

The Effect of Strengths-Based Leadership on Employee Performance Through Work Engagement with Leader-Member Exchange as a Moderating Variable at the Sidoarjo Customs and Excise Supervision and Service Office Type B

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ABSTRACT

This study aims to analyze the effect of strengths-based leadership on employee performance through work engagement with Leader-Member Exchange as a moderating variable at the Sidoarjo Customs and Excise Supervision and Service Office Type B. This study employed a quantitative approach with an explanatory research design. The population consisted of all employees, totaling 124 employees, while the sample consisted of 95 respondents determined using the Slovin formula with a 5% margin of error. The sampling technique used was simple random sampling. Data were collected through a questionnaire and analyzed using the SEM-PLS method. The results show that strengths-based leadership has a positive and significant effect on employee performance. Strengths-based leadership also has a positive and significant effect on work engagement. Furthermore, work engagement has a positive and significant effect on employee performance. The results also prove that work engagement mediates the effect of strengths-based leadership on employee performance. In addition, Leader-Member Exchange strengthens the effect of strengths-based leadership on work engagement. These findings indicate that employee performance can be improved by strengthening leadership practices that focus on employee strengths, enhancing work engagement, and improving the quality of relationships between leaders and employees.

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Introduction

Public-sector organizations increasingly require employees who are able to deliver services in a timely, accurate, accountable, and procedurally compliant manner. This requirement is especially relevant for customs and excise offices because their work combines public service, supervision, law enforcement, facilitation, and support for state revenue. In the Indonesian context, customs and excise offices are expected not only to collect revenue but also to ensure that the movement of goods is supervised and that users

receive reliable services. At the office level, this mandate places employees in a work environment that requires accuracy, procedural discipline, service orientation, and the ability to respond to organizational targets. Therefore, employee performance becomes a central human resource management issue, particularly for public service units that face high operational and stakeholder demands.

The Sidoarjo Customs and Excise Supervision and Service Office Type B represents a public service organization where employee performance is closely associated with the quality of service, administrative accuracy, supervision, and coordination among units. In such an organization, performance improvement cannot be approached solely through procedures, digital systems, and formal control. Although systems and regulations are necessary, they do not automatically ensure that employees will use their best capabilities in completing work. Employee performance also depends on how leaders recognize employee potential, provide constructive support, align assignments with individual strengths, and build a work relationship that encourages employees to invest their energy and attention in their work.

This study focuses on strengths-based leadership as a leadership approach that emphasizes the recognition, use, and development of employee strengths. Unlike leadership approaches that primarily focus on correcting weaknesses, strengths-based leadership assumes that employees possess distinctive capabilities that can be used to support task achievement. Wang et al. (2023) define strengths-based leadership as leadership behavior that helps employees identify, use, and develop their strengths in the work context. Ding et al. (2020) also argue that such leadership can improve task performance because leaders guide employees to use their best qualities in performing their tasks. In the Job Demands-Resources perspective, leadership can function as a job resource when it provides support, feedback, recognition, and developmental opportunities (Tummers & Bakker, 2021; Wang et al., 2023). Strengths-based leadership is therefore relevant because it is not merely a general supportive behavior, but a focused leadership behavior that helps employees work from their strongest capacities.

The importance of leadership and employee performance has also been emphasized in several studies in Indonesian organizational settings. Krisnawida et al. (2023) examined leadership style and employee performance in a tax service office, while Tarmuji et al. (2024) examined employee performance assessment through an e-performance system in a customs and excise office. Jatiningrum et al. (2024), Arifin et al. (2024), and Widodo et al. (2024) further showed that leadership and organizational factors are closely related to performance improvement. Other studies also emphasize that performance is influenced by human resource quality, discipline, professionalism, reliability, work environment, and mediating psychological factors (Arifiyanto et al., 2024; Pratama et al., 2024; Saifullah et al., 2024). Hariadi et al. (2025) demonstrated that performance-related practices can influence performance through motivation, while Wibowo (2024) highlighted the role of work engagement in shaping positive work behavior. These studies provide an Indonesian

empirical foundation, but most still examine leadership in a general sense and have not integrated strengths-based leadership, work engagement, Leader-Member Exchange, and employee performance in one model.

Work engagement is positioned in this study as a psychological mechanism that explains how leadership support is transformed into performance. Engagement reflects a positive and active work-related state characterized by vigor, dedication, and absorption (Schaufeli et al., 2019). Employees who are engaged do not only feel satisfied with their work; they also demonstrate energy, enthusiasm, persistence, focus, and willingness to invest effort in task completion (Decuyper & Schaufeli, 2020; Neuber et al., 2022). In a customs and excise service setting, work engagement is important because employees must maintain accuracy, concentration, and responsibility in handling service, supervision, and administrative tasks. If leaders help employees use their strengths, employees may perceive their work as more meaningful and manageable, which can increase engagement and eventually strengthen performance.

This study also includes Leader-Member Exchange as a moderating variable. Leader-Member Exchange refers to the quality of the relationship between leaders and subordinates, reflected in affect, loyalty, contribution, and professional respect (Liden et al., 1997). A high-quality exchange relationship can make employees more receptive to leadership support because they trust the leader's intention and feel safe to discuss their strengths, difficulties, and development needs. Wang et al. (2023) argue that the influence of strengths-based leadership on engagement becomes stronger when Leader-Member Exchange is high. This study therefore assumes that strengths-based leadership does not operate in a social vacuum; rather, its effect depends partly on whether employees have a high-quality relationship with their direct supervisors.

The research gap addressed in this study is twofold. First, empirical studies on strengths-based leadership remain limited in Indonesian public-sector organizations, especially in customs and excise service offices. Second, prior Indonesian studies have frequently discussed leadership and performance but have rarely examined work engagement as the mediating process and Leader-Member Exchange as the relational condition that strengthens the effect of strengths-based leadership. Accordingly, this study aims to analyze the effect of strengths-based leadership on employee performance through work engagement and to test the moderating role of Leader-Member Exchange at the Sidoarjo Customs and Excise Supervision and Service Office Type B.

Based on the theoretical and empirical arguments, this study proposes five hypotheses.

H1: strengths-based leadership has a positive and significant effect on employee performance.

H2: strengths-based leadership has a positive and significant effect on work engagement.

H3: work engagement has a positive and significant effect on employee performance.

H4: work engagement mediates the effect of strengths-based leadership on employee performance.

H5: Leader-Member Exchange strengthens the effect of strengths-based leadership on work engagement.

Method

This study used a quantitative explanatory research design. The explanatory design was selected because the study tested causal relationships among latent variables and examined direct, mediating, and moderating effects. Quantitative research is appropriate when the researcher measures variables numerically and tests theoretical relationships statistically (Creswell & Creswell, 2023; Sekaran & Bougie, 2019). The research variables consisted of strengths-based leadership as the independent variable, employee performance as the dependent variable, work engagement as the mediating variable, and Leader-Member Exchange as the moderating variable.

The population consisted of all employees at the Sidoarjo Customs and Excise Supervision and Service Office Type B, totaling 124 employees. The sample size was determined using the Slovin formula with a 5% margin of error, resulting in 95 respondents. The sampling technique used was simple random sampling, which allows each employee in the population to have an equal opportunity to be selected as a respondent. This technique was considered suitable because the population size was known and the researcher intended to obtain a representative sample from the entire employee population.

Data were collected using a structured questionnaire with a five-point Likert scale, ranging from strongly disagree to strongly agree. Strengths-based leadership was measured using eight indicators adapted from Wang et al. (2023), including the leader's ability to recognize employees' best conditions, focus on strengths, appreciate strengths, help employees discover strengths, align work with strengths, and discuss strength development. Work engagement was measured through vigor, dedication, and absorption based on Schaufeli et al. (2019) and Wang et al. (2023). Leader-Member Exchange was measured using the dimensions of affect, loyalty, contribution, and professional respect based on Liden et al. (1997). Employee performance was measured as task performance using indicators from Wang et al. (2023), namely achieving work goals, meeting work requirements, and performing work according to organizational expectations.

The data were analyzed using PLS-SEM. This method was selected because the research model includes multiple latent constructs, mediation, and moderation. PLS-SEM is suitable for testing complex models and evaluating both measurement and structural models (Ghozali, 2021; Hair et al., 2022). The analysis was conducted in two stages. First, the measurement model was evaluated using outer loading, Average Variance Extracted, cross loading, Fornell-Larcker criterion, Composite Reliability, and Cronbach's Alpha. Second, the structural model was evaluated using R-square, Q-square, path coefficients, t-statistics, and p-values. Hypotheses were accepted when the t-statistic exceeded 1.96 and the p-value was below 0.05.

Results and Discussion

The respondents were 95 employees of the Sidoarjo Customs and Excise Supervision and Service Office Type B. The demographic profile indicates that the respondents were dominated by male employees, representing 76.8% of the sample, while female employees represented 23.2%. Most respondents were in the 31-40 age group, followed by the 41-50 and 25-30 age groups. In terms of education, most respondents held a bachelor's degree, indicating that the respondents had sufficient educational background to understand the questionnaire items and the work context. The largest group of respondents had 6-10 years of work experience, suggesting that many respondents had adequate organizational experience to evaluate leadership practices, work engagement, supervisor-subordinate exchange, and performance. Based on work unit, the largest proportion came from the supervision unit, followed by service and administrative/support units. Most respondents were implementing staff, which means that the data largely represent employees who directly experience daily operational work.

The descriptive results show that all variables were generally perceived positively by respondents. The mean score for strengths-based leadership indicated that respondents agreed that supervisors had implemented leadership behaviors oriented toward employee strengths. The highest mean was found in the statement that leaders attempted to adjust tasks to employee strengths, while the lowest mean was found in the statement that leaders helped employees recognize their own strengths. This pattern suggests that task-strength alignment was relatively visible, but more structured strength-discovery conversations could still be improved. Work engagement also showed a positive tendency. The highest scores appeared in statements related to maintaining enthusiasm under high job demands and being focused in work, while the lowest score was related to feeling that time passed quickly while working. Employee performance was perceived positively, with the highest score on performing work according to organizational expectations and the lowest on maintaining work quality. For Leader-Member Exchange, the highest score was related to mutual support between employee and supervisor, while the lowest scores were related to comfortable working relationships and support for supervisor decisions. These descriptive findings provide a practical basis for interpreting the structural results.

Table 1. Measurement Model Evaluation

Construct	AVE	Composite Reliability	Cronbach Alpha	Conclusion
Strengths-Based Leadership	0.655	0.938	0.924	Valid and reliable
Work Engagement	0.669	0.924	0.901	Valid and reliable
Employee Performance	0.693	0.931	0.911	Valid and reliable
Leader-Member Exchange	0.688	0.946	0.935	Valid and reliable

Source: Primary data processed, 2026.

The measurement model was evaluated before testing the hypotheses. The results indicated that all constructs met the requirements for convergent validity, discriminant validity, and reliability. The outer loading values ranged from 0.743 to 0.872, which

indicates that all indicators had adequate contribution to their respective constructs. The Average Variance Extracted values for all constructs were above the minimum criterion of 0.50. Composite Reliability and Cronbach's Alpha values were also above 0.70, indicating satisfactory internal consistency. Discriminant validity was supported by cross loading and the Fornell-Larcker criterion, as the square root of AVE for each construct was higher than its correlations with other constructs. Therefore, the measurement model was considered valid and reliable.

Table 2. Structural Model and Hypothesis Testing

Hyp.	Relationship	Original Sample	T-statistic	P-value	Decision
H1	strengths-based leadership → employee performance	0.255	2.930	0.004	Supported
H2	strengths-based leadership → work engagement	0.560	8.989	0.000	Supported
H3	work engagement → employee performance	0.553	7.197	0.000	Supported
H4	strengths-based leadership → work engagement → employee performance	0.309	5.420	0.000	Supported
H5	strengths-based leadership x Leader-Member Exchange → work engagement	0.163	2.282	0.025	Supported

Source: Primary data processed, 2026.

The structural model results indicate that the model has an acceptable explanatory capacity. The R-square value for work engagement was 0.530, meaning that strengths-based leadership, Leader-Member Exchange, and their interaction explained 53.0% of the variance in work engagement. The R-square value for employee performance was 0.545, meaning that strengths-based leadership and work engagement explained 54.5% of the variance in employee performance. Both values can be interpreted as moderate explanatory power. The Q-square value was positive, indicating that the model had predictive relevance. Therefore, the structural model was suitable for hypothesis testing.

The hypothesis testing results show that all proposed hypotheses were supported. Strengths-based leadership had a positive and significant effect on employee performance. This means that leaders who recognize, appreciate, and develop employee strengths can improve employees' ability to achieve work goals, meet job requirements, and perform according to organizational expectations. In a public customs and excise service office, this effect is logical because employees must handle tasks requiring accuracy, procedural compliance, and timely service. When leaders align tasks with employee strengths, employees can work more confidently and effectively. This finding is consistent with Ding et al. (2020) and Wang et al. (2023), who emphasized that strengths-based leadership improves task performance by helping employees use their best capacities. It is also in line with Indonesian studies showing the relevance of leadership and organizational support for employee performance (Arifin et al., 2024; Krisnawida et al., 2023; Tarmuji et al., 2024). However, this study provides a more specific contribution by showing that strength-oriented

leadership, not merely general leadership style, is important in a customs and excise public service setting.

Strengths-based leadership also had a positive and significant effect on work engagement. This finding means that employees who perceive their leaders as focusing on strengths are more likely to feel energized, enthusiastic, and absorbed in their work. The result can be explained through Job Demands-Resources theory. Leadership becomes a job resource when it provides support, feedback, development opportunities, and meaningful recognition. Strengths-based leadership provides these resources in a specific way by helping employees see how their strengths can be applied to work. This increases psychological ownership and willingness to invest effort in the job. The finding supports Wang et al. (2023), Breevaart & van Woerkom (2024), and Decuyper & Schaufeli (2020), who argued that positive and strength-oriented leadership can build employee engagement. The descriptive results strengthen this interpretation because respondents showed high agreement on leader efforts to align tasks with employee strengths and high enthusiasm in completing demanding work.

Work engagement had a positive and significant effect on employee performance. This finding shows that employees who have energy, dedication, and focus in work are more capable of delivering performance. Engagement differs from passive satisfaction because engaged employees actively invest their mental and emotional resources into task completion. In the customs and excise context, this is highly relevant because employees need concentration, responsibility, and procedural accuracy. The finding aligns with Neuber et al. (2022), who found that work engagement is positively associated with task performance, and with Jufrizen et al. (2024), who showed that engagement is a meaningful predictor of employee performance in an Indonesian public-sector setting. Wibowo (2024) also emphasized that work engagement contributes to positive work behavior. The descriptive data indicate that employees were especially strong in maintaining enthusiasm and focus, which helps explain why engagement translated into better employee performance.

The mediation test showed that work engagement mediated the effect of strengths-based leadership on employee performance. Since the direct effect of strengths-based leadership on employee performance was also significant, the mediation can be interpreted as partial mediation. This means that strengths-based leadership improves performance through two mechanisms. First, leaders directly support employee performance by aligning work with strengths and providing direction. Second, leaders improve employees' psychological state by making them more engaged, and this engagement then contributes to performance. This result supports the motivational process in Job Demands-Resources theory, where job resources lead to engagement and subsequently to work outcomes. It also extends the findings of Wang et al. (2023) by confirming the mediating role of work engagement in an Indonesian public-sector customs and excise context. The finding is consistent with studies showing that psychological variables often act as pathways through

which organizational factors influence performance (Hariadi et al., 2025; Jatiningrum et al., 2024; Jufrizen et al., 2024).

The moderation test showed that Leader-Member Exchange strengthened the effect of strengths-based leadership on work engagement. This result indicates that the impact of strengths-based leadership is stronger when employees have a high-quality relationship with their supervisors. The finding is theoretically meaningful because leadership support is not received in the same way by every employee. When the leader-member relationship is based on trust, professional respect, loyalty, and contribution, employees are more likely to interpret strength-oriented leadership as sincere support. They are also more willing to discuss their strengths, accept feedback, and apply their strengths to work. This result supports LMX theory (Liden et al., 1997) and is consistent with Wang et al. (2023), who argued that high-quality LMX strengthens the relationship between strengths-based leadership and work engagement. The descriptive results also support this interpretation because mutual support between employees and supervisors received the highest score in the LMX construct. However, the relatively lower scores on comfort in the relationship and support for supervisor decisions suggest that communication openness and trust-building still need further attention.

Overall, the results demonstrate that employee performance at the Sidoarjo Customs and Excise Supervision and Service Office Type B can be strengthened by combining individual strength recognition, psychological engagement, and relational quality between supervisors and employees. The model explains that performance is not only a matter of formal targets, procedures, or evaluation systems. It is also shaped by how leaders understand employee strengths, how employees become psychologically engaged, and how the leader-member relationship provides a social context for leadership to work effectively. This integrated model contributes to human resource management literature by extending strengths-based leadership research to Indonesian public-sector service organizations and by confirming the simultaneous roles of work engagement and Leader-Member Exchange.

Conclusion

This study concludes that strengths-based leadership has a positive and significant effect on employee performance and work engagement at the Sidoarjo Customs and Excise Supervision and Service Office Type B. Work engagement also has a positive and significant effect on employee performance and partially mediates the relationship between strengths-based leadership and employee performance. In addition, Leader-Member Exchange strengthens the effect of strengths-based leadership on work engagement. These findings indicate that employee performance can be improved not only through formal work systems and procedures but also through leadership practices that recognize employee strengths, foster engagement, and build high-quality supervisor-subordinate relationships.

The practical implication is that leaders should implement more structured strength mapping and development conversations with employees. Supervisors need to identify tasks

that match employee strengths, provide feedback when employees show strengths in task completion, and create opportunities for employees to use their best capabilities. The organization should also maintain employee engagement by creating a work environment that supports focus, clarity, and appreciation. Finally, the quality of Leader-Member Exchange should be improved through consistent communication, transparent decision explanation, and routine coordination between supervisors and employees.

Future studies may extend this model by including other variables such as organizational culture, perceived organizational support, workload, job satisfaction, or public service motivation. Comparative studies across other customs and excise offices or public service organizations are also recommended to test whether the same model applies in different organizational contexts.

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