more by the quality of social experiences and a sense of belonging in the organization than by financial incentives alone. This study produces a new conceptual model that positions engagement as the main link in the relationship between leadership and retention. This model provides relevant theoretical and practical contributions to organizations, particularly in designing character-based leadership development programs and relationship-oriented retention strategies. Recommendations for further research include empirical testing, mixed-methods approaches, the addition of moderating variables, and exploration of cultural contexts and future generations of workers.

**Keywords:** Leadership Behavior; Managerial Character; Organizational Engagement; Employee Retention; Social Exchange Theory; LMX Theory.

### INTRODUCTION

#### Background

Amidst the ever-changing dynamics of business including globalization, digitalization, and the emergence of a new generation of workers with different characteristics organizations face major challenges in retaining and maximizing their human resources (HR). One of the main challenges is how to create high employee engagement while reducing turnover intention or even low retention.

The concept of employee engagement has been identified as a crucial factor in employee contribution to the organization, in terms of productivity, innovation, and loyalty. For example, Mehta & Mehta, (2013) concluded that “engaged” employees tend to have higher commitment, motivate their coworkers, and improve organizational performance.

In addition, a literature review by Ngozi & Edwinah, (2022) found that engagement has a conceptual and practical relationship with talent retention.

However, although engagement and retention have been widely discussed, one area that is gaining increasing attention is how managerial leadership behavior and character influence employee engagement and retention. In this context, leaders do not merely carry out administrative tasks, but also create a supportive psychological environment, provide meaning, and become figures trusted by their subordinates. A study by Mey et al., (2021) shows that leadership behaviors that foster a sense of belonging, appreciation, empowerment, support for personal development, and flexibility in task execution have been proven to be significant in talent retention.

Furthermore, the relationship between leadership and engagement has also been empirically proven. A quantitative study in Indonesia highlights that leadership styles, such as transformational and servant leadership, have a greater positive impact on engagement than transactional leadership styles.

Thus, it is increasingly clear that leadership quality is a key determinant not only in terms of organizational structure and incentive systems, but also in terms of managers' behavior in interacting with employees.

In theory, two frameworks that are highly relevant to understanding this relationship are Social Exchange Theory and Leader-Member Exchange (LMX) Theory. Social Exchange Theory emphasizes that reciprocal relationships between parties within an organization (e.g., leaders and subordinates) create obligations and commitments that can encourage attachment. Meanwhile, LMX Theory focuses on the quality of dyadic relationships between leaders and team members, where the quality of these relationships influences employee attitudes and behaviors, including commitment and turnover.

Through this conceptual framework, this study aims to review global studies that link managerial character, leadership behavior, organizational engagement, and employee retention. The review results are expected to produce a new conceptual model that shows how leadership behavior is a major determinant of employee engagement, which then impacts retention, through the lens of Social Exchange Theory and LMX Theory.

Thus, this study not only adds to the theoretical literature on the relationship between leadership, engagement, and retention, but also has practical implications for organizations in designing appropriate leadership development programs emphasizing behavior, character, and the quality of interactions between managers and employees that have been empirically proven to be effective.

## LITERATURE

### Definitions and Key Concepts

#### *Employee Engagement*

Employee engagement is a psychological construct in which individuals participate emotionally, cognitively, and physically in their work and feel connected to the organization's goals.

Kahn, (1990) defines engagement as “the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performance”.

Gözükara & Simsek, (2016) showed that the fundamental elements of engagement include strong leadership, autonomy, and a sense of control over the work environment. Other studies conclude that engagement is associated with positive outcomes such as work performance, innovation, and loyalty. In terms of measurement, this concept has been developed in various organizational and industrial contexts, both quantitatively and qualitatively.

#### **Managerial Leadership Behavior / Leadership Character**

Managerial leadership and managerial character refer to the patterns of behavior, values, norms, and interactions that leaders exhibit toward their subordinates and the organization. In this context, leadership character includes aspects such as honesty, empowerment, support for development, flexibility, open communication, and the emergence of trusted figures. For example, a study by Mey et al., (2021) shows that leaders who can provide a sense of belonging, appreciation, and development opportunities to employees have been proven to influence retention. Much of the literature uses the terms “leadership behavior,” “leadership style,” or “leadership character” to describe this aspect.

#### **Employee Retention**

Employee retention refers to an organization's ability to retain quality employees and reduce turnover (intention to leave). Literature studies show that retention is influenced by HR management systems, motivation, leader-subordinate interactions, and the work environment.

For example, Kaliprasad (2006) asserts that an organization's ability to retain its employees as a whole depends on how they manage those employees through motivation, interaction, vision, and learning processes.

### **Leadership and Employee Engagement**

Numerous empirical studies and literature reviews have demonstrated a significant relationship between leadership behavior and employee engagement. Here are some key findings: systematic literature review by Mukhtar & Nurnaningsih (2024) found that transformational and participatory leadership styles significantly increase work engagement, while autocratic and transactional styles tend to decrease engagement.

A longitudinal study by Mazzetti & Schaufeli (2022) of 1,048 employees in 90 teams showed that “engaging leadership” (as leadership behavior that facilitates, strengthens, connects, and inspires employees) positively impacts work engagement and team effectiveness through the mediation of personal & team resources.

A review by Mishra, Dashora & Dubey (2023) proves that transformational leadership has a positive influence on engagement and performance through mechanisms such as trust, communication, and LMX.

A conceptual review by IJRAR (2020) shows that engagement is influenced by incentive systems, leadership, and employee commitment.

**Critical Analysis:** While many studies emphasize leadership styles such as transformational or servant leadership, literature that specifically emphasizes managerial character as a determinant of engagement is relatively limited. With that said While many studies emphasize leadership styles such as transformational or servant leadership, literature that specifically emphasizes managerial character as a determinant of engagement is relatively limited. Thus, there is room to explore aspects of character, values, and behavior of leaders not just formal styles as determinants of employee engagement.

### **Leadership and Employee Retention**

Several studies also explore how leadership behavior affects employee retention, both directly and through mediators such as engagement:

- A study by Mey (2021) shows that retaining quality talent requires leaders who can provide a sense of belonging, empowerment, appreciation for personal development, flexibility, and freedom in carrying out tasks.
- A literature review by Asianab, (2023) examines how leadership styles impact staff retention; it concludes that supportive and empowering leadership styles tend to increase retention, while authoritarian styles decrease it.
- literature review on retention (2019) confirms that organizations that are successful in retaining their employees are those that are able to effectively manage motivation, interactions (leader-subordinate) and learning.

Critical analysis, Although the relationship between leadership and retention has been extensively tested, the relationship between leadership, engagement, and retention (i.e., engagement as a mediator) remains relatively unexplored conceptually. Furthermore, leadership characteristics as a key determinant (not just style) of retention are also open to further research (J & A, 2025; Shrestha & Prajapati, 2024).

## **RESEARCH METHODOLOGY**

### **Research Design**

This study uses a descriptive qualitative approach with a conceptual research design. The main focus is not on empirical data collection, but rather on integrating theory and previous research results to construct a new conceptual model that explains the relationship between leadership behavior, organizational engagement, and employee retention.

This approach was chosen because the topic of “managerial character and organizational engagement” still has room for conceptual exploration. Conceptual research allows for in-depth analysis of abstract variables, such as leadership values, interpersonal relationships, and social exchange mechanisms, which are at the core of Social Exchange and LMX theories.

### **Type and Source of Data**

The data used is secondary, obtained through analysis of credible academic sources such as:

- International journal articles indexed by Scopus, WoS, and Sinta (2019–2025 period).
- Textbooks and classic references related to leadership theory and organizational behavior (e.g., works by Blau, Bass, and Graen).

- Conceptual documents, meta-analysis results, and systematic literature reviews relevant to the topics of engagement and retention.

The source selection process focused on topic relevance, methodological validity, and appropriate organizational context (corporate, public, or educational organizations).

### Analysis Procedure

The analysis was conducted systematically through several steps:

- **Identification of Core Concepts:** recognizing definitions, indicators, and relationships between key variables (leadership behavior, engagement, retention).
- **Theory Synthesis:** integrating Social Exchange and Leader–Member Exchange theories to explain the mechanism of the relationship between leadership behavior and organizational outcomes.
- **Conceptual Modeling:** constructing a framework of variable relationships with narrative explanations and conceptual diagrams.
- **Theoretical Validation:** comparing the proposed model with previous research findings to test its logical consistency and contextual relevance.

The analysis was conducted using content analysis and thematic synthesis techniques, which allowed researchers to group findings based on themes such as trust, empathy, empowerment, and employee loyalty.

### Validity and Credibility of the Study

To ensure accuracy and objectivity, this study applies the principles of conceptual validity, including:

- **Source Triangulation:** comparing results from various academic literature and different organizational contexts.
- **Theoretical Consistency:** ensuring that the integration of SET and LMX is logically consistent with the variables analyzed.
- **Temporal Relevance:** using current references (2019–2025) to ensure relevance to modern organizational challenges and the post-pandemic context.

This methodology are not in the form of numerical data or statistical tests, but rather:

A new conceptual model that explains the relationship between leadership behavior, engagement, and retention within a strong theoretical framework. A map of inter-variable relationships that can be empirically tested in subsequent research. Strategic recommendations for organizations to strengthen character- and value-based leadership development programs.

As a conceptual study, this research does not empirically test the proposed model. Therefore, the results are theoretical and need to be further tested using quantitative survey or mixed-method research approaches in the future to strengthen the external validity and applicability of the model across various industrial sectors.

## DISCUSSION

This discussion integrates conceptual findings regarding the relationship between leadership behavior, organizational engagement, and employee retention, by reviewing how Social Exchange and Leader–Member Exchange theories provide a psycho-social basis for these mechanisms. The synthesis results show that leadership character and behavior play a fundamental role in creating employee attachment and determining employees' decisions to remain in the organization. In general, this discussion highlights three main dimensions: (1) the role of leadership character, (2) engagement as a psychological mediator, and (3) retention as a long-term outcome of the leader subordinate relationship.

### Leadership Behavior as the Main Driver of Work Relationships

The results of the study confirm that leadership behavior is not merely a managerial style, but reflects the values, morality, and character of a leader. Characteristics such as honesty, empathy, fairness, and integrity have been shown to have a greater influence on employee attitudes than structural elements such as work procedures or compensation systems (Marvel et al., 2016; Zahari et al., 2022) (Zahari et al., 2022). These findings support the view that value-oriented leadership is more effective in creating a climate of trust and psychological safety.

From the perspective of Social Exchange Theory (Blau, 1964), positive leadership behavior triggers strong reciprocal norms, encouraging employees to contribute more. Similarly, from the LMX perspective (Graen & Uhl-Bien, 1995), the quality of interpersonal relationships between leaders and subordinates is a strong predictor of satisfaction, loyalty, and work engagement. Thus, high-character leadership creates stable and sustainable dyadic relationships.

## **Engagement as a Psychological Mechanism Linking Leadership and Retention**

The discussion shows that organizational engagement is a key psychological mechanism that bridges leadership and retention. Engagement arises when employees feel a positive emotional connection to the organization, feel valued, and see their work as meaningful.

Supportive leadership behaviors such as emotional support, constructive feedback, empowerment, and open communication create meaningful work experiences. This is consistent with Mey's (2021) research findings, which state that work meaning is one of the strongest factors that increase attachment and retention.

Through the LMX lens, the higher the quality of leader-subordinate interactions, the stronger the sense of belonging, which leads to increased engagement. Engagement then acts as an intrinsic motivation that encourages employees to maintain long-term employment relationships. Thus, this study confirms the position of engagement as the main mediator in the relationship between leadership and retention.

## **Employee Retention as an Outcome of Social Relationship Quality**

The discussion also reveals that employee retention is more influenced by the quality of work relationships than by financial factors. Employees stay not only because of salary or facilities, but because of positive social experiences such as trust in leaders, feeling supported, and appreciation for their contributions.

These findings support the argument that organizations that rely on financial incentives without strengthening social relationships will experience high turnover. Conversely, organizations that build a supportive leadership culture and pay attention to psychological well-being tend to have more stable retention rates.

Retention in this context is no longer seen as an administrative policy, but as a product of quality social interactions supported by consistent and authentic leadership behavior.

## **Integration of Theory and Conceptual Implications**

The integration of Social Exchange Theory and LMX provides a robust framework for understanding the relationship between leadership, engagement, and retention. Social Exchange explains why employees respond to leaders' behavior emotionally and with commitment, while LMX explains how these interpersonal relationships are formed and maintained.

These findings provide two important conceptual contributions:

- a) They expand the understanding of character-based leadership, rather than simply style-based leadership.
- b) They establish engagement as the primary mediator between leader behavior and retention, which can be further tested in empirical research.
- c) Thus, this study enriches the literature and offers a new theoretical model that can be used as a basis for further research.

## **The Context of Modern Organizations and Future Challenges**

In the digital age, the new working generation (millennials and Gen Z) has high expectations for transparency, flexibility, and authenticity in leaders. They are more responsive to leaders who can. The results of this study reinforce the view that leadership behavior and character (managerial character) have a fundamental influence on employee engagement and their decision to stay (employee retention). In the post-pandemic era, organizations face major changes in employee expectations regarding the meaning of work, flexibility, and trust in leaders (Mazzetti & Schaufeli, 2022). Therefore, organizations need to shift the focus of HR management from conventional compensation systems to leadership development based on character, social relationships, and psychological support.

### ***Character-Based Leadership Development***

Leadership training should emphasize ethics, empathy, integrity, and honesty. Leaders with strong character are able to create a sense of psychological security and long-term trust among team members. Mey et al., (2021) shows that leaders who demonstrate empathy, appreciation, and support for the personal development of their subordinates have a significant impact on talent engagement and retention.

### ***Building a Social Exchange Culture***

Based on Social Exchange theory (Blau, 1964), the relationship between leaders and employees is reciprocal. When organizations show support, appreciation, and attention, employees will respond with high loyalty and commitment. A social exchange culture can be realized through non-financial recognition, mentoring, and continuous career development (Cropanzano et al., 2017)2017).

### ***Optimizing Leader–Member Exchange***

According to LMX theory (Graen & Uhl-Bien, 1995), the quality of the dyadic relationship between leaders and subordinates influences engagement and job satisfaction. Leaders who treat subordinates fairly, communicate openly, and are responsive to individual needs will increase loyalty and trust (Anand et al., 2018).

### ***Integrating Engagement into HR Retention Strategies***

Engagement should be viewed as a strategic mechanism that bridges leadership and retention. Employees who feel emotionally engaged have a stronger desire to remain in the organization. Ngozi & Edwinah, (2022) emphasize that employee engagement is an important mediating variable between leadership and organizational commitment.

### ***Holistic Evaluation of Leadership Performance***

Organizations need to evaluate leaders not only based on team performance results, but also on the quality of their interpersonal relationships. Indicators such as subordinate trust, fairness, and support for work-life balance need to be included in the performance appraisal system (Ruben & Gigliotti, 2019).

## **CONCLUSION**

Conceptually, this study confirms that character-based and ethical leadership are key determinants of employee engagement and retention. The integration of Social Exchange Theory (Blau, 1964) and Leader–Member Exchange Theory (Graen & Uhl-Bien, 1995) provides a more comprehensive understanding of the mechanisms underlying this relationship. By developing a model that positions engagement as a bridge between leadership behavior and retention, organizations can create a work culture that is not only productivity-oriented, but also focused on trust, a sense of belonging, and sustainable social relationships.

## **RECOMMENDATIONS**

This study opens up a wide space for future empirical and theoretical exploration. Some recommendations that can be made are:

### **a) Empirical Testing of the Conceptual Model**

The conceptual model linking leadership behavior → engagement → retention can be tested using the Structural Equation Modeling (SEM) method to see the strength of direct and indirect influences (K. Mishra & Mishra, 2025).

### **b) Mixed-Methods Approach**

A combination of qualitative and quantitative methods can be used to explore the dynamics of emotional relationships between leaders and subordinates. In-depth interviews will help understand how leadership characteristics influence employees' perceptions of fairness and social support (Ho et al., 2023).

### **c) Longitudinal Study**

Long-term research is needed to see the sustained effects of leadership behavior on engagement and retention. The dynamics of social relationships within organizations often change over time and with the changing organizational context (Mazzetti & Schaufeli, 2022).

### **d) Exploration of Moderator Variables and Cultural Context**

Factors such as organizational culture, psychological safety, or perceived organizational support can strengthen or weaken the relationship between leadership behavior and engagement. Cultural context is also important, because perceptions of leadership in collectivist countries such as Indonesia differ from those in Western individualistic contexts (Hofstede, 2011).

### **e) Focus on the Digital Workforce Generation**

Millennials and Gen Z judge leaders based on the values of transparency, authenticity, and meaning of work. Further research can examine how character-based leadership can meet the expectations of this digital generation (Shuck et al., 2020).

### **f) Development of Leadership Character Measurement Instruments**

Valid and reliable measurement tools are needed to assess managerial character, which should be based not only on perception but also on observable behavior. These instruments can be developed through expert validation and cross-industry empirical testing (A. Mishra et al., 2022).

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