

# **The Influence Of Empowering Leadership On Psychological Well-Being And Job Engagement Mediated By Psychological Capital In Family Business Successors: Case Study At Family Business Community Eighth Batch Of Ciputra University**

**Carolina Novi Mustikarini<sup>1</sup>, Tina Melinda<sup>2\*</sup> Maria Theresia Amadea Octavia<sup>3</sup>**

<sup>1</sup> *Ciputra School of Business Makassar, Indonesia.*

<sup>2</sup> *Department of Business Management, Faculty of Business and Management, Universitas Ciputra, Surabaya, Indonesia.*

<sup>3</sup> *Department of Business Management, Faculty of Business and Management, Universitas Ciputra, Surabaya, Indonesia.*

## **Abstract**

**Purpose:** Each predecessor generation should prepare for succession optimally for the family company to survive and grow. During the succession process, future generations must also have positive emotions such as motivation, self-confidence, and optimism to improve their psychological well-being and involvement in the family company. Therefore, this study aimed to determine the influence of empowering leadership on psychological well-being and job engagement mediated by psychological capital in the family business successors.

**Design/Methodology/Approach:** The respondents comprised 86 members on the Family Business Community Eighth Batch of Ciputra University determined using saturated or a non-probability sampling technique. The data collected were analyzed using Partial Least Square (PLS) analysis method.

**Findings:** The results indicated a significant relationship between empowering leadership, psychological well-being, job engagement, and psychological capital as a mediating variable. Psychological capital mediates the relationship between empowering leadership, psychological well-being, and job engagement.

**Practical implication:** The previous generation had high hopes that the successor could continue and maintain the family company. For this reason, communication between generations is needed so that the successor generation can continue the family company.

**Originality value:** Applying empowering leadership to successors creates better psychological well-being in the next generation. The impact is better when the next generation has positive emotions that increase confidence in the face of challenges. Achieving optimal engagement and well-being requires good communication between the predecessor and next generations. In addition, it is necessary to have refreshing and regular meetings between the predecessor and next generations to create a harmonious relationship and understanding of the family business.

**Keywords:** empowering leadership, psychological well-being, job engagement, psychological capital, succession, family business

## I. Introduction

Approximately 80% of companies worldwide are family-owned and contribute to most of developed countries' employment and more than 50% of gross domestic product (GDP) (Poza & Daugherty, 2014; in Alonso et al., 2018). IFC 2016 stated that 95% of family companies in Indonesia drive the country's economy, promoting job creation and economic growth. The driving force behind the country's economy is the contribution of micro, small, and medium enterprises (MSME). According to Rahadi (2017), MSME mostly manages trade, home industries, and services, and is distinguished by family and non-family businesses. Farastika & Firman (2019) stated that it is conducted and developed by business actors with their families. This means that MSME growth is supported by the development of family companies, especially small-medium enterprises (SME). The Central Statistics Agency (2020) data showed that Indonesia has an increasing number of MSME yearly, with 64.2 million units in 2018. This growth implies that family companies are increasing and contributing to social welfare.

Family companies are passed down through generations. Donneley (1988) and Medisa & Syahputra (2019) explained these companies are managed by family members that influence the decisions and policies made. Challenges arise when the manager seeks strategies appropriate to maintain the company's survival into the future. One strategy is to increase the growth of each company by ensuring superior performance. According to Gagné et al. (2019), 30% of family businesses survived the transition from the first to the second generation. In contrast, 15% and only 3% survived in the third and subsequent generations, respectively. The succession process indicates growth and development or a harmonious synergy between resources within the family company (Laurence & Mustamu, 2015).

Price Waterhouse Cooper (2018) stated that 57% of family companies in Indonesia have involved the next generation in their management practices. The survey showed that the highest involvement of the next generation is in the leadership team. This proves that the succession preparation process entailed providing an experience for the next generation to lead family companies. Therefore, giving assignments to future generations trains and increases their responsibilities and prepare successors for the next leadership.

Trusting the next generation increases their responsibility for the given authority. It also gives the successors a positive experience, making them feel satisfied with the work accomplished. This promotes positive emotions and energizes the next generation to manage the family business. Accessing positive emotions and feeling satisfied when executing responsibilities is called psychological well-being (PWB). According to Mazano-garcía & Ayala (2017), PWB focuses on individual experiences in accessing competence and emotional growth when carrying out work.

Ryff (1989) and Manzano-garcía & Ayala (2017) showed that the PWB aspects widely used in family business studies include self-acceptance, positive relationships, autonomy, environmental mastery, life goals, and personal growth. Schaufeli & Bakker (2010) and Cai et al. (2018) stated that individuals active in work increase morale and produce positive feelings of well-being. Furthermore, Wood & Burchell (2017) explained that individuals with psychological well-being are more responsible and committed to their responsibilities. Regarding a family company, the next generation with psychological well-being has a good synergistic relationship with the previous generation (Houshmand et al., 2017). The synergy between generations facilitates communication in managing a family business. It ensures that the responsibility and authority given to the next generation produce the best outcomes through engagement in work. According to Khan (1990) and Miliman et al. (2018), individuals engaged

in work are considered to have job engagement. Individuals' involvement in work is encouraged by physical, emotional, and cognitive job engagement. Physical and emotional engagement relate to work and individuals' motivation in carrying out their duties. Cognitive engagement is the involvement of the next generation in their work. These three aspects are the previous generation's hope that their successors become fully involved in their work.

Park et al. (2017) found that a high job involvement positively influences the achievement of results. The next generation able to engage in work obtains support from their predecessors in the mentoring process. This support gives the successors confidence in empowerment their competencies. One trust given by the previous generation was the granting of autonomy in conducting work responsibilities. This implies the necessity to implement empowering assistance from the previous to the next generation. According to Kim & Beehr (2018), the behavior of giving autonomy and individual empowerment is called empowering leadership. This behavior involves delegation, promotes participation in decision-making, and fosters leadership and self-responsibility. Moreover, it provides autonomy and authority, expresses confidence in high performance, and gives support through coaching and modeling. Empowering leadership supports the succession preparation process and includes decisions that increase motivation by providing confidence to work (Liu, 2015). Therefore, it could trigger intrinsic motivation to access succession work engagement. According to Luthans et al. (2004) and Park et al. (2017), this concept is part of psychological capital (PsyCap).

Memili, et al. (2013) and Memili et al. (2020) stated that psychological capital is more common in family firms due to their unique dynamics and long-term orientation. It is reflected through the confidence in completing the task, optimism, flexibility and persistence in achieving goals, and remaining firm in the face of problems (Luthans et al., 2007b; in Park et

al., 2017). These characteristics are the previous generation's expectations towards their successors' behavior.

Succession is the previous generation's responsibility to directly involve their successors in the duties and responsibilities of the family business. This requires optimal communication between generations to implement the empowerment steps successfully. The previous generation has full hopes for its successor to continue and maintain the family company. Therefore, it is expected to assist and direct the next generation to access competencies. This facilitates realizing the next generation's welfare by contributing to running a family business. Continuous assistance improves their psychological well-being and job engagement in continuing the family business.

## 2. Literature Review

### 2.1 Empowering Leadership

Arnold et al. (2000) and Fong & Snape (2015) stated that empowering leadership includes several things. First, leaders should provide examples and role models for subordinates. Second, they need to provide the opportunity for subordinates to give their opinion before making a decision. Third, leaders could become mentors or coaches to educate and direct subordinates. Fourth, they should have good communication skills in conveying information. Fifth, leaders need to express care, show willingness to interact with subordinates, and pay attention to their welfare.

Ahearne et al. (2005) and Park et al. (2017) showed that empowering leadership has the following four indicators:

1. Increase the meaning of work. Leaders help employees understand individual targets in achieving company goals.
2. Promote employee participation in expressing opinions before making decisions.

3. Express trust to subordinates in carrying out work.
4. Give autonomy to subordinates by granting of authority.

## 2.2 Psychological Well-Being

Psychological well-being (PWB) is a positive emotion and a feeling of satisfaction (Park et al., 2017). Brodsky (1988) and Park et al. (2017) stated that PWB is affected by the work environment, physical health, career path, and low-stress levels. Furthermore, Ryff (2014) and Gardner (2019) found that individuals with psychological well-being feel happy, healthy, productive, and have good interpersonal relationships. Some PWB indicators include:

1. Personal responsibility, when individuals are responsible for their work.
2. Individual belief in expressing opinions.
3. Task management.

## 2.3 Job Engagement

Khan (1990) and Miliman et al. (2018) stated that job engagement is about individual motivation. It refers to self-resources related to physical, cognitive, as well as emotional job performance and roles. According to Park et al. (2017), job engagement is an individual's involvement in work as part of positive psychology. The study combined job engagement indicators adapted in Khan (1990), Schaufeli & Bakker (2004), and Rich et al. (2010). They comprise the following three measurements:

1. Physical engagement, implying the willingness to work extra in the company.
2. Emotional engagement, referring to the workplace emotional involvement.
3. Cognitive engagement or individual focus at work).

## 2.4 Psychological Capital

Achor (2010) and Luthans et al. (2015) showed that psychological capital helps individuals face work problems and challenges. It allows employees to commit to doing their best in their work through positive behavior when facing challenges (Avolio et al., 2004; in Park et al., 2017). According to Luthans et al., (2017), the four dimensions of psychological capital include:

1. Hope, or the diligence in directing or finding ways to achieve goals.
2. Self-efficacy is the confidence in choosing and seeking success for responsibilities through job challenges.
3. Resilience is the defensive effort in struggling to succeed when facing challenges.
4. Optimism is a positive attribute for the present and future success.

## 2.5 Previous Empirical Studies

Park et al. (2017) examined the influence of empowering leadership on psychological well-being and job engagement through psychological capital. The quantitative study used 285 respondents from eight consulting firms in South Korea. The results showed that empowering leadership affects job engagement through psychological capital. This means that psychological capital mediates the influence of empowering leadership on psychological well-being and job engagement. Furthermore, Kim & Beehr (2017) analyzed the influence of empowering leadership on good and bad employee behavior through self-efficacy and psychological ownership. The study used a quantitative approach with respondents comprising 299 full-time workers in the United States. The results showed that empowering leadership positively influences self-efficacy and psychological ownership, and negatively affects bad employee behavior.

Cai et al. (2018) examined the influence of empowering leadership on employee work engagement through person job-fit and group-fit moderated by the employees' proactive personality. The quantitative study used 6179 respondents working in technology companies in China. The results showed that empowering leadership influences work engagement through person job-fit and group-fit.

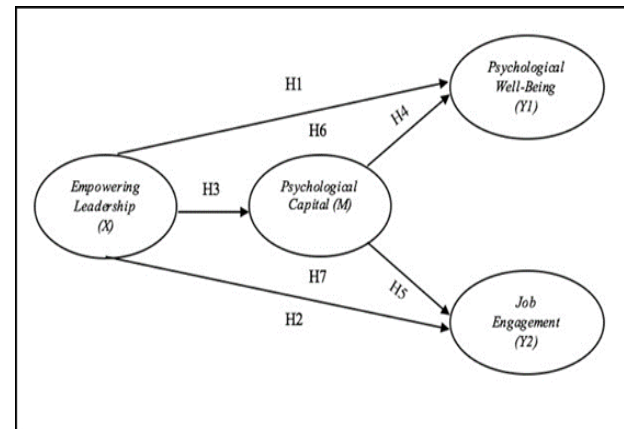
Inceoglu et al. (2018) discussed leadership behavior and employee welfare using a qualitative approach. The study hypothesized that leadership behavior significantly influences employee attitudes, performance, and welfare. Theories and studies discussing leadership behavior mostly refer to employee performance and welfare. Therefore, the results proposed a theoretical framework on how, why, and when leadership behavior impacts employee well-being.

Soni & Rastogi (2019) examined the importance of psychological capital as a predictor of employee engagement using 200 respondents of IT professionals. The results showed that psychological capital and employee engagement have a significant relationship and a positive influence. Furthermore, psychological capital and other variables could be significant predictors in encouraging job engagement.

### 3. Method, Data, and Analysis

This study used quantitative data obtained from 86 members of the Family Business Community class VIII of Ciputra University. The primary and secondary data were obtained through online questionnaires and from various articles and journals. The questionnaire distribution results showed an 82.56% response rate. This means that 71 questionnaires would be used for further data processing. The SEM-PLS analysis was used with SmartPLS software because the method does not require data normality and may use small samples (Hair et al., 2014; in Juliandi, 2018). The mediation influence test is conducted when the

independent variable (X) significantly influences the dependent variable (Y). this also applies when the influence of the independent variable (X) on the mediating variable (M) is significant (Abdillah & Jogiyanto, 2015). The model is a replication of Park et al. (2017). Figure 1 shows the relationship between variables.



**Figure 1.** Research Model

Source: Park et al. (2017)

Based on Figure 1, this study aimed to test the following hypotheses:

H<sub>1</sub>: Empowering leadership significantly influences the psychological well-being of the family company successors as members of the Family Business Community Batch VIII of Ciputra University.

H<sub>2</sub>: Empowering leadership significantly influences the job engagement of the family company successors as members of the Family Business Community Batch VIII of Ciputra University.

H<sub>3</sub>: Empowering leadership significantly influences the psychological capital of the family company successors as members of the Family Business Community Batch VIII of Ciputra University.

H<sub>4</sub>: Psychological capital significantly influences the psychological well-being of the family company successors as members of the Family Business Community Batch VIII of Ciputra University.

H<sub>5</sub>: Psychological capital significantly influences the job engagement of the family company successors as members of the Family

Business Community Batch VIII of Ciputra University.

H6: Psychological capital mediates the influence of empowering leadership on psychological well-being of the family company successors as members of the Family Business Community Batch VIII of Ciputra University.

H7: Psychological capital mediates the influence of empowering leadership on job

engagement of the family company successors as members of the Family Business Community Batch VIII of Ciputra University.

## 4. Result and Discussion

### 4.1 Respondent Data

**Table 1.** Respondent Data

No	Characteristics		Total
1	Generation	2nd generation	53
		3rd generation	16
		4th generation, etc.	2
2	Length of Joining the Family Company	< 1 Year	11
		1-3 Year	28
		3-5 Year	13
		> 5 Year	19
3	Gender	Male	35
		Female	36

Source: Primary data, processed

Table 1 shows the respondents' data dominated by second-generation successors in their family companies. Judging by the length of time successors joined and contributed to the family company, 11 people joined for less than 1 year, 28 joined for 1 to 3 years, 13 joined for 3-5 years, and 19 joined for more than 5 years. Furthermore, 35 respondents were male and 36 were female.

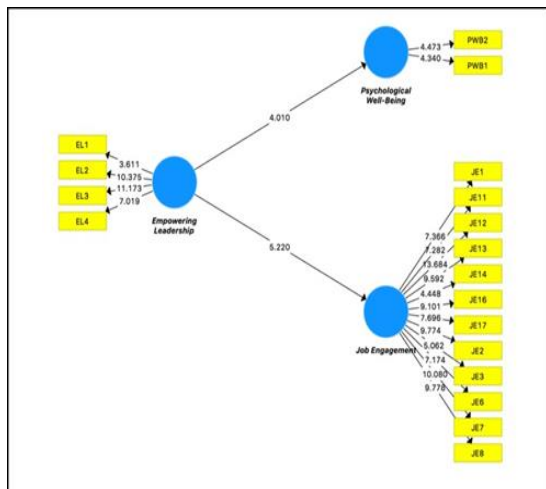
### 4.2 Measurement Model Test

This study conducted the convergent and discriminant validity tests (Hair et al., 2017). In the convergent validity test, a model is declared valid when the average variance extracted (AVE) exceeds 0.5 ( $AVE > 0.5$ ), and the outer loading indicator is greater than 0.7. Question items for each variable are eliminated when the established AVE standards are not fulfilled. Similarly, the discriminant validity test is declared valid when the cross-loading value exceeds 0.7 on one variable (Abdillah & Jogiyanto, 2015). The reliability test used the

composite reliability value as a measuring tool (Hair jr, 2017). When the composite reliability value  $> 0.7$ , the variable is declared reliable. Composite reliability measures the real value of reliability in the construct. It also assesses the indicators' accuracy and estimates the construct's consistency (Sauddin & Ramadhani, 2018).

### 4.3 Structural Model

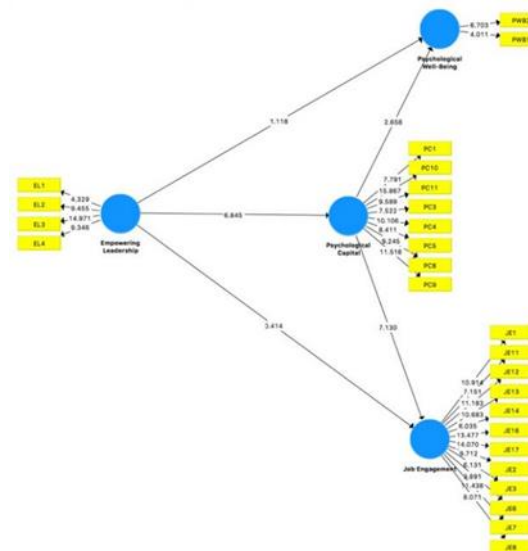
This study examined the mediating variable by testing the main effect before testing the inner model (Abdillah & Jogiyanto, 2015). The main effect test aimed to determine the relationship between the independent variable (X) and the dependent variable (Y). The inner model test was also conducted to examine the significance between the independent and dependent variables (Hair et al., 2017).



**Figure 2.** Main Effect Test  
Source: Data primer, processed

The influence of the empowering leadership variable (X) on the psychological well-being variable (Y1) and job engagement (Y2) has t-statistics of 4.010 and 5.220, respectively. According to Abdillah & Hartono (2015), the relationship between empowering leadership (X), psychological well-being, and job engagement is significant because it has fulfilled the t-statistic requirement > 1.96. Therefore, the inner model test could be performed using psychological capital as a mediating variable. These results supported hypothesis H1 that empowering leadership

significantly influences the psychological well-being of the family company successors as members of the Family Business Community Batch VIII of Ciputra University. Furthermore, the findings supported H2 that empowering leadership significantly influences on the job engagement of the family company successors.



**Figure 3.** Structural or Inner Model  
Source: Data primer, processed

The inner model test results in Figure 3 indicate the mediating influence based on the T-statistic value through the path coefficient after the bootstrapping process (Hair Jr et al., 2014).

**Table 2.** Path Coefficient

Path Coefficient	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
EL -> PWB	0.165	0.180	0.153	1.080	0.281
EL -> JE	-0.043	-0.038	0.106	0.402	0.688
EL-> PC	0.599	0.626	0.090	6.639	0.000
PC -> PWB	0.364	0.377	0.131	2.775	0.006
PC -> JE	0.716	0.737	0.098	7.279	0.000

Source: Data primer, processed

Table 2 shows the results of path coefficient tests on the relationship between variables. The effect of the empowering leadership variable (X) on psychological well-being (Y1) was previously significant, with a t-statistic value of 4.010. However, the effect became insignificant after adding the mediating variable, obtaining a

t-statistic of 1.080. The influence of the empowering leadership variable (X) on job engagement (Y2) was initially significant, with a t-statistic value of 5.220. This influence became insignificant after adding the mediating variable and obtained a t-statistic of 0.402.

The results showed a significant influence of psychological capital (M) on psychological well-being (Y1), with a t-statistic value of  $6.639 > 1.96$ . These findings support H3 that empowering leadership significantly influences the psychological capital of the family company successors as members of the Family Business Community Batch VIII of Ciputra University" is accepted.

The study also tested the relationship between the mediating and dependent variables. Psychological capital (M) and psychological well-being (Y1) have a significant relationship with a t-statistic value of 2.775. These results support hypothesis H4 that psychological capital significantly influences the psychological well-being of the family company successors as members of the Family Business Community Batch VIII of Ciputra University. Furthermore, the relationship between psychological capital (M) and job engagement (Y2) is significant with a t-statistic of 7.279. This supports hypothesis H5 that psychological capital significantly influences the job engagement of the family company successors.

**Table 3** R Square

	R Square
Job Engagement	0.478
Psychological Capital	0.359
Psychological Well-Being	0.232

Source: Data primer, processed

Table 3 shows how the independent variable affects other variables. The  $R^2$  values for the psychological well-being (Y1) and job engagement (Y2) variables are 0.232 and 0.478, respectively. This means that empowering leadership influences the two variables by 23.2% and 47.8%. The remaining 76.8% and 52.2% is influenced by other variables outside of this model. Psychological capital has an  $R^2$  value of 0.359, meaning it is explained by empowering leadership by 35.9%. The remaining 64.1% is explained by other variables outside the model.

#### 4.4 Discussion

Empowering leadership from the previous generation is important to the successor of family companies as the members of the Ciputra University family business community. This was seen from the overall mean of the empowering leadership variable of 3.637. The previous generation helped the successor understand the mission and targets of the family company. They increased the successors' understanding of the family company, enabling them to work optimally uniting their thoughts with the previous generation. This result supports Arnold et al. (2000) and Fong & Snape (2015) that empowering leaders are role models, providing guidance and direction in achieving family company targets.

Psychological well-being (PWB) is a sense of satisfaction in carrying out responsibilities. It relates to emotional growth and self-competence in carrying out work (Mazano-garcía & Ayala, 2017). The overall average on the psychological well-being variable is 3.592. Most of the next generation already involved in the family company psychologically have a contract to contribute. Therefore, they must maintain the family company's continuity and provide prosperity.

Khan (1990, Miliman et al., 2018) stated that job engagement is the motivation related to physical, cognitive, and emotional work performance and roles. People bound to work have high enthusiasm in carrying out work, as indicated by the average job engagement variable of 3.606. The finding supports Miliman et al. (2018) that individuals with emotional job engagement have a high concern for work and are motivated to achieve the company goals.

Psychological capital is the mediation inspired by Park et al. (2017), shown from the total mean of 3.563. The next generation with positive behavior in managing the family business are more committed to giving the best, are responsible, and have ownership in the company. This result supports Gupta & Reddy (2017) that individuals with positive psychological conditions have confidence,



optimism, and hope in managing a family company to achieve business prosperity.

The main effect test results showed that empowering leadership significantly affects psychological well-being and job engagement. It means that empowering leadership increases psychological well-being and involvement of family company successors. The previous generation gave confidence to their successors about the responsibility to manage the work. Subsequently, the successors were allowed to manage and optimize their abilities. Giving the authority to take responsibility for managing the family business enables the next generation to deal with problems. According to Conger & Kanungo (1998) and Park et al. (2017), empowering leadership influences individual psychological states.

The results showed that empowering leadership significantly influences job engagement. The previous generation authorized the successors' to be involved in managing the business. They created pride in the next generation for being trusted to manage the company. This finding supports Vecchio et al. (in Cai et al., 2018) that empowering leadership gives employees sufficient autonomy and fosters responsibility as well as good work motivation. Giving authority and opportunities in decision-making increases the future generations' capacity to determine their destiny. This increases their motivation to be more involved in the family company.

Empowering leadership significantly influences and increases psychological capital. Authorizing the next generation to help manage the family business fosters a sense of ownership. The opportunities provided by the previous generation make the successors' more active and creative in facing challenges by voicing their opinions. This result supports Park et al. (2017) that empowering leadership influences the psychological capital of subordinates. Furthermore, the findings showed that psychological capital significantly affected psychological well-being. The next generation with a positive motivation in optimizing individual potential supports the psychological

well-being while being involved in the family company. This supports Luthans et al. (in García et al., 2017) that psychological capital is a self-resource that improves the ability to handle problems and be proactive. Subsequently, this encourages work performance and psychological well-being.

Involving the next generation helps them understand the thinking methods and desires of the previous generation. This affects the successors' ability to adapt to their company, giving them a sense of ownership. Moreover, the results indicated that psychological capital significantly affects job engagement. The next generation with positive thinking has confidence in facing challenges and rising from their failures. This makes them more engaged and creates pride in being involved in the family company. In line with this, Hariyadi (2019) found a significant positive effect of psychological capital on job engagement.

The results showed that psychological capital fully mediates the influence of the empowering leadership relationship on psychological well-being. When the next generation is given responsibility, it needs the confidence to achieve psychological satisfaction. This satisfaction relates to psychological well-being, which results in prosperity during the succession process. Therefore, there needs to be a special strategy for successors to be more involved in the company's interests. This finding supports Avey (2014) and Park et al. (2017) that the leaders' empowerment behavior influences their employees' psychological capital more than psychological well-being. It means that psychological capital is needed in the relationship between empowering leadership and psychological well-being.

The results showed that psychological capital fully mediates the influence of empowering leadership variables on job engagement. The previous generation should be willing to allow and authorize the successors to determine their steps in the family company.

This would increase the successors' sensitivity, confidence, and ownership spirit.

### 5. Conclusion and Suggestion

Psychological capital mediates the relationship between empowering leadership, psychological well-being, and job engagement. Applying empowering leadership to successors creates better psychological well-being in the next generation. The impact is better when the next generation has positive emotions that increase confidence in facing challenges. Achieving optimal engagement and welfare requires good communication between the predecessor and successor generations. Furthermore, there is a need for refreshing and regular meetings between the predecessor and successor generations to create a harmonious relationship and understanding regarding family business.

Future studies could use respondents based on the industry type to obtain results on different family backgrounds and companies. The studies could also analyze the influence of other types of leadership on psychological capital related to the successor of family companies.

This study distributed questionnaires online, causing the respondents not to understand the intent of the question items. It also examined the successors of family companies from different backgrounds. Therefore, the results vary according to the circumstances of each successor's family company. The data on the successor of family companies were also obtained from respondents in the same region, meaning the results are prone to bias.

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