

# The Effect of Digital Leadership Style, Compensation, and Employee Engagement on Employee Loyalty Through the Performance of Generation Z Employees at Sinar Mas Insurance

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## Keywords:

Digital Leadership Style, Compensation, Employee Engagement, Employee Performance, Employee Loyalty, Generation Z.

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## Abstract

This research aims to examine and analyze the direct influence of digital leadership style, compensation, and employee engagement on employee performance, as well as their influence on employee loyalty through performance as a mediating variable among Generation Z employees at *PT Asuransi Sinar Mas*. The research variables consist of Digital Leadership Style, Compensation, and Employee Engagement as independent variables, Employee Loyalty as the dependent variable, and Employee Performance as the mediating variable. The research method used is a quantitative descriptive approach with an explanatory design. Primary data were collected through questionnaires from 200 Generation Z employee respondents selected using a convenience sampling technique. The research stages include validity testing, reliability testing, classical assumption testing (multicollinearity, heteroscedasticity, and normality), and data analysis using path analysis with the SPSS program. The results of the study indicate that digital leadership style, compensation, and employee engagement simultaneously and partially have a positive and significant effect on employee performance. In addition, employee performance is empirically proven to play a significant role in linking the three independent variables to employee loyalty. Employee engagement was found to be the most dominant driver of loyalty. As managerial advice, companies should continue strengthening their digital leadership ecosystem and investing in psychological well-being programs to enhance employee retention. Furthermore, management is advised to implement an open recruitment system to remain competitive and transparent, mitigate the risk of young talent turnover, and optimize productivity to foster long-term loyalty.

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## INTRODUCTION

During the era of Industry 4.0, which is transitioning into Industry 5.0, digital technologies are driving major shifts in business (Ghobakhloo et al., 2024; Golovianko et al., 2023; Raja Santhi & Muthuswamy, 2023; Zizic et al., 2022). These changes affect both the demographic structure of the workforce and operational aspects. Generation Z, born between 1997 and 2012, is beginning to dominate today's job market (Bellinder, 2024; Williford, 2023). In contrast to previous generations, Generation Z consists of digital natives who have different expectations, values, and behaviors regarding their jobs, particularly a tendency to work in multiple places simultaneously (Digital Economy Institute, 2025).

In 2024, PT Asuransi Sinar Mas had 844 permanent employees (90%), 89 trainee employees (9.5%), and 5 contract employees (0.5%) of the total workforce. These figures

reflect the organizational restructuring underway at Sinar Mas Insurance Company to support its digitalization strategy and operational efficiency (Verhoef et al., 2021; Kraus et al., 2021). By the end of December 2024, the total number of employees was recorded at 938, representing a sharp decline compared to 1,337 employees at the end of 2023. This step was taken as part of efforts to optimize business processes through technology (business process simplification) (Baiyere et al., 2020; Vial, 2019). Although the quantity of employees decreased, the company strengthened quality by significantly increasing its human resource development budget to IDR 48.06 billion, a substantial rise from IDR 13.56 billion in the previous year (Garavan et al., 2021; Albrecht et al., 2020; Collings et al., 2019).

Structurally, the workforce composition of PT Asuransi Sinar Mas in 2024 was dominated by 560 men and 378 women. The majority of employees were permanent staff (844), while the remainder consisted of 89 trainees and 5 contract staff. In terms of age, the organization was dominated by productive workers, with the largest age group being 31–40 years (367 employees), followed by 20–30 years (286 employees). Qualitatively, the educational profile of employees was strong, with 823 employees holding bachelor's (S1) degrees.

Generation X, born between 1965 and 1980, has the lowest turnover rate (averaging below 5% per year) because its members prioritize financial stability and long-term job security. Generation Y (Millennials), born between 1981 and 1996, has a moderate turnover rate (averaging 10–15% per year), driven by the search for work–life balance. Generation Z, born between 1997 and 2012, has the highest turnover rate (averaging above 20–25% per year) due to its prioritization of rapid career development, flexibility, and alignment of personal values with the company's vision.

The entry of Generation Z into organizational structures brings new dynamics to human resource management, especially in companies undergoing digital transformation such as PT Asuransi Sinar Mas. This generation is known as digital natives with strong adaptability to technology, while also placing significant emphasis on work–life balance, transparency, and meaningful work. These conditions require companies to implement more flexible and adaptive management approaches to reduce the relatively high risk of turnover among this generation. PT Asuransi Sinar Mas, as part of the Financial Services pillar of Sinar Mas, has strengthened its position through an extensive network that includes dozens of operational offices across Indonesia, as well as one overseas representative office. Based on 2024 data, the company employs 938 people, of whom 286 are Generation Z (approximately 23% of the total workforce), making their presence a crucial factor in determining organizational dynamics.

Nevertheless, Generation Z employee loyalty remains a significant challenge, particularly in the competitive insurance industry. This generation tends to prioritize rapid career development, work–life balance, and a work environment that supports creativity and innovation. If these expectations are not met, they are more likely to switch jobs easily, leading to increased recruitment costs and the loss of potential talent. In this context, digital leadership style is a key factor that must be considered, requiring leaders to effectively utilize technology, maintain transparency, and foster collaborative communication. In addition, competitive compensation and strong employee engagement are key determinants in building loyalty, as Generation Z considers not only financial aspects but also emotional attachment and opportunities for growth within the organization.

Previous studies have shown that digital leadership style plays an important role in improving employee outcomes in digital-era organizations. Cortellazzo et al. (2019) emphasized that leadership in a digitalized world requires not only technological competence but also the ability to manage collaboration, responsiveness, and innovation. Hidayat et al. (2023) found that digital leadership positively influences employee performance, particularly when supported by digital competency and information technology. Fauzi (2023) also argued that digital leadership is increasingly relevant to employee retention among Generation Z, although its influence may vary depending on the organizational context. In addition, compensation has consistently been identified as an important determinant of employee performance and loyalty. Kusuma et al. (2023) showed that compensation significantly affects employee performance, while Lestari (2022) and Daniswara et al. (2025) confirmed that fair and competitive compensation contributes positively to employee loyalty. Meanwhile, employee engagement has been widely recognized as a strong predictor of employee performance and organizational attachment. Kwon and Kim (2020) revisited the Job Demands–Resources framework and confirmed that engagement is closely associated with positive work behavior, while Cahyani and Wijayanto (2022) found that employee engagement significantly improves the performance of Generation Z employees. Mahfudz et al. (2023) also demonstrated that employee engagement contributes positively to employee performance.

Although previous studies provide valuable insights, several limitations remain, including the tendency to examine digital leadership, compensation, and employee engagement separately, the limited focus on Generation Z employees, and the lack of integrated models that position employee performance as a mediating variable in explaining employee loyalty. In addition, empirical evidence from the insurance sector, particularly in Indonesian companies undergoing digital transformation, remains limited. Therefore, this study addresses these gaps by analyzing the simultaneous influence of digital leadership style, compensation, and employee engagement on employee loyalty through employee performance, specifically focusing on Generation Z employees at PT Asuransi Sinar Mas. The novelty of this research lies in the integration of these variables into a comprehensive model, the use of employee performance as a mediating mechanism, and the contextual focus on Generation Z within a digitally transforming insurance company, thereby contributing both theoretically to human resource management literature and practically to organizational strategies for improving employee loyalty.

Based on these conditions, this research is motivated by indications of suboptimal performance among Generation Z employees at PT Asuransi Sinar Mas, which is allegedly influenced by digital leadership style, compensation, and employee engagement. Therefore, this study aims to empirically examine the influence of these three variables on employee performance and loyalty, as well as the role of performance as a mediating variable. This research is also designed to address various questions related to the direct and indirect relationships among these variables, thereby providing a comprehensive understanding of the factors affecting Generation Z employee loyalty. The results of this research are expected to contribute both theoretically to the development of human resource management and practically to companies in formulating appropriate strategies to improve performance, attachment, and employee loyalty amid increasingly dynamic industry competition.

## RESEARCH METHOD

This study used a quantitative approach with descriptive and explanatory research designs. The descriptive approach aimed to describe respondents' conditions and perceptions of the variables studied systematically and objectively, while the explanatory approach was used to explain the causal relationships among variables, namely digital leadership style, compensation, employee engagement, employee performance, and employee loyalty. The data used in this study were primary data obtained through the distribution of questionnaires in 2025 at PT Asuransi Sinar Mas, so that the research results were expected to provide an accurate empirical picture of the phenomenon under study.

The population in this study consisted of all employees of PT Asuransi Sinar Mas, totaling 844 people. The target population focused on Generation Z employees, totaling 286 people, in accordance with the research objectives that emphasized the characteristics of this generation. The sampling technique used purposive sampling, which involved selecting respondents based on specific criteria, in this case employees belonging to Generation Z. In addition, this study also used voluntary sampling, where respondents voluntarily participated in completing the questionnaires. From the total target population, 200 respondents completed the questionnaire in full and were deemed suitable for analysis, assuming that the population was relatively homogeneous with respect to the variables studied.

The data collection technique in this study was conducted through a survey method using questionnaire instruments and supported by interview guidelines. The questionnaire was developed based on indicators from each research variable and measured using a 1–6 Likert scale, which was designed to avoid neutral responses and encourage respondents to provide more decisive evaluations. The distribution of the questionnaires was carried out directly to respondents who met the research criteria. This method was considered effective for systematically collecting data on respondents' perceptions, attitudes, and experiences, as respondents are those who best understand the conditions they experience in the work environment.

The data analysis technique in this study used a quantitative descriptive and inferential approach. Descriptive analysis was used to process and present data in the form of frequency distributions and mean values to provide an overview of the condition of the research variables. Meanwhile, inferential analysis was conducted using the path analysis method with the assistance of the SPSS program to test the direct and indirect effects among variables. The analysis model involved independent variables, an intervening variable (employee performance), and a dependent variable (employee loyalty). In addition, the Sobel test was used to examine the significance of the mediation effect. To ensure data quality, validity and reliability tests were conducted, as well as classical assumption tests including multicollinearity, heteroscedasticity, and normality tests. Hypothesis testing was conducted using the coefficient of determination ( $R^2$ ), the F-test to assess simultaneous effects, and the t-test to assess partial effects, so that the results of the analysis provided comprehensive conclusions that were scientifically accountable.

## RESULTS AND DISCUSSION

### Data Analysis

#### 1. Digital Leadership Style

The results of the research on the influence of digital leadership are as follows:

**Table 1. Digital Leadership Style**

| Digital Leadership Style   | SS<br>(6) | S<br>(5) | AS<br>(4) | ATS<br>(3) | TS<br>(2) | STS<br>(1) | Quantity | Average     |
|--|-----------|----------|-----------|------------|-----------|------------|----------|-------------|
| 1. My leadership is able to make the right decisions in every problem that exists through digital deliberation                                   | 184       | 11       | 4         | 1          | 0         | 0          | 200      | 5,89        |
| 2. My boss encouraged the use of new technology to improve work efficiency.  | 171       | 29       | 0         | 0          | 0         | 0          | 200      | 5,86        |
| 3. My boss is responsive to new ideas related to digital innovation from employees.  | 154       | 46       | 0         | 0          | 0         | 0          | 200      | 5,77        |
| 4. My leader is able to control each employee well through attendance and other related applications   | 164       | 36       | 0         | 0          | 0         | 0          | 200      | 5,82        |
| 5. My leadership is very capable in using digital technology and is responsible for the work done.   | 167       | 31       | 0         | 1          | 0         | 1          | 200      | 5,81        |
| 6. Employers provide clear direction in the implementation of digital policies in the company.   | 160       | 39       | 0         | 1          | 0         | 0          | 200      | 5,79        |
| 7. The leader I work for has a clear and realistic strategy (reasonable) in every work agenda he makes through the office website                | 162       | 35       | 3         | 0          | 0         | 0          | 200      | 5,80        |
| 8. I have confidence in my leadership that my leadership can make better changes for the agency with digital adaptation                          | 164       | 35       | 1         | 0          | 0         | 0          | 200      | 5,82        |
| 9. The leaders where I work always pay attention to the environment, Sarpras and the comfort of working all employees with technology monitoring | 149       | 49       | 2         | 0          | 0         | 0          | 200      | 5,74        |
| 10. My boss was able to adapt to technological changes in the insurance industry.  | 163       | 37       | 0         | 0          | 0         | 0          | 200      | 5,82        |
| <b>Average</b>   |           |          |           |            |           |            |          | <b>5,80</b> |

Source: Research Results, (2026)

The results indicate that the Digital Leadership Style at PT Sinar Mas Insurance is categorized as very high, with an average score of 5.80. The highest score (5.89) reflects leaders' ability to make effective decisions through digital processes, while the dominance of "Strongly Agree" responses indicates strong employee trust in leadership. Leaders are also highly capable of encouraging technology use, adapting to industry changes, and managing employees through digital systems. Although the lowest indicator (5.74) relates to environmental and infrastructure monitoring, it remains in the very strong category. Overall, these findings demonstrate that leaders are not only technologically competent but also

responsive and innovative, fostering a productive digital work environment.

## 2. Compensation

The results of the study on the effect of compensation are as follows:

**Table 2. Compensation**

| Compensation  | SS<br>(6) | S<br>(5) | AS<br>(4) | ATS<br>(3) | TS<br>(2) | STS<br>(1) | Quantity | Average     |
|---|-----------|----------|-----------|------------|-----------|------------|----------|-------------|
| 1. The amount of basic salary according to the work done  | 168       | 29       | 1         | 0          | 0         | 2          | 200      | 5,80        |
| 2. The basic salary you receive has met basic needs   | 157       | 37       | 2         | 1          | 1         | 2          | 200      | 5,71        |
| 3. Incentive wages provided by organizations can increase work morale                             | 159       | 41       | 0         | 0          | 0         | 0          | 200      | 5,80        |
| 4. Incentive wages can be used as a pioneer to increase work morale                               | 161       | 37       | 2         | 0          | 0         | 0          | 200      | 5,80        |
| 5. You feel safe with the insurance provided  | 154       | 46       | 0         | 0          | 0         | 0          | 200      | 5,77        |
| 6. You obtain adequate health insurance to cover your health and medical expenses and your family | 165       | 35       | 0         | 0          | 0         | 0          | 200      | 5,83        |
| 7. Adequate supporting facilities and work equipment  | 155       | 44       | 1         | 0          | 0         | 0          | 200      | 5,77        |
| 8. Office facilities are only used for office activities  | 158       | 40       | 2         | 0          | 0         | 0          | 200      | 5,78        |
| 9. You feel like you can rely on benefits to make ends meet                                       | 153       | 43       | 2         | 2          | 0         | 0          | 200      | 5,74        |
| 10. The allowances provided are in accordance with the position occupied by the employee.         | 161       | 35       | 2         | 0          | 0         | 2          | 200      | 5,76        |
| <b>Average</b>  |           |          |           |            |           |            |          | <b>5,77</b> |

Source : Research Results, (2026)

The results show that compensation at PT Sinar Mas Insurance is rated very positively, with an average score of 5.77. The highest score (5.83) is for health insurance, followed by salary suitability and incentive effectiveness (5.80), indicating that the compensation system meets employee expectations. However, slightly lower scores on basic needs fulfillment (5.71) and benefit reliability (5.74) suggest these aspects remain sensitive concerns. Overall, the dominance of “Strongly Agree” responses confirms that compensation plays a key role in supporting employee satisfaction and loyalty.

## 3. Employee Engagement

The results of the research on *Employee Engagement* are as follows:

**Table 3. Employee Engagement**

| Employee Engagement  | SS<br>(6) | S<br>(5) | A<br>S<br>(4) | ATS<br>(3) | TS<br>(2) | STS<br>(1) | Quantity | Average |
|--|-----------|----------|---------------|------------|-----------|------------|----------|---------|
| 1. I have high energy when working                             | 172       | 28       | 0             | 0          | 0         | 0          | 200      | 5,86    |
| 2. I am willing to put all my energy into getting the job done | 165       | 34       | 1             | 0          | 0         | 0          | 200      | 5,82    |

|                |  |     |    |   |   |   |   |     |             |
|----------------|--|-----|----|---|---|---|---|-----|-------------|
| 3.             | I always feel excited when I work                          | 152 | 45 | 3 | 0 | 0 | 0 | 200 | 5,75        |
| 4.             | I don't give up easily when I work                         | 155 | 45 | 0 | 0 | 0 | 0 | 200 | 5,78        |
| 5.             | I am enthusiastic about the work being done                | 157 | 43 | 0 | 0 | 0 | 0 | 200 | 5,79        |
| 6.             | I find the work I do challenging                           | 165 | 34 | 1 | 0 | 0 | 0 | 200 | 5,82        |
| 7.             | I feel proud of my work                                    | 149 | 50 | 1 | 0 | 0 | 0 | 200 | 5,74        |
| 8.             | I find the work I do inspiring                             | 161 | 39 | 0 | 0 | 0 | 0 | 200 | 5,81        |
| 9.             | I feel that the work done is meaningful                    | 166 | 33 | 1 | 0 | 0 | 0 | 200 | 5,83        |
| 10.            | I do every job assigned                                    | 168 | 31 | 1 | 0 | 0 | 0 | 200 | 5,84        |
| 11.            | I feel like I enjoy my work until I forget time            | 171 | 25 | 2 | 1 | 1 | 0 | 200 | 5,82        |
| 12.            | I feel like something is missing when I don't come to work | 160 | 39 | 1 | 0 | 0 | 0 | 200 | 5,80        |
| 13.            | I feel happy when I work intensely                         | 158 | 39 | 3 | 0 | 0 | 0 | 200 | 5,78        |
| 14.            | I feel reluctant to give up my job                         | 176 | 21 | 3 | 0 | 0 | 0 | 200 | 5,87        |
| <b>Average</b> |  |     |    |   |   |   |   |     | <b>5,80</b> |

Source : Research Results, (2026)

The results indicate that employee engagement is in the very high category, with an average score of 5.80. The highest scores are reflected in employees' reluctance to leave their jobs (5.87) and high work energy (5.86), showing strong dedication and commitment. The dominance of "Strongly Agree" and "Agree" responses indicates a high level of emotional and cognitive attachment, including pride, enthusiasm, and a sense of meaningful work. Overall, these findings describe a highly engaged, resilient, and productive workforce with strong psychological bonds to the organization.

#### 4. Employee Performance

The results of the study on the influence of employee performance variables are as follows:

**Table 4. Employee Performance**

| Employee Performance  | SS<br>(6) | S<br>(5) | AS<br>(4) | ATS<br>(3) | TS<br>(2) | STS<br>(1) | Quantity | Average |
|---|-----------|----------|-----------|------------|-----------|------------|----------|---------|
| 1. I do the work according to the company's standards.                      | 179       | 21       | 0         | 0          | 0         | 0          | 200      | 5,90    |
| 2. I can get the job done with a slight error rate                          | 178       | 21       | 1         | 0          | 0         | 0          | 200      | 5,89    |
| 3. I can complete work on target  | 157       | 42       | 1         | 0          | 0         | 0          | 200      | 5,78    |
| 4. I pay attention to quality in work                                       | 161       | 39       | 0         | 0          | 0         | 0          | 200      | 5,81    |
| 5. I can do the job precisely, neatly and meticulously                      | 154       | 44       | 2         | 0          | 0         | 0          | 200      | 5,76    |
| 6. I am responsible for completing the work according to the assigned tasks | 167       | 33       | 0         | 0          | 0         | 0          | 200      | 5,84    |
| 7. I repeat the job if I feel it doesn't meet the standards                 | 158       | 39       | 3         | 0          | 0         | 0          | 200      | 5,78    |
| 8. I get overwhelmed when I procrastinate work                              | 141       | 56       | 3         | 0          | 0         | 0          | 200      | 5,69    |
| 9. I arrived on time  | 154       | 44       | 2         | 0          | 0         | 0          | 200      | 5,76    |
| 10. I get the job done on time  | 172       | 26       | 2         | 0          | 0         | 0          | 200      | 5,85    |

|                |  |     |    |   |   |   |   |     |             |
|----------------|--|-----|----|---|---|---|---|-----|-------------|
| 11.            | I was overwhelmed when I skipped work                                    | 151 | 47 | 0 | 1 | 0 | 1 | 200 | 5,73        |
| 12.            | I was overwhelmed when I didn't go in and leave work                     | 156 | 41 | 1 | 2 | 0 | 0 | 200 | 5,76        |
| 13.            | I was able to work with colleagues because of good communication.        | 164 | 35 | 1 | 0 | 0 | 0 | 200 | 5,82        |
| 14.            | I have a good relationship with colleagues so it's easy to work together | 175 | 25 | 0 | 0 | 0 | 0 | 200 | 5,88        |
| <b>Average</b> |  |     |    |   |   |   |   |     | <b>5,80</b> |

Source : Research Results, (2026)

The results show that employee performance is in the very high category, with an average score of 5.80. The highest indicators are compliance with company standards (5.90) and good relationships with colleagues (5.88), reflecting strong technical competence and teamwork. The dominance of “Strongly Agree” responses also indicates high integrity, discipline, and responsibility, particularly in time and task management. Although the lowest score (5.69) relates to procrastination, it remains in a very high category. Overall, the findings describe employees as professional, committed, and highly dedicated to achieving organizational goals.

### 5. The Influence of Digital Leadership Style, Compensation and *Employee Engagement* on Employee Loyalty through Employee Performance.

The results of the study on the influence of Digital Leadership Style, Compensation and *Employee Engagement* on Employee Loyalty through Employee Performance are as follows:

**Table 5. The Influence of Digital Leadership Style, Compensation and Employee Engagement Towards Employee Loyalty through Employee Performance**

| No                   | Variable Dimensions        | Average     | Category       |
|----------------------|----------------------------|-------------|----------------|
| 1.                   | Digital Leadership Style   | 5,80        | Conform        |
| 2.                   | Compensation               | 5,77        | Conform        |
| 3.                   | <i>Employee Engagement</i> | 5,80        | Conform        |
| 4.                   | Employee Performance       | 5,80        | Conform        |
| <b>Total Average</b> |                            | <b>5,79</b> | <b>Conform</b> |

Source : Research Results, (2026)

The results in Table 5 show that all variables are in the “appropriate” category, with digital leadership style, employee engagement, and employee performance each scoring 5.80, while compensation slightly lower at 5.77. The overall average of 5.79 indicates a highly positive work ecosystem. This consistency reflects strong synergy between digital leadership and employee engagement, which supports optimal performance and serves as a solid foundation for sustaining long-term employee loyalty.

### 6. Validity Test

The validity test was conducted to assess whether the questionnaire accurately measures the intended variables. An item is considered valid if its calculated correlation value (r-count) exceeds the r-table value. Based on Table 6, all items have r-count values greater than the r-

table value of 0.138, indicating that all questionnaire items are valid and appropriate for measuring the research variables.

**Table 6. Validity Test**

| Variabel                       | Indicator | r count | R table | Remarks |
|--------------------------------|-----------|---------|---------|---------|
| Digital Leadership Style (GKD) | X1.1      | 0.554   | 0,138   | Valid   |
|                                | X1.2      | 0.406   |         |         |
|                                | X1.3      | 0.382   |         |         |
|                                | X1.4      | 0.440   |         |         |
|                                | X1.5      | 0.522   |         |         |
|                                | X1.6      | 0.607   |         |         |
|                                | X1.7      | 0.630   |         |         |
|                                | X1.8      | 0.478   |         |         |
|                                | X1.9      | 0.452   |         |         |
|                                | X1.10     | 0.608   |         |         |
| Compensation (KMP)             | X2.1      | 0.694   | 0,138   | Valid   |
|                                | X2.2      | 0.699   |         |         |
|                                | X2.3      | 0.291   |         |         |
|                                | X2.4      | 0.406   |         |         |
|                                | X2.5      | 0.396   |         |         |
|                                | X2.6      | 0.461   |         |         |
|                                | X2.7      | 0.523   |         |         |
|                                | X2.8      | 0.428   |         |         |
|                                | X2.9      | 0.699   |         |         |
|                                | X2.10     | 0.726   |         |         |
| Employee Engagement (EEG)      | X3.1      | 0.700   | 0,138   | Valid   |
|                                | X3.2      | 0.603   |         |         |
|                                | X3.3      | 0.600   |         |         |
|                                | X3.4      | 0.538   |         |         |
|                                | X3.5      | 0.562   |         |         |
|                                | X3.6      | 0.672   |         |         |
|                                | X3.7      | 0.495   |         |         |
|                                | X3.8      | 0.566   |         |         |
|                                | X3.9      | 0.567   |         |         |
|                                | X3.10     | 0.556   |         |         |
|                                | X3.11     | 0.726   |         |         |
|                                | X3.12     | 0.619   |         |         |
|                                | X3.13     | 0.724   |         |         |
|                                | X3.14     | 0.691   |         |         |
| Employee Performance (KKN)     | Z1        | 0.398   | 0,138   | Valid   |
|                                | Z2        | 0.612   |         |         |
|                                | Z3        | 0.584   |         |         |
|                                | Z4        | 0.528   |         |         |
|                                | Z5        | 0.521   |         |         |
|                                | Z6        | 0.554   |         |         |
|                                | Z7        | 0.559   |         |         |
|                                | Z8        | 0.540   |         |         |
|                                | Z9        | 0.519   |         |         |
|                                | Z10       | 0.595   |         |         |
| Employee Loyalty (LKN)         | Y1        | 0.483   | 0,138   | Valid   |
|                                | Y2        | 0.531   |         |         |
|                                | Y3        | 0.565   |         |         |
|                                | Y4        | 0.625   |         |         |
|                                | Y5        | 0.401   |         |         |
|                                | Y6        | 0.537   |         |         |
|                                | Y7        | 0.637   |         |         |
|                                | Y8        | 0.648   |         |         |
|                                | Y9        | 0.647   |         |         |

|     |       |
|-----|-------|
| Y10 | 0.516 |
| Y11 | 0.479 |
| Y12 | 0.544 |
| Y13 | 0.486 |
| Y14 | 0.543 |

Source : Research Results, (2026)

## 7. Reliability Test

From Table 4.11 it can be seen that *Cronbach's alpha* value of each variable is greater than 0.60. Therefore, it is concluded that the data tested is valid and reliable.

**Table 7. Reliability Test**

| No | Variabel             | Cronbach's Alpha | Remarks  |
|----|----------------------|------------------|----------|
| 1. | Leadership Style     | 0.823            | Reliabel |
| 2. | Compensation         | 0.842            | Reliabel |
| 3. | Employee Engagement  | 0.909            | Reliabel |
| 4. | Employee Performance | 0.866            | Reliabel |

Source : Research Results, (2026)

It is known that if *Cronbach's alpha* value is greater than 0.60, then the question on variable X is reliable.

## 8. Classic Assumption Test

### 1. Normality Test

Normality tests need to be carried out to test whether in a regression model, bound variables, independent variables or both have normal distributions or not. Based on the results of the normality test using the histogram graph in the image above, it can be seen that the curve shape has a symmetrical pattern and does not deviate to the left or right. The curve lines form a bell-shaped pattern that follows the residual data. In addition, a Mean value of  $1.35 \times 10^{-14}$  (close to zero) and a Standard Deviation of 0.990 (close to one) indicate that the residual of the regression model of the Employee Loyalty variable (Y) is normally distributed.

### 2. Multicollinearity Test

The results of the multicollinearity test in this study are to see or detect the presence of multicollinearity of each research variable used. Below are the results of the multicollinearity test in this study as follows.

**Table 8. Multicollinearity Test Results**

| Variabel                 | Coefficient | Uncentered | Centered |
|--------------------------|-------------|------------|----------|
|                          | Variance    | LIVE       | LIVE     |
| C                        | 0.239       |            |          |
| Digital Leadership Style | 0.057       | 0.415      | 2.408    |
| Compensation             | 0.050       | 0.324      | 3.084    |
| Employee Engagement      | 0.058       | 0.307      | 3.256    |
| Employee Performance     | 0.066       | 0.325      | 3.079    |

Source : Research Results, (2026)

Based on the results of the multicollinearity test in Table 8, all of these variables in this study do not show symptoms of multicollinearity where the tolerance value is greater than 0.1

and the VIF value is less than 10, indicating that all variables in this study can be used and each variable is independent of each other.

### 3. Heteroscedasticity Test

Below are the results of the heteroscedasticity test in the study as follows.

**Table 9. Heteroscedasticity Test Table**

| Constant             | Unstandardized Coefficients | Std. Error |
|----------------------|-----------------------------|------------|
| Leadership Style     | 0.158                       |            |
| Compensation         | 0.068                       |            |
| Employee Engagement  | 0.063                       |            |
| Employee Performance | 0.078                       |            |
| Leadership Style     | 0.063                       |            |

Source : Research Results, (2026)

The heteroscedasticity test was carried out using *the Breusch-Pagan method* to detect whether there is a violation of heteroscedasticity or not. The results of this test show that the Significant value of all variables  $> 0.05$  which means that the variables are free from the Heteroscedasticity test.

### 9. Multiple Linear Regression Results

The results of multiple linear regression analysis were used to determine the influence of independent variables on dependent variables through mediation variables. Below are the results of the analysis of the variables of digital leadership style, compensation, and *employee engagement* on employee performance as mediation variables.

**Table 10. Results of Multiple Regression Equations of Mediation Test**

| Variable                   | Coefficient | Std. Error | Prob. |
|----------------------------|-------------|------------|-------|
| C                          | 1.345       | 0.241      | 0.000 |
| Digital Leadership Style   | 0.131       | 0.061      | 0.033 |
| Compensation               | 0.150       | 0.054      | 0.006 |
| <i>Employee Engagement</i> | 0.487       | 0.053      | 0.000 |
| R-squared                  | 0.675       |            |       |
| Adjusted R-squared         | 0.670       |            |       |

Source : Research Results, (2026)

Influence of independent variables on mediation variables:

$$KKN = 1.345 + 0.131GKD + 0.150KMP + 0.287EEG + \varepsilon$$

From the results of the regression equation above, it can be concluded that:

#### a) The Influence of Digital Leadership Style (GKD) on Employee Performance (KKN)

It has a Coefficient value of 0.131 with a significance level of  $0.033 < 0.05$ . Any improvement in the quality of the Digital Leadership Style will increase Employee Performance by 0.131. Since the probability value is  $0.033 < 0.05$ , this variable has a significant effect. This means that when the digital leadership style increases by 1%, the performance of employees as mediation is predicted to increase by 1.31%, and vice versa when the digital leadership style is in a fixed condition, the performance of employees will be 1.34%.

#### b) The Effect of Compensation (KMP) on Employee Performance (KKN)

It has a coefficient value of 0.150 with a significance level of 0.006 (less than 0.05). which means that compensation has a positive effect of 0.150 on performance. With a p-value of

0.006. This means that when compensation increases by 1%, employee performance as mediation is predicted to increase by 1.50%, and vice versa when compensation is in a fixed condition, employee performance will be 1.34%.

**c) The Effect of *Employee Engagement* (EEG) on Employee Performance (KKN)**

It has a coefficient value of 0.487 with a significance level value of 0.000 (Very Significant) with Interpretation where the variable with the strongest influence. This means that when *Employee Engagement* increases by 1%, employee performance as mediation is predicted to increase by 4.87%, and vice versa when *Employee Engagement* is in a fixed condition, employee performance will be 1.34%.

Based on the regression equation model produced, the variables of Digital Leadership Style (GKD), Compensation (KMP), and *Employee Engagement* (EEG) were proven to have a positive and significant influence on Employee Performance. Statistically, each independent variable showed a significance value below the standard of 0.05, which means that the positive influence hypothesis is acceptable. If these three variables are in a fixed or constant condition, then the basic value of Employee Performance is predicted to remain stable at a constant number of 1.345 percent.

Judging from the strength of influence of each variable, *Employee Engagement* emerged as the most dominant factor with the highest coefficient value of 0.487. This shows that emotional attachment and employee dedication contribute the most to boosting work performance compared to other factors. For comparison, the Compensation variable had an influence of 0.150, followed by Digital Leadership Style with an influence of 0.131. While all three are significant, strengthening employee engagement will have the most massive impact on overall performance improvement.

In practical terms, these results show that company policies that focus on improving the quality of digital-based leadership, a fair compensation system, and strengthening employee engagement will linearly increase productivity. For example, every 1% increase in these variables will be followed by an increase in performance according to the value of their respective coefficients. Therefore, human resource management strategies should be prioritized on programs that are able to increase employee engagement without ignoring welfare factors (compensation) and leadership adaptation in the digital era.

**Table 11. Results of Multiple Regression Equations of Mediation Test**

| Variable                   | Coefficient | Std. Error | Prob. |
|----------------------------|-------------|------------|-------|
| C                          | 0.604       | 0.239      | 0.012 |
| Digital Leadership Style   | 0.000       | 0.057      | 0.996 |
| Compensation               | 0.105       | 0.050      | 0.038 |
| <i>Employee Engagement</i> | 0.271       | 0.058      | 0.000 |
| Employee Performance       | 0.520       | 0.066      | 0.000 |
| R-squared                  | 0.667       |            |       |
| Adjusted R-squared         | 0.662       |            |       |

Source : Research Results, (2026)

Based on the results of the analysis, a multiple linear regression equation model between dependent variables and mediating variables is obtained as follows.

$$LKN = 0.604 + 0.520 KKN + \epsilon$$

From the results of the regression equation above, the result is obtained where:

LKN : Employee Loyalty

KKN : Employee performance

- a) From the multiple linear regression equation, a constant value of 0.604 can be explained, which means that when the mediation variable (employee performance) is at a fixed or unchanged condition, then employee loyalty to PT. Sinar Mas Insurance at 6.04%.
- b) The value of the coefficient of the mediation variable (employee performance) is 0.520 with a probability of  $0.000 < 0.05$ . Which means that employee performance has a significant effect on employee loyalty. This means that when employee performance increases by 1%, employee loyalty is predicted to increase by 5.20%, and vice versa when employee performance is in a fixed condition, employee loyalty will be 6.04%.

The regression results show that employee performance (KKN) has a positive and significant effect on employee loyalty (LKN) at PT Sinar Mas Insurance, with a coefficient of 0.520 and a significance value of 0.000. This indicates that higher employee performance leads to increased loyalty. The constant value of 0.604 reflects the baseline level of loyalty when performance is unchanged. Overall, the findings highlight that employee performance is a key factor in strengthening long-term employee commitment.

**Table 12. Indirect Influence**

|  | Indirect Influence | From Sobel | P Sobel  |
|--|--------------------|------------|----------|
| Indirect Influence Of digital leadership style > employee performance > employee loyalty   | 0.06812            | 2.07195122 | 0.019135 |
| Indirect Effects Of compensation > employee performance > employee loyalty                 | 0.078              | 2.61972747 | 0.0044   |
| Indirect Influence of <i>employee engagement</i> > employee performance > employee loyalty | 0.25324            | 5.98112842 | 0        |

Source : Research Results, (2026)

- a) The indirect influence of digital leadership style on employee loyalty through employee performance is 0.06812. It is known that the value of Z Sobel is  $2,071 > 1.96$  and the value of P per bet =  $0.0191 < 0.05$ , meaning that employee performance has a significant effect on mediating the relationship between employee leadership style and employee performance (Hypothesis accepted).
- b) The indirect effect of compensation on employee loyalty through employee performance is 0.078. It is known that the Z value per share is  $2,619 > 1.96$  and the P value per share =  $0.0044 < 0.05$ , meaning that employee performance has a significant effect on mediating the relationship between competitiveness and employee loyalty (Hypothesis accepted).
- c) The indirect effect of employee engagement on employee loyalty through employee performance is 0.25324. It is known that the Z value of  $5,981 > 1.96$  and the value of P per share =  $0.0 < 0.05$ , meaning that employee performance has a significant effect on mediating the relationship between *employee engagement* and employee loyalty (Accepted hypothesis).

From the data above, the results indicate that employee performance acts as a significant mediating variable for all independent variables. The Sobel test confirms that

digital leadership style, compensation, and employee engagement influence employee loyalty more effectively when they first enhance employee performance. Among these, employee engagement is the strongest driver of loyalty, as reflected by the highest indirect effect coefficient (0.25324) and Sobel Z value (5.981), highlighting the importance of emotional attachment in driving superior performance and sustained loyalty. Meanwhile, digital leadership and compensation function as supporting factors that must be managed strategically to improve productivity. Therefore, organizations should prioritize performance-oriented policies, foster engaging work environments, and enhance employee competencies, as improved performance will ultimately strengthen employee loyalty and reduce turnover intention.

## Hypothesis test result

### 1. Coefficient of Determination ( $R^2$ )

The results of the determination coefficient were used to determine the influence of each independent variable on the bound variable. Because the independent variables used in this study used more than two independent variables, adjusted R square was used.

**Table 13. Coefficient of Determination ( $R^2$ )**

|                    |       |                    |       |
|--------------------|-------|--------------------|-------|
| R-squared          | 0.667 | Mean dependent var | 0.873 |
| Adjusted R-squared | 0.662 | S.D. dependent var | 2.459 |

Source : Research Results, (2026)

From the value of the determination coefficient  $R^2$ , which is 0.667. This means that the variables of digital leadership style, compensation, *employee engagement*, and employee performance were able to explain the influence on employee loyalty by 66%, the remaining 34% were explained by other variables outside this research model.

### 2. Simultaneous Significance Test (F Test)

The results of the F test are used to see that independent variables have an influence on the dependent variables together.

**Table 14. Simultaneous Significance Test (F Test)**

| Model      | Sum of Squares | Df  | Mean Square | F       | Sig   |
|------------|----------------|-----|-------------|---------|-------|
| Regression | 10.747         | 3   | 3.582       | 136.510 | .000b |
| Residual   | 5.170          | 197 | .026        |         |       |
| Total      | 15.917         | 200 |             |         |       |
| Model      | Sum of Squares | df  | Mean Square | F       | Sig   |
| Regression | 12.939         | 4   | 3.235       | 145.449 | .001b |
| Residual   | 4.359          | 196 | .022        |         |       |
| Total      | 17.298         | 200 |             |         |       |

Source : Research Results, (2026)

- 1) It is known that the value of Sig  $0.000 < 0.05$  is concluded, so it is concluded that X1, X2 and X3 together have a significant effect on Z.
- 2) It is known that the value of Sig  $0.001 < 0.05$ , so it is concluded that X1, X2, X3 and Z together have a significant effect on z

Based on the results of the F test, an F value was obtained calculated as 103.102 with a significance level of 0.001. Since the significance value of  $0.001 < 0.05$  and the value of F is calculated is greater than that of the F table, then  $H_0$  is rejected and  $H_a$  is accepted, which means

that the independent variables (GKD, KMP, EEG) simultaneously (together) have a significant effect on the dependent variables. These results show that the regression model used is feasible and qualified to explain the relationship between the variables studied.

### 3. Individual Parameter Significance Test (t-test)

The results of the t-test from the results of data analysis are known to have a partial influence of independent variables on the dependent variables used in this study. Below is a table of the results of the t-test as follows.

**Table 4.1 Individual Parameter Significance Test (t-test)**

| Variable                   | Coefficient | Std. Error | t-Statistic | Prob. |
|----------------------------|-------------|------------|-------------|-------|
| C                          | 0.604       | 0.239      | 5.129       | .000  |
| Digital Leadership Style   | 0.000       | 0.057      | 1.053       | .294  |
| Compensation               | 0.105       | 0.050      | 3.231       | .001  |
| <i>Employee Engagement</i> | 0.271       | 0.058      | 9.447       | .000  |
| Employee Performance       | 0.520       | 0.066      | 5.129       | .000  |

Source : Research Results, (2026)

Based on the results of the partial t-test, it is known that the digital leadership style variable has a probability value of 0.294 which is greater than the significance level of 0.05, so it is stated that it has no significant effect on employee loyalty (Ho is accepted and Ha is rejected). Meanwhile, the compensation variable showed a probability value of 0.001 which was smaller than 0.05, so it had a significant effect on employee loyalty (Ho was rejected and Ha was accepted). The same is also shown by the employee engagement variable with a probability value of 0.000, which means that it has a significant influence on employee loyalty. In addition, the employee performance variable as a mediating variable also has a probability value of 0.008 which is smaller than 0.05, so it is proven to have a significant effect on employee loyalty. Thus, it can be concluded that partially, compensation, employee engagement, and employee performance have a significant influence on loyalty, while digital leadership styles do not show a significant influence in this study.

### The Influence of Digital Leadership Style on Employee Performance

The results of the analysis show that digital leadership style has a positive and significant influence on employee performance, with a path coefficient value of 0.131 and a significance level of 0.033 which is below the threshold of 0.05. This indicates that any improvement in the quality of digital leadership will be followed by an improvement in employee performance in a linear manner. Mathematically, a 1% increase in the effectiveness of digital leadership is predicted to be able to improve employee performance by 1.31%. Meanwhile, if other variables are considered constant, the basic performance of employees is at 1.34%, so the presence of effective digital leadership is an additional driving factor in increasing organizational productivity.

Conceptually, digital leadership is not only concerned with technical abilities in utilizing technology, but also includes the ability of leaders to communicate, inspire, and manage teams effectively through digital platforms. In the context of modern organizations, leaders who are adaptive to technology can accelerate data-driven decision-making and minimize operational

bottlenecks. In addition, digital leadership also plays a role in building employee trust and engagement even though interactions are done virtually, thus creating a productive and responsive work environment to change.

These findings also confirm that digital leadership is becoming increasingly relevant amid industrial transformation, especially in sectors that are experiencing intensive digitalization. Leaders who can integrate technology with a humanist approach will be more effective in improving employee performance, especially for the next generation of workers who are used to the digital ecosystem. Thus, digital leadership not only functions as an operational driving tool, but also as an adaptive strategy that is able to increase organizational competitiveness through continuous optimization of employee performance.

### **The Effect of Compensation on Employee Performance**

The results of the analysis showed that compensation had a positive and significant influence on employee performance with a path coefficient value of 0.150 and a significance level of  $0.006 < 0.05$ . Statistically, this means that every 1% increase in compensation will increase employee performance by 1.50%. These findings confirm that compensation policies, both financial and non-financial, have an important role as a stimulus in increasing employee productivity. In addition, when compensation is at a constant state, employee performance tends to be at a base level of 1.34%, which indicates the need for managerial intervention to improve performance.

Theoretically, these results are in line with the concept of human resource management which states that compensation is a form of appreciation for employee contributions. When employees feel they are being rewarded fairly and competitively, they are more likely to increase dedication and performance. This is also supported by previous research that states that compensation can increase work motivation and encourage employees to work more optimally. Thus, compensation is not only seen as an operational cost, but as a strategic investment that is able to improve the overall performance of the organization.

### **The Influence of Employee Engagement on Employee Performance**

Based on the results of the analysis, the employee engagement variable has a positive and very significant influence on employee performance with a coefficient value of 0.487 and a significance level of 0.000. This shows that employee engagement is a very dominant factor in influencing performance, where every 1% increase in engagement can increase performance by 4.87%. These findings indicate that employee emotional engagement, dedication, and work ethic play a major role in driving productivity and optimal performance achievement within the organization.

Theoretically, these results are in line with Social Exchange Theory which emphasizes the existence of a reciprocal relationship between employees and organizations. When a company is able to create a supportive work environment and increase employee engagement, employees will reciprocate with better performance. In addition, these findings are also supported by the Job Demands-Resources (JD-R) model which states that employee attachment is the result of the availability of adequate work resources. Therefore, increasing employee engagement is an important strategy for companies to encourage employee performance in a sustainable manner.

### **4.3.4 The Effect of Employee Performance on Employee Loyalty**

Based on the results of the study, it is known that the employee performance variable has

a path coefficient value of 0.520 with a significance level of 0.000 which is below the threshold of  $< 0.05$ , so it can be concluded that employee performance has a positive and significant effect on employee loyalty. Mathematically, every 1% increase in performance will increase employee loyalty by 5.20%, while if performance is in constant conditions, the basic loyalty level is predicted to be at 6.04%. These findings show that performance is not just a result of work, but an important factor that strengthens the psychological relationship between employees and the organization.

Theoretically, these results are in line with Social Exchange Theory which states that employment relationships are built on a mutual basis between employees and organizations. Employees who are able to demonstrate high performance will feel satisfaction and recognition for their contributions, thus creating a sense of responsibility to remain loyal and contribute in the long run. In addition, good performance is often followed by higher rewards, development opportunities, and job satisfaction, which ultimately reinforces commitment to the company. Therefore, improving employee performance not only impacts organizational productivity, but is also an important strategy in building and maintaining employee loyalty on an ongoing basis.

### **The Influence of Digital Leadership Styles on Employee Loyalty**

Based on the results of the study, it is known that the digital leadership style variable has a path coefficient value of 0.000 with a significance level of 0.996 which is greater than 0.05, so it can be concluded that digital leadership style does not have a significant effect on employee loyalty. These findings show that the existence of digital-based leadership has not been able to directly increase employee loyalty to the company. In other words, while technology and digitalization have been implemented in leadership styles, they are not yet strong enough to build emotional and long-term employee loyalty.

Theoretically, these results provide the perspective that employee loyalty is not only influenced by technical aspects or the use of technology, but rather by psychological factors and interpersonal relationships. This is in line with the Two-Factor Theory which states that technology plays more of a role as a hygiene factor that prevents dissatisfaction, but does not directly increase motivation or loyalty. In addition, this lack of influence can also be caused by the lack of emotional touch in digital leadership, so the relationship between superiors and subordinates tends to be formal and transactional. Therefore, organizations need to combine digital leadership with a more humanistic and emotional intelligence-based approach to create stronger attachment and increase employee loyalty on an ongoing basis.

### **The Effect of Compensation on Employee Loyalty**

Based on the results of the study, it is known that the compensation variable has a path coefficient value of 0.105 with a significance level of  $0.038 < 0.05$ , which shows that compensation has a positive and significant effect on employee loyalty. Mathematically, every 1% increase in compensation will increase employee loyalty by 1.05%, while when compensation is at a constant state, the employee loyalty level is predicted to be at 6.04%. These findings confirm that although the effect is not as large as other variables such as employee engagement, compensation is still an important factor in maintaining employee loyalty to the company, especially in meeting economic needs and providing a sense of security at work.

Theoretically, these results are in line with Equity Theory which states that employees will judge fairness between the effort they put in and the rewards they receive. When compensation is perceived as fair and competitive, employees will feel valued and are encouraged to show higher loyalty. In addition, these findings are also supported by Expectancy Theory which explains that employees will be motivated and stay in the organization if they believe that good performance will result in rewards that match expectations. Therefore, compensation not only serves as a reciprocal service, but also as a strategic instrument in retaining employees, increasing engagement, and ensuring the sustainability of the organization through the loyalty of human resources.

### **The Effect of Employee Engagement on Employee Loyalty**

Based on the results of the study, it is known that the employee engagement variable has a path coefficient value of 0.271 with a significance level of  $0.000 < 0.05$ , which shows that employee engagement has a positive and significant effect on employee loyalty. Mathematically, every 1% increase in employee engagement will be followed by an increase in employee loyalty by 2.71%. On the other hand, if employee engagement is at a constant condition, the employee loyalty level is predicted to be at 6.04%. These findings indicate that employee attachment plays an important role in forming loyalty, so the higher the level of emotional and intellectual involvement of employees with the company, the higher their level of loyalty to the organization.

Theoretically, the results of this study are in line with the Self-Determination Theory which states that employees who feel they have autonomy, competence, and social connectedness will develop a strong intrinsic motivation for their work. This attachment creates a sense of meaning in work and responsibility to stay in the company. These findings are also supported by previous research that confirms that vigor, dedication, and absorption are the main factors that drive employee loyalty. In addition, in the perspective of Social Exchange Theory, when companies provide support and create a positive work environment, employees will reciprocate with greater commitment and loyalty. Therefore, employee engagement can be seen as a strategic factor that not only improves performance, but also becomes the main foundation in building long-term employee loyalty.

### **Employee Performance Mediates Leadership Style, Compensation, and Employee Engagement on Employee Loyalty**

The regression model in this study was proven to be statistically significant with a significance value of 0.001 and an F-count value of 145.449, which shows that the variables of leadership style, compensation, employee engagement, and employee performance simultaneously have a strong influence on employee loyalty. These results confirm that employee loyalty is not influenced by a single factor, but by a combination of various interrelated managerial aspects in an organizational ecosystem. Thus, this research model is considered feasible to explain the relationship between variables, including the role of employee performance as a variable that strengthens the relationship.

Theoretically, these findings are in line with the Resource-Based View (RBV) which states that an organization's competitive advantage depends on the optimal management of internal resources. In this context, leadership style and compensation play a role as organizational input, while employee engagement is an internal driver that encourages

improved employee performance. When these three factors can improve performance, there will be a sense of self-mastery in employees which then encourages the formation of affective commitment to the organization. This is also supported by Social Exchange Theory which explains that employees tend to return positive treatment from the organization with loyalty and long-term commitment.

Furthermore, this study confirms that employee performance plays a role as a partial mediating variable that bridges the influence of independent variables on employee loyalty. Performance is not only seen as a result, but also as a psychological bridge that connects work experience to the employee's level of attachment to the organization. These findings reinforce the view that loyalty enhancement strategies should be conducted holistically, not only focusing on compensation or leadership separately, but also paying attention to employee emotional attachment. With a high F-count value, management is required to build an integrated work ecosystem, where adaptive leadership, fair compensation systems, and high engagement levels can jointly drive optimal performance and ultimately strengthen employee loyalty amid competitive industry dynamics.

## CONCLUSION

Based on the results of the study, it can be concluded that digital leadership style, compensation, and employee engagement simultaneously have a significant effect on the loyalty of Generation Z employees at PT Asuransi Sinar Mas through employee performance as a mediating variable. Partially, employee engagement is the most dominant factor in increasing loyalty, because employee emotional and intellectual attachment has been proven to be able to drive productivity as well as long-term commitment to the company. In addition, employee performance has proven to play an important role as a mediating variable that strengthens the relationship between independent variables and loyalty, so that the influence of digital leadership and compensation will be more optimal if it is able to improve performance first. Based on these findings, companies are advised to prioritize increasing employee engagement and improving a competitive compensation system to improve employee performance and loyalty. Operationally, companies need to develop a digital-based performance appraisal system that is transparent, strengthen internal communication, and provide incentives that are more responsive to employee achievement. However, this study has limitations, including only focusing on Generation Z employees in one company, relying on the subjective perception of respondents, and using only one mediation variable. Therefore, further research is recommended to expand the research object, add other relevant variables, and use more comprehensive analysis methods such as SEM or bootstrapping so that the results obtained are more robust.

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