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Transformational Leadership and Employee Engagement: A Systematic Review in the Digital Age

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Abstract: In an increasingly dynamic and competitive business environment, organizations must maintain a highly engaged workforce to enhance performance and adaptability. Although transformational leadership (TL) has been widely associated with positive employee outcomes, evidence regarding its influence on employee engagement (EE), particularly across different cultural contexts, remains fragmented. This study aims to systematically review the relationship between TL and EE and identify the key mechanisms that explain this relationship. A systematic literature review (SLR) was conducted on Scopus-indexed publications published between 2015 and 2025. A total of 81 articles were initially identified, and 19 studies met the inclusion criteria for detailed analysis. The selected studies were examined to identify patterns, mediating variables, and contextual factors influencing the TL–EE relationship. The findings indicate that TL consistently exerts a positive influence on EE, both directly and indirectly. Several mediating mechanisms were identified, including psychological empowerment, psychological safety, self-efficacy, trust in leaders, job satisfaction, and workplace digitalization. However, studies conducted in Indonesia produced mixed results, suggesting that cultural and organizational contexts may affect the strength and direction of the relationship. In conclusion, transformational leadership plays a significant role in enhancing employee engagement, while contextual factors may influence its effectiveness. These findings contribute to the leadership and organizational behavior literature and provide practical guidance for organizations seeking to strengthen workforce engagement and organizational adaptability in the digital era.

Keyword: Businesses, Employee Engagement, Organizations, Transformational Leadership.

INTRODUCTION

The ability to attract, engage, and retain committed employees has become a defining factor of organizational success in the digital era. Amid rapid technological disruption, workforce transformation, and intensifying global competition, organizations are under

increasing pressure to build a resilient and highly engaged workforce capable of adapting to continuous change (World Economic Forum, 2023). Consequently, employee engagement has gained considerable attention as a key determinant of organizational effectiveness, productivity, and sustainability. Highly engaged employees are more likely to exhibit stronger commitment, higher performance, and greater willingness to contribute beyond formal job requirements (Rani et al., 2025). This growing importance has led researchers and practitioners to explore leadership approaches, particularly transformational leadership, as a potential driver of employee engagement.

Employees who actively participate in the digital transformation process are more likely to accept change and demonstrate innovative behavior (Bakker et al., 2023). In contrast, disengaged employees tend to exhibit unproductive behaviors that can hinder organizational performance. To maintain a competitive advantage, employee engagement that reflected through passion, dedication, and involvement remains essential. Therefore, it is crucial for employees to understand how to stay engaged in the technological era (Hooi, 2024).

The manner in which employees exhibit their physical, mental, and emotional ties to the firm is known as employee engagement. Additionally, it can be characterized by an optimistic and satisfying mental state, along with strong enthusiasm and commitment to their work (Debas, 2022). Employees who feel valued and involved are proven to contribute more to the organization's progress. This requires a transformational work environment to encourage organizational change and enhance work participation. (Boussaidi and Korbi, 2025).

Effective leadership is a primary factor in driving employee engagement. Transformational leadership is a highly efficient and positive model for this. It is characterized by active interaction between leaders and their teams, which inspires employees to put in effort beyond their formal job responsibilities (Farzana and Charoensukmongkol, 2024). Transformational leadership, according to Grošelj et al. (2021) and Yen et al. (2025), is a leadership style that encourages employees to achieve results beyond expectations and to align themselves with organizational goals. The four primary components of this are idealized influence (charisma), intellectual stimulation, inspirational motivation, and individual consideration.

Transformational leadership has many benefits on several sectors. It raises employee satisfaction, lower stress levels, and improve job satisfaction. It also encourages subordinates to meet their supervisor's expectations, which enhances employee engagement. High levels of employee engagement give companies a competitive advantage in achieving profits (Malik et al., 2025).

Research continues to show that transformational leadership boosts employee engagement. According to Joanna's (2024) research, transformational leadership directly improves employee engagement since team members are more committed and involved when their leaders offer personal support, inspiration, and motivation. Similarly, Park et al. (2022) found that transformative leadership practices increased staff engagement and dedication. Additionally, Song et al. (2022), transformational leaders serve as a beneficial resource for their staff members, enhancing job engagement and lowering workplace stress.

According to research conducted in Indonesia by Ayep et al. (2024) and Afrizal et al. (2023), employee engagement is not directly impacted by transformative leadership. In a similar vein, Hassan and Ikramullah (2024) found that employee engagement was not significantly impacted by transformative leadership. Nonetheless, the result was made possible by worker independence and faith in the leader.

In light of the results of the prior research, the current study aims to answer the following questions: (1) According to the findings of several current studies, what is the

relationship between Employee Engagement and Transformational Leadership? (2) Based on the findings of several current studies, how can Transformational Leadership impact employee engagement? The answers to these research questions will illustrate the relationship between a leader's performance (such as being a role model, providing feedback, giving recognition, and similar actions) and employee performance (such as work results, discipline, professionalism, and similar attributes).

Previous studies have consistently highlighted the importance of transformational leadership in fostering employee engagement. Transformational leaders inspire employees through vision, motivation, intellectual stimulation, and individualized consideration, encouraging them to exceed formal job expectations and align their efforts with organizational goals (Grošelj et al., 2021; Yen et al., 2025). Empirical evidence indicates that transformational leadership positively influences employee engagement, job satisfaction, organizational commitment, and workplace well-being (Malik et al., 2025). For example, Joanna (2024) reported that transformational leadership directly enhances employee engagement by providing employees with support, inspiration, and motivation. Similarly, Park et al. (2022) and Song et al. (2022) found that transformational leadership strengthens employee engagement and dedication while reducing workplace stress.

Despite these findings, the relationship between transformational leadership and employee engagement remains inconclusive. Several studies conducted in Indonesia reported that transformational leadership does not directly affect employee engagement (Afrizal et al., 2023; Ayep et al., 2024). Likewise, Hassan and Ikramullah (2024) found that transformational leadership influences employee engagement only indirectly through mediating factors such as employee autonomy and trust in leaders. These inconsistent findings suggest that contextual factors, cultural differences, and intervening variables may shape the effectiveness of transformational leadership in promoting employee engagement. Furthermore, existing studies are predominantly empirical and sector-specific, while comprehensive evidence synthesizing recent findings across different contexts remains limited.

To address this gap, the present study offers a systematic literature review of recent research on the relationship between transformational leadership and employee engagement published between 2015 and 2025. Unlike previous studies that focused on specific organizations or industries, this review integrates findings from diverse contexts to identify consistent patterns, mediating mechanisms, and contextual influences affecting the relationship. Therefore, this study aims to examine the current evidence regarding the impact of transformational leadership on employee engagement and to explore the mechanisms through which transformational leadership enhances employee engagement in contemporary organizations.

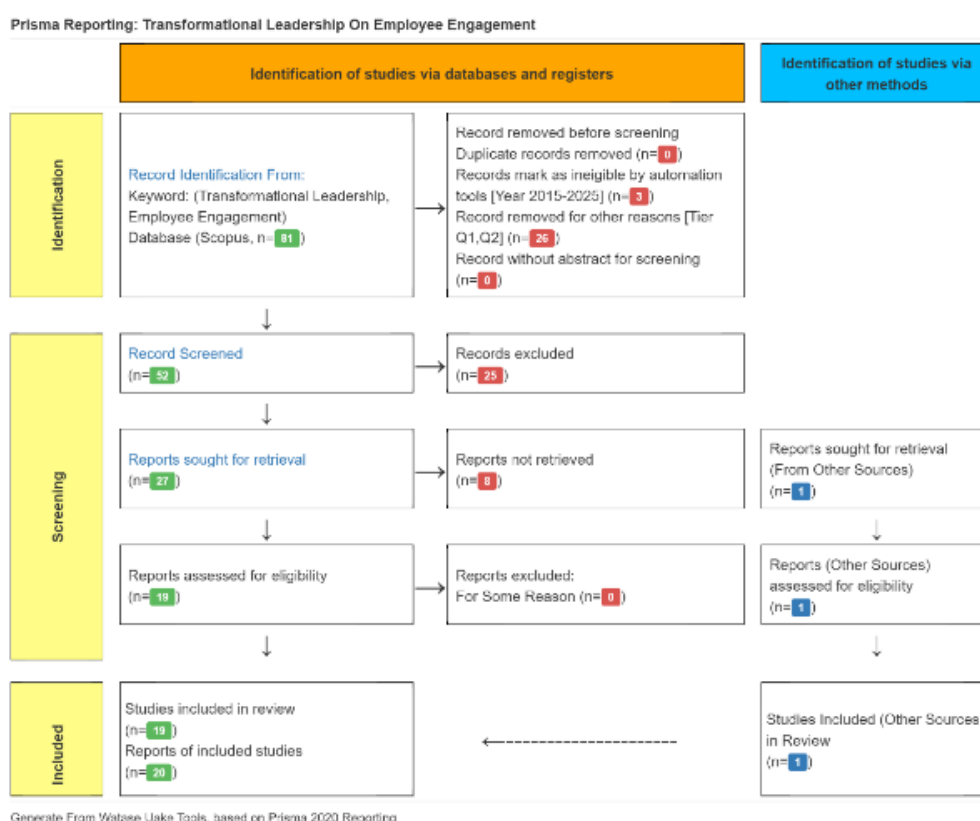
Although numerous empirical studies have investigated the relationship between transformational leadership and employee engagement, the existing evidence remains fragmented and sometimes contradictory across different organizational and cultural contexts. Most prior studies have focused on testing direct relationships within specific organizations or industries, while limited attention has been given to systematically synthesizing recent evidence to explain why the reported findings differ. Moreover, previous research has rarely integrated the roles of mediating mechanisms, contextual conditions, and the emerging challenges associated with digital transformation into a single comprehensive review. Consequently, there remains a need for an updated synthesis that consolidates current knowledge and provides a clearer understanding of how transformational leadership influences employee engagement in the contemporary workplace.

The novelty of this study lies in its comprehensive synthesis of recent empirical evidence published between 2015 and 2025 using the PRISMA-based systematic literature

review approach. Unlike previous empirical studies that examine isolated organizational settings, this review integrates findings across multiple sectors and countries to identify consistent relationships, explain conflicting results, and highlight the mediating mechanisms and contextual factors that shape the effectiveness of transformational leadership. By positioning the evidence within the context of the digital era, this study not only clarifies the current state of knowledge but also develops an integrated perspective that contributes to leadership and employee engagement literature while offering practical guidance for organizations undergoing digital transformation.

METHOD

This study employs a SLR (systematic literature review) to examine prior research. An SLR is a structured research method designed to provide an in-depth synthesis of primary studies in order to answer specific research questions. It methodically gathers, assesses, and summarizes previous study findings, including studies on the application of big data for market forecasting (Higgins et al., 2019). Analysing the present literature can reveal information about the scope and depth of previous research as well as point out areas that could require more investigation (Bamiro et al., 2024). This research was conducted in accordance with PRISMA guidelines to ensure a systematic approach to the literature evaluation. Figure 1 illustrates these recommendations.



Source: Watase Uake Tools

Figure 1. Prisma Design

The WATASé UAE tool was used to locate pertinent literature in the Scopus database using the terms “transformational leadership” and “employee engagement”. Nineteen of the 81 papers found were chosen in accordance with the established inclusion criteria (see Table 1).

Table 1. Inclusion Criteria

Criterion Type	Inclusion Criteria
Topic/Variables	The relationship between Employee Engagement and Transformational Leadership as primary variables must be thoroughly examined in the study.
Subject	Literature must be very pertinent to the purposes of this research.
Language	English writing is required
Research Base	Literature requires the outcome of Quantitative Approach / Study
Duration	Published in 2015 to 2025.
Transparency	The research method must be clearly explained, including the study's goals, the method used, and the results.
Type of Literature	Literature must be forming reputable journals and have been published in full-paper publications such as Q1 and Q2. Newspaper, book chapters, and proceedings are not included.

Source: Authors (2025)

General information (such as authors and titles), research objectives, sample characteristics, instruments, and analysis strategies determine how the papers are organized. This process is necessary to produce a descriptive map that provides an organized overview of the research activities that have been conducted.

After the data analysis processes of condensation, display, and conclusion drawing/verification, the extracted data were subjected to qualitative analysis. This process yields a summary of the technique, findings, and general information together with supporting documentation that can be arranged and examined topically. Conclusions were defined at the end of the literature review.

RESULT AND DISCUSSION

This review highlights a few conclusions that require discussion, drawing on the extraction of research findings from 19 researched publications. These studies support the impact of TL (transformational leadership) on EE (employee engagement) in organizations, including banks, schools, hospitals, and hospitality companies. The findings from this review are detailed in Table 2.

Table 1. Identification of Research Results

No	Author	Purpose of Study	Sample Size	Data Collection and Analysis	Key Findings
1	Samuel, Kwarteng et al (2024)	To evaluate the impact of employee engagement and recognition on productivity, considering the moderating influence of transformational leadership type in Ghana's healthcare sector.	N = 258 workers who have at least 5 years of work experience in Ghana's healthcare sector in Kumasi.	Quantitative; questionnaire; SPSS (v.23)	Employee recognition program encourages and positively impact workers to increase productivity. Furthermore, in Ghana's health sector, staff productivity is strongly predicted by employee engagement. A committed worker who will strive to increase productivity to achieve company goals. The ability of TL to provide their followers a sense of self-worth is what drives them to dedicate themselves to a particular performance objective. By boosting their motivation and self-efficacy, TL increase their productivity.
2	Sandra C. et al (2023)	To see how organizational change affects employee engagement and burnout and how transformational leadership moderation affects the relationship.	N = 2144 workers that have experience working in a Malta tertiary hospital.	Quantitative; questionnaire; SEM	Time 1 employees who see organizational change as a job need experience higher levels of burnout and decreased engagement at Time 2, but not the other way around. TL preserved engagement but not prevent burnout.

No	Author	Purpose of Study	Sample Size	Data Collection and Analysis	Key Findings
3	Sonia Umair et al (2023)	To determine whether employee participation in green human resource management (GHRM) projects depends on transformational leadership, GHRM, and intrinsic motivation.	N = 325 permanent faculty members in Lahore, Pakistan's public and private universities. Every respondents had at least 2 years of experience.	Quantitative; questionnaire; PLS-SEM using SmartPLS (3.0)	By using intrinsic motivation as a moderator, the findings provide empirical support of employee participation in green efforts (TL and GHRM). The results show that effective leadership must be used to design GHRM policies in organizations, particularly HEIs, in a way that empowers and motivates employees to be environmentally.
4	Jiwon Park et al (2025)	To examine the structural connections between transformational leadership, affective job performance, affective organizational commitment, and how employee engagement mediates these connection.	N = 600 full-time workers in private Korean private companies.	Quantitative; questionnaire; SEM	TL has a major impact on workers' affective organizational commitment and job performance via EE as a mediator. In particular, the association between TL and job performance is fully mediated, whereas the mechanism by which TL influences employees' affective organizational commitment is only partially mediated by EE.
5	Sumaia, Farzana; Peerayuth, Charoensukmongkol (2024)	To investigate how transformational leadership affects faculty members psychological empowerment and work engagement in Bangladesh and Thailand.	N = 457 faculty members representing two Thai universities (n = 241) and two Bangladeshi universities (n = 243).	Quantitative; questionnaire; SEM	Psychological empowerment influences TL on EE. Compared to lecturers in cultures with lower power distance (Bangladesh), lecturers in cultures with greater power distance benefited more from TL in terms of psychological empowerment.
6	Laura Hoekx, et al (2024)	To identify a possible factor that influences employee engagement in family businesses, examining the impact of CEO transformational leadership on employee engagement. Additionally, investigate the role that psychological safety may have as a mediator in this relationship.	N = 508 workers from family businesses in Belgium.	Quantitative; questionnaire;	The positive connection between EE and CEOs' TL. Furthermore, these findings demonstrate this correlation mediated by the level of psychological safety.
7	Lai Wan, Hooi; Ai Joo, Chan (2023)	Using workplace digitization as a mediator to examine employee engagement (EE), and to build a framework that integrates creative culture and transformational leadership as conditions for employee engagement in the context of workplace digitalization.	N= 256 of executives at the management level of Malaysian enterprises situated in Selangor and Kuala Lumpur.	Quantitative; questionnaire; SEM	Digitalization in the workplace has an impact on EE. Innovative culture has a favorable impact on workplace digitalization, in contrast to TL. Additionally, EE is impacted both directly by innovative culture and indirectly by workplace digitalization. Despite having a direct impact on EE, TL has little effect on workplace digitalization.

No	Author	Purpose of Study	Sample Size	Data Collection and Analysis	Key Findings
8	Faqir Sajjad, Ul Hassan; Malik, Ikramullah (2024)	To create an integrated model that answers the question and shows how TL affects electricity through two pathways representing the direct and parallel mediating effects of leader trust and worker self-efficacy.	N= 376 workers in Pakistan's health, banking, telecommunication s, and educational sectors.	Quantitative; questionnaire; PLS-SEM	Employee engagement (EE) and transformational leadership (TL) are influenced by subordinate self-efficacy and trust in the leader.
9	Pooja, Malik; et al. (2024)	This research aims to study how employee engagement, serving as a mediator, affects talent retention in relation to the Perceived Ability, Motivation, and Opportunity (AMO) framework. In addition, this study also investigates how transformational leadership influences employee engagement and talent retention.	N= 360 frontline staff members in India's five star hotel.	Quantitative; questionnaire; SMART PLS-4	Talent retention is positively impact by AMO-enhancing HR strategies. The relationship between talent retention and the perceived AMO framework is mediated by EE. The relationship between EE and talent retention was found to be moderated by TL.
10	Magdy Sayed Ahmed Abolnasser, et al. (2023)	The goal of this research is to look at the direct effects of TL (transformational leadership) on employee psychological well-being (PWB), and to investigate the independent and sequential mediator functions of employee engagement (EE) and job satisfaction (JS) in the relationship between TL and PWB in the post-COVID-19 pandemic period.	N= 403 frontline staff members in Saudi Arabia's five star hotel	Quantitative; questionnaire; PLS-SEM	The psychological well-being of hotel staff is significantly improved by TL. Furthermore, the TL-PWB link among hotel employees are significantly partially mediated by EE and JS both independently and serially, with EE serving as an intermediate variable that has a greater impact than the other two mediators.
11	Xiangyu Song, et al. (2022)	To conceptualize employee engagement, this study examines the historical development of employee engagement within the context of Pakistani banks. Specifically, the research investigates the relationships among transformational leadership (TL), psychological distress (PD), and despotic leadership (DL) as a mediating factor in predicting employee engagement (EE).	N=341 The Punjab province is home to the first-line bank managers.	Quantitative; questionnaire; PLS-SEM	According to research, transformational leadership fosters higher levels of employee engagement than oppressive leadership. Employee engagement is indirectly associated with reduced psychological distress, and evidence also indicates a reciprocal relationship between transformational and despotic leadership within organizational settings.

No	Author	Purpose of Study	Sample Size	Data Collection and Analysis	Key Findings
12	Shinta Winasis, et al. (2021)	This study aims to determine how transformational leadership climate and employee engagement relate to each other.	N= 448 Employees of one private bank in Jakarta.	Quantitative; questionnaire; PLS-SEM	The revolutionary leadership atmosphere has a favorable and noteworthy influence on employee engagement.
13	Shenyang Hai, et al. (2019)	The goals of this research to investigate the moderating effect of transformational leadership and the impact of effective HR strategies on worker involvement and OCB (organizational citizenship behavior).	N = 288 employees from South Korea (SK) and 268 employees from US.	Quantitative; questionnaire; SPSS 20	High-performance human resource practices (HPPHRP) in South Korea (SK) can predict employee engagement in work and organizational citizenship behavior (OCB). In SK, transformational leadership moderated the connections between HPPHRP and OCB and work engagement; in the US, just the relationship between HPPHRP and OCB was moderated.
14	Robin Edelbroek, et al. (2019)	The aim of this study is to investigate the relationship of transformational and transactional leadership and employees' perceived quality of the open innovation process. Additionally, the study investigates whether employee work engagement partially mediates this relationship.	N = 173 employees from various organizations.	Quantitative; questionnaire; PLS-SEM	The relationship between employee's perceptions about the quality of the open innovation process and transformational leadership is facilitated by work engagement. Perceived transformational leadership behaviors are also an important contributing factor within this relationship.
15	Mohammad Tahlil Azim, et al. (2018)	The aim of this study is to know how employee creative process engagement (CPE) is affected by transformational leadership (TL) as well as the extent to which transformational leadership enhances creative self-efficacy (CSE).	N = 194 Samples were collected from information and communication technology firms.	Quantitative; questionnaire; SmartPLS2 and IBM SPSS 21	The findings show that CPE is significantly impacted by TL, and that relationship between TL and CPE is partially mediated by CSE. Additionally, TL fosters an organizational environment that enhances employees' CPE by strengthening their self-confidence.
16	Mohit Yadav, et al. (2018)	This study investigates the connection between freelancers knowledge-sharing practices and transformational leadership. Additionally, it looks into how social support and employee engagement mediate this relationship.	N= 250 Freelancers are employed by Indian organizations.	Quantitative; questionnaire; IBM SPSS 20 and IBM AMOS 20	Transformational leadership influences how freelancers share and accumulate knowledge. In this relationship, employee involvement serves as a mediating factor. Research indicates that employee involvement plays a role in how transformational leadership affects the behavior of gathering knowledge, and similar mediation effects can be seen for behaviors related to donating knowledge.
17	Lalatendu Kesari Jena, et al. (2018)	The aim of this research is to examine the immediate impact of worker participation on trust within the organization. Additionally, it investigates the indirect	N= 562 Employee in the banking and insurance sectors in the Bhubaneswar and Kolkata regions of eastern India.	Quantitative; questionnaire; SEM	Executives develop greater confidence when they experience transformational leadership, psychological well-being, and high levels of employee engagement.

No	Author	Purpose of Study	Sample Size	Data Collection and Analysis	Key Findings
		effects of transformational leadership and psychological health related to the connection between worker involvement and confidence in the organization.			
18	Sahu, Sangeeta. (2017)	This study aims to examine the connection of transformational leadership and employees' intention to resign. Employee engagement, employer branding, and psychological bonds are proposed as mediating variables in this relationship.	N= 405 Information technology (IT) professionals who are employed on a full-time basis in India.	Quantitative; questionnaire; SEM	Study indicates that transformational leadership has a direct impact on employees' intentions to resign the job in the organization. Moreover, employee attitudes act as mediators in linking transformational leadership with employer branding, and the perception of employer brand image further strengthens leader–employee relationships.
19	Tjis Besieux, et al. (2015)	This study aims the correlation between leadership engagement and employee outcomes in more detail and presents perceived corporate social responsibility as a mediator at the organizational level.	N= 5313 A European bank's employees.	Quantitative; questionnaire	This study find the correlation between leadership engagement and perceived corporate social responsibility (CSR), introducing perceived CSR as an organizational-level mediating variable.

Source: Processed Data (2025)

The Landscape of Transformational Leadership in the Digital Era

The systematic review of nineteen selected studies confirms that transformational leadership is a critical antecedent of employee engagement across diverse organizational settings. More importantly, the reviewed evidence demonstrates that the role of transformational leadership has evolved beyond its traditional function of motivating employees, becoming a strategic capability that enables organizations to maintain workforce engagement amid digital transformation, organizational change, and increasing workplace complexity.

Rather than influencing employee engagement through a single direct mechanism, the literature consistently shows that transformational leadership operates through multiple psychological and organizational pathways. Several studies identify employee engagement as a mediating mechanism linking transformational leadership with desirable organizational outcomes, including job performance (Park et al., 2025), psychological well-being (Abolnasser et al., 2023), knowledge-sharing behavior (Yadav et al., 2018), open innovation (Edelbroek et al., 2019), organizational commitment (Park et al., 2025), and talent retention (Pooja et al., 2024). This recurring pattern suggests that transformational leadership does not directly generate organizational performance; instead, it first cultivates employees' emotional, cognitive, and behavioral engagement, which subsequently drives higher individual and organizational outcomes. Such evidence supports the view that employee engagement functions as a central psychological mechanism through which transformational leadership creates sustainable competitive advantage.

Another prominent pattern emerging from the reviewed studies is that transformational leadership enhances employee engagement by strengthening employees' internal psychological resources. Multiple studies consistently report that psychological empowerment (Sumaia & Charoensukmongkol, 2024), psychological safety (Hoekx et al., 2024), self-efficacy (Faqr Sajjad & Malik, 2024; Azim et al., 2018), intrinsic motivation (Umair et al., 2023), trust in leaders (Faqr Sajjad & Malik, 2024), and psychological well-being (Abolnasser et al., 2023) serve as important mediating variables. Despite examining different constructs, these studies collectively indicate that transformational leadership primarily works by satisfying employees' psychological needs, increasing confidence, creating a supportive work environment, and fostering meaningful relationships between leaders and followers. Consequently, employee engagement emerges not merely as an outcome of leadership but as the result of enhanced psychological conditions established by transformational leaders.

The review also reveals an important contextual shift in transformational leadership research associated with digitalization and organizational change. Earlier studies primarily focused on explaining the direct relationship between transformational leadership and employee engagement. However, more recent research increasingly embeds transformational leadership within broader organizational transformation processes. Wan and Chan (2023), for example, demonstrated that workplace digitalization significantly contributes to employee engagement, although transformational leadership itself has limited influence on driving digitalization. Instead, transformational leadership directly enhances employee engagement while innovative organizational culture facilitates digital transformation. Similarly, Sandra et al. (2023) showed that transformational leadership preserves employee engagement during organizational change, although it does not completely eliminate burnout. These findings collectively suggest that transformational leadership should no longer be viewed as the sole driver of organizational adaptation. Rather, its effectiveness depends on complementary organizational resources, such as innovative culture, digital capability, and supportive work systems.

Another noteworthy observation concerns the evolving role of transformational leadership within increasingly complex organizational models. Several studies report that transformational leadership functions as a moderator rather than solely as an independent predictor. For example, transformational leadership strengthens the effects of employee recognition on productivity (Samuel et al., 2024), moderates the relationship between employee engagement and talent retention (Pooja et al., 2024), and reinforces the effectiveness of high-performance human resource practices (Hai et al., 2019). This suggests that transformational leadership amplifies the effectiveness of existing organizational practices by creating conditions in which employees are more willing to contribute discretionary effort. Consequently, transformational leadership should be understood as an enabling capability that maximizes the benefits of human resource management practices rather than operating independently.

Overall, the reviewed literature demonstrates a clear evolution in transformational leadership research. Earlier investigations emphasized direct leader–employee relationships, whereas recent studies increasingly conceptualize transformational leadership as part of an integrated organizational system involving psychological resources, organizational culture, human resource practices, innovation capability, and workplace digitalization. This shift reflects the growing recognition that maintaining employee engagement in the digital era requires not only inspirational leadership but also organizational environments that support continuous learning, technological adaptation, psychological safety, and employee empowerment.

Despite these advances, several research gaps remain. Most studies employ cross-sectional quantitative designs, limiting the ability to establish causal relationships between transformational leadership and employee engagement over time. Furthermore, research remains concentrated in healthcare, banking, hospitality, education, and service sectors, while evidence from manufacturing, technology-intensive industries, and public organizations is comparatively limited. Finally, although digital transformation is increasingly discussed, relatively few studies explicitly investigate how emerging technologies such as artificial intelligence, remote work systems, and digital collaboration platforms reshape the effectiveness of transformational leadership. These gaps indicate promising directions for future research examining transformational leadership within rapidly evolving digital workplaces.

A Conceptual Map of the Influence of Transformational Leadership on Employee Engagement

Based on the results of this systematic review, the researchers not only identified linear relationships but also synthesized the literature to describe how transformational leadership influences employee engagement through complex mediation and moderation mechanisms. Figure 2 presents the conceptual map developed from the findings of studies published between 2015 and 2025.

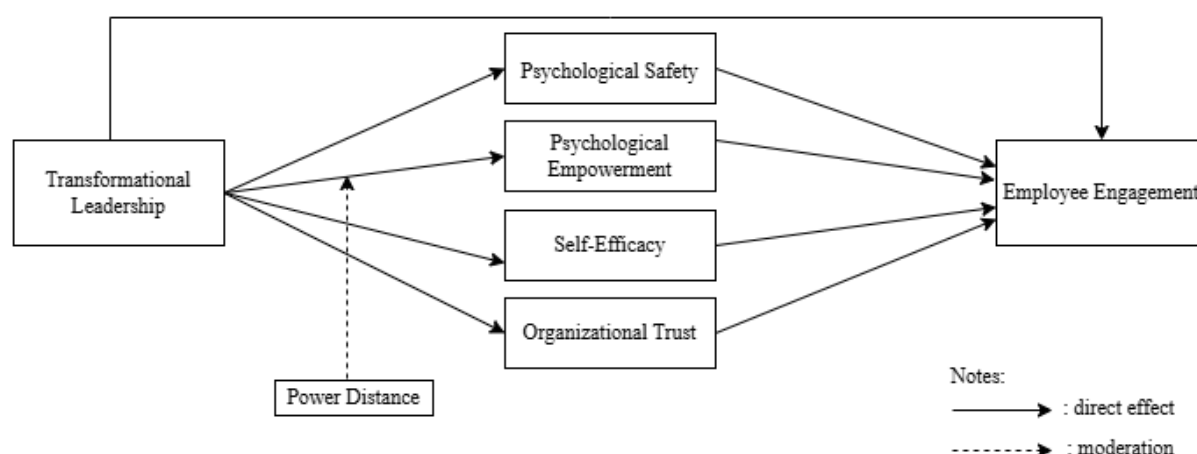


Figure 2. Conceptual Map of the Influence of Transformational Leadership on Employee Engagement

Based on the synthesis of the nineteen reviewed studies, this study proposes a conceptual framework that explains the mechanisms through which transformational leadership enhances employee engagement in the digital economy. The framework extends previous research by integrating four key psychological mechanisms, namely psychological safety, psychological empowerment, self-efficacy, and organizational trust, as mediating variables. In addition, power distance is incorporated as a contextual moderator that may strengthen or weaken these relationships.

The model assumes that transformational leadership has both direct and indirect effects on employee engagement. The direct relationship is consistently supported by previous empirical studies such as Winasis et al. (2021), Hoekx et al. (2024), and Park et al. (2025), which demonstrate that transformational leaders inspire employees through vision, individualized consideration, intellectual stimulation, and inspirational motivation. These leadership behaviors encourage employees to become more emotionally, cognitively, and behaviorally invested in their work.

The systematic review further demonstrates that transformational leadership does not influence employee engagement only through direct interactions. Instead, transformational

leadership develops several psychological resources that subsequently enhance employees' willingness to devote greater effort and commitment to their work.

Psychological safety represents the first mediating mechanism in the framework. It refers to employees' perceptions that they can express ideas, ask questions, admit mistakes, and experiment without fear of criticism or punishment. Transformational leaders cultivate an open and supportive working environment by encouraging communication, collaboration, and mutual respect. As a result, employees become more willing to share knowledge, participate in innovation, and adapt to organizational changes. These conditions are particularly important in the digital economy, where continuous learning and technological adaptation are essential for organizational success.

Psychological empowerment constitutes the second mediating mechanism. Employees who perceive their work as meaningful and who feel competent, autonomous, and capable of influencing organizational outcomes are more likely to become engaged. Transformational leaders strengthen psychological empowerment by delegating authority, encouraging participation in decision making, and communicating an inspiring organizational vision. Consequently, employees develop stronger intrinsic motivation and assume greater responsibility for achieving organizational objectives.

Self-efficacy is proposed as the third mediating variable. Self-efficacy refers to employees' confidence in their ability to successfully perform assigned tasks and overcome work related challenges. Transformational leaders improve self-efficacy by providing mentoring, constructive feedback, intellectual stimulation, and continuous encouragement. Employees with higher self-efficacy are more confident when facing technological changes, implementing digital tools, and solving complex organizational problems. This increased confidence ultimately contributes to stronger employee engagement.

Organizational trust represents the fourth psychological mechanism included in the framework. Trust develops when employees perceive their leaders as fair, competent, transparent, and genuinely concerned about employee welfare. Transformational leaders establish trust by demonstrating integrity, maintaining consistent communication, and supporting employees during periods of uncertainty. Employees who trust their leaders are more willing to cooperate, accept organizational change, and contribute beyond their formal job responsibilities, resulting in higher levels of engagement.

The framework also introduces power distance as a moderating variable. Power distance reflects the extent to which employees accept unequal distributions of authority within organizations. Previous research suggests that the effectiveness of transformational leadership may differ across cultural contexts characterized by different levels of power distance. In organizations with high power distance, employees generally rely more heavily on leaders for guidance and direction. Consequently, transformational leadership may exert stronger effects on psychological empowerment and employee engagement. Conversely, employees in low power distance organizations often possess greater autonomy, reducing their dependence on leadership behaviors. Therefore, the strength of the relationships proposed in this framework may vary according to organizational culture.

Finally, the entire framework is positioned within the context of the digital economy. Contemporary organizations operate in environments characterized by rapid technological development, digital transformation, artificial intelligence, remote working arrangements, and continuous organizational change. Under these circumstances, organizations require leadership approaches that not only motivate employees but also prepare them psychologically to cope with uncertainty and technological disruption. Consistent with the findings of Wan and Chan (2023), workplace digitalization and innovative organizational culture contribute significantly to employee engagement, while transformational leadership primarily enhances employees' psychological readiness to thrive within digitally transformed

workplaces. Therefore, transformational leadership functions as a strategic capability that complements organizational digitalization by strengthening the psychological conditions necessary for sustained employee engagement.

Overall, the proposed framework suggests that transformational leadership should not be viewed solely as a direct predictor of employee engagement. Rather, transformational leadership enhances engagement by developing employees' psychological resources, strengthening organizational trust, and creating a supportive organizational climate that enables employees to adapt successfully to the demands of the digital economy.

Unpacking Inconsistencies: The Context of Indonesia

Based on the research results, the researchers recognized that findings in Indonesia have attracted attention due to their inconsistencies. Studies conducted by Ayep et al. (2024) and Afrizal et al. (2023) found that TL (transformational leadership) does not have a direct impact on EE (employee engagement). However, Winasis et al. (2021) reported that TL has a significant impact in the banking industry in Jakarta, whereas most global studies consistently show a positive relationship.

As demonstrated in the research by Ayep et al. (2024), this disparity can be explained from cultural and industry readiness perspectives. Their study found that external motivation is required to mediate the effects of transformational leadership. This suggests that in certain Indonesian cultural contexts, motivation from leaders alone is insufficient; employees also require tangible indicators of involvement, such as resource support and encouragement. Furthermore, Sumaia et al. (2024) found that TL has a stronger impact in high power-distance cultures when mediated by psychological empowerment. Without empowerment, the charisma of Indonesian leaders may lead only to compliance rather than genuine engagement.

Managerial Implications for Indonesia

Based on the results of the systematic review above, there are several practical implications for management in Indonesia, particularly in navigating the digital era. According to Pooja et al. (2024), EE (employee engagement) mediates the relationship between talent retention and TL (transformational leadership). Organizations experiencing high turnover of digital talent should adopt a TL approach to foster employees' emotional attachment rather than relying solely on transactional factors such as salary. In addition, company leaders need to employ a transformational style to enhance creative process engagement (Azim et al., 2018). Leaders should encourage new ideas and support risk-taking to build a culture in which engagement drives innovation.

CONCLUSIONS AND RECOMMENDATIONS

This study found that transformational leadership (TL) plays a vital role in enhancing employee engagement (EE). However, the effectiveness of TL largely depends on the leader's ability to activate employees' internal psychological mechanisms, such as trust, autonomy, and psychological safety. The results indicate that the role of TL has evolved; it not only provides motivation but also serves a strategic function in helping employees adapt and innovate in the digital era. Overall, this study strengthens the understanding that TL remains a relevant and adaptable leadership approach for addressing contemporary organizational dynamics.

Theoretically, this research highlights the important function of leadership in influencing employee involvement. In practical terms, the results provide recommendations for companies to create leadership strategies that enhance employee drive and sense of belonging, ultimately improving overall performance.

For upcoming studies, it is suggested to explore other factors that might affect the connection between TL and EE, such as organizational support, job satisfaction, or psychological empowerment. Further studies should also explore the effects of TL across different industry contexts and employ longitudinal designs to capture long-term dynamics. In addition, developing a more comprehensive research model that integrates both the antecedents and outcomes of EE would provide deeper insight into the mechanisms underlying this relationship.

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