

The Role of Leadership Practices in Enhancing Organizational Capability: Employee Well-being as a Moderating Factor in Private Universities of Pekanbaru

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ABSTRACT

This study aims to analyze the effect of leadership on organizational capability, with the moderating role of employee well-being in a higher education setting. A quantitative approach with a survey design was employed, involving 120 respondents comprising lecturers and administrative staff. Data were collected using a questionnaire with a 5-point Likert scale. The data were analyzed using linear regression and moderated regression analysis with SPSS. The results indicate that leadership has a significant effect on organizational capability, with 43.9% of the variance in organizational capability can be explained by leadership quality. Furthermore, employee well-being was found to moderate this relationship, increasing the contribution to 61.1%. These findings highlight that employee well-being enhances the impact of leadership on organizational capability. This study underscores the importance of effective leadership and employee well-being programs in strengthening organizational capacity in higher education. The practical implication is that organizations should integrate leadership strategies with approaches that promote employee well-being to achieve optimal organizational performance.

Keywords: leadership, employee well-being, organizational capability, moderation, higher education.

INTRODUCTION

Leadership practices are essential to create a pleasant work environment and enable people to reach their full potential. It has been proven that effective leadership styles, such as transformational, visionary, and participative leadership, improve employee well-being. Good leadership practices in organizations, including higher education institutions, not only focus on achieving organizational goals but also pay attention to the feelings, psychology, and social aspects of employees. Lecturers in private universities, especially in Pekanbaru, Riau Province deal with complex issues. One of them is the requirement to fulfill the Tri Dharma of higher education, which consists of teaching, research, and community service. Leaders who support through leadership practices that encourage, recognize, and provide support can help in stressful situations.

organizational capability is highly dependent on employee well-being (Yulianti, F. E., & Pujianto, 2024). To maintain sustainable competitive advantage, organizations must have organizational capability, which includes the ability to innovate, adapt to change, and manage resources efficiently. High organizational capability in universities allows them to produce quality graduates, increase research impact, and adapt to the dynamics of education

worldwide. Previous studies have shown a direct relationship between good levels of employee well-being and levels of creativity, productivity, and collaboration (Wibawa, A. M., Purwanto, P., & Rahayu, 2024). Those with good levels of emotional and psychological well-being can help students get better learning experiences, conduct relevant research, and perform community service tasks better (Komara, E., Stefanie, S., Irnawati, R., & Agustini, 2023).

However, although many studies have discussed the influence of leadership practices on organizational capabilities, there is a knowledge gap in understanding the moderating role of employee well-being in this relationship, especially in the context of private universities in Indonesia. Private universities in Indonesia are faced with various pressures, including demands to improve the quality of education, compete with state institutions, and face stakeholder expectations to produce competent graduates (Mulyasa, 2021). In this situation, it is important to explore the extent to which leadership practices can strengthen organizational capabilities, considering employee well-being as a determining factor that can maximize results. Without considering the aspect of employee welfare, efforts to improve organizational capabilities tend to be suboptimal, and ultimately can hinder the competitiveness of institutions (Wisnuwardhana, A. P., Wolor, C. W., & Marsofiyati, 2024). This study aims to analyze the influence of leadership practices on organizational capabilities in private universities in Indonesia, with a focus on the moderating role of employee welfare. In addition, this study aims to identify the extent to which employee welfare can strengthen the relationship between leadership practices and organizational capabilities. With the results obtained, this study is expected to be able to contribute both theoretically, through the collection of literature on employee welfare moderation, and practically, by providing strategic recommendations to leaders in private universities to develop policies that support employee welfare while improving organizational capabilities.

LITERATURE REVIEW

Leadership Practices and Organizational Capabilities

organizational capability depends on leadership practices. There is much evidence that improving organizational efficiency can be attributed to leadership theories such as servant leadership and transformational leadership. Transformational leadership is defined by Bass and Avolio (1994) as a leadership style that can inspire employees to exceed expectations through their own vision, motivation, and focus. Transformational leaders encourage creativity, effective resource (Teece, D. J., Piano G., Shuen, 1997), management, and a flexible work environment. This is in accordance with the definition of organizational capability by which states that an organization has the ability to integrate, build, and reconfigure internal and external resources to respond to a dynamic environment.

According to previous research, organizational capabilities such as adaptation, efficiency, and innovation can be improved through effective leadership practices. For example, research by Wang et al. (2011) found that leaders who encourage employee creativity can help companies create new goods and services. Leaders in the higher education sector who support and empower lecturers can help universities produce high-quality students and support effective research. On the other hand, the number of studies conducted in Indonesia, especially in private universities, is still very small, looking at how leadership habits correlate with organizational capabilities.

Employee Well-Being in the Organizational Context

Employee well-being is a positive emotional, psychological, and social condition for workers (GINTING, 2024). This concept includes balancing job needs with individual needs, job satisfaction, mental and physical health, and job demands (Dodge et al., 2012). Employee well-being in an organization is very important for the overall performance of the organization. A study conducted by Harter et al. (2002) found that employee well-being is closely related to productivity, work engagement, and retention.

The well-being of lecturers in higher education is an important component that influences individual and collective performance. Lecturers with high levels of well-being are better able to carry out the Tri Dharma of Higher Education, namely providing good teaching, conducting innovative research, and devoting themselves to the community. Conversely, lecturers with low levels of well-being tend to experience fatigue, stress, and low productivity (Barkhuizen et al., 2014). In this study, employee well-being is also considered a moderating factor that has the ability to strengthen or weaken the relationship between leadership techniques and organizational capabilities.

Employee Well-Being Moderation on the Relationship between Leadership Practices and Organizational Capabilities

employee well-being Worker health can have a positive impact on organizational capability as a moderating variable. Leaders who pay attention to employee needs, both professionally and emotionally, can build a work environment that supports employee well-being (Saputra, 2024). In turn, organizations are better able to adapt, innovate, and allocate resources effectively. According to research conducted by Sari, N. Y., Rahmat, A., & Asfar, (2023) supportive leadership improves employee well-being, which in turn leads to improved individual and team performance.

Employee well-being is often an under-recognized issue in the context of private universities in Indonesia (Hendrawati, 2024). Excessive work pressure, limited resources, and high expectations from management often lead to lecturer health being neglected (Devi, 2024). However, the relationship between leadership habits and organizational capability can be strengthened if leaders can create an environment that supports lecturer health.

While the relationship between leadership practices and organizational capability has been widely discussed in the literature, there is still a gap in understanding the moderating role of employee well-being, especially in the context of private higher education institutions in Indonesia. Most previous studies have focused on business or public sector organizations in developed countries, so the findings do not fully reflect the unique conditions in Indonesia. In addition, research on lecturer well-being as an important element in organizational capability in the higher education sector is still rare. Therefore, this study seeks to fill this gap by exploring the moderating role of employee well-being in the relationship between leadership practices and organizational capability, focusing on private higher education institutions in Indonesia.

METHODS

This study uses a quantitative approach with a survey design to analyze the relationship between leadership, employee well-being, and organizational capability. The research sample consisted of 120 respondents selected by simple random sampling from the population of lecturers and administrative staff at a private university in Pekanbaru. Data were collected using a closed questionnaire with a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The variables studied include leadership as an independent

variable, organizational capability as a dependent variable, and employee well-being as a moderating variable.

Measurement of variables is carried out using a standardized scale. Adaptive leadership is measured using the Leadership Practices Inventory (LPI) scale by (Kouzes, J. M., & Posner, 1988). organizational capability based on the framework by (Teece, D. J., Piano G., Shuen, 1997), and employee well-being is measured using the Employee Well-Being Scale (EWBS) (Zheng, X., Zhu, W., Zhao, H., & Zhang, 2015). The validity and reliability of the instrument were tested using exploratory factor analysis (EFA) and Cronbach's Alpha. Data analysis was performed using SPSS software with stages including classical assumption tests (normality, multicollinearity, and heteroscedasticity), linear regression analysis, and moderated regression analysis (MRA) to evaluate the moderating role of employee well-being.

This study aims to measure the direct influence of leadership on organizational capability and to test whether employee well-being strengthens the relationship. The success of the study was assessed based on the significance of the regression model and the increase in the R^2 value in the moderation model. The results of the analysis are expected to provide theoretical and practical contributions related to the importance of integration between leadership and employee well-being in increasing organizational capacity.

RESULTS

Based on the results of the data analysis obtained, the test results show that the leadership variable has a Cronbach's Alpha value of 0.85, employee well-being of 0.88, and organizational capability of 0.91. This value indicates that all instruments have a good to very good level of reliability, so they are worthy of being used for further analysis.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8402.083	1	8402.083	92.412	.000 ^b
	Residual	10728.51	118	90.92		
	Total	19130.59	119			

a. Dependent Variable: Y

b. Predictors: (Constant), X

It is known that the significance value of the leadership variable is 0.000 (<0.05), so it can be concluded that the leadership variable has a significant effect on organizational capability.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.663 ^a	0.439	0.434	9.53518

a. Predictors: (Constant), X

It is known that the r square value is 0.439, which means that the contribution of the leadership variable to organizational capability is 43.4%.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
	(Constant)	4.033	55.514		0.073	0
	leadership	5.327	0.87	3.537	6.352	0
1	employee well being	5.096	0.735	3.708	6.609	0
	leadership*employee well being	-0.308	0.015	-4.475	5.779	0

a. Dependent Variable: organizational capability

It is known that the significance value of the interaction variable between leadership and employee well-being is 0.000 (<0.05), so it can be concluded that the employee well-being variable is able to moderate the influence of the leadership variable on the organizational capability variable.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.715 ^a	0.611	0.509	1.351

a. Predictors: (Constant), leadership*employee well being, leadership, employee well being

It is known that the r square value is 0.611, which means that the contribution of the influence of the leadership variable on the organizational capability variable after moderation is 61.1%, so it can be concluded that after the moderation variable, employee well-being can strengthen the influence of leadership on organizational capability.

DISCUSSION

Based on the results of the ANOVA analysis, a significance value of 0.000 ($p < 0.05$) was obtained, which indicates that the leadership variable has a significant effect on organizational capability. The R^2 value of 0.439 indicates that 43.9% of the variation in organizational capability can be explained by leadership. These results are consistent with previous studies which state that effective leadership plays an important role in improving organizational capabilities, such as resource allocation efficiency, innovation capacity, and the ability to adapt to environmental changes (GINTING, 2024). Furthermore, Prihantini, I., Darmawan, H. M. S., Ichwandani, R. D., Saifullah, M. M. R., Ariyani, J. E., Listiyani, R. A., ... & Assidiq, (2024) found that supportive leadership behaviors, such as providing direction and motivation, can increase resource efficiency and organizational innovation capacity.

Leaders who have a strategic vision, good communication skills, and the ability to motivate organizational members can create a work environment that supports the development of organizational capacity. This shows that the role of leadership is very important in determining the success of an organization. These results are supported by previous studies, such as Sitompu, M. N. H., Wati, S. N., & Jannah, (2024) who found that transformational leadership style increases organizational effectiveness by encouraging innovation and efficiency. Furthermore, Iskandar, (2024) emphasized that effective leadership plays an

important role in increasing the dynamic capabilities of an organization, especially in the context of innovation and adaptation.

Regression analysis with interaction shows that employee well-being significantly moderates the effect of leadership on organizational capability with an interaction significance value of 0.000 ($p < 0.05$). The R^2 value increased to 0.611 after considering the role of moderation, indicating that employee well-being increases the influence of leadership on organizational capability by 61.1%. This study is in line with a study by Khaeruman, K., Suflani, S., Mukhlis, A., & Romli, (2023) which shows that employee well-being increases productivity and the organization's ability to achieve strategic goals. These results suggest that employee well-being serves as a reinforcement in the relationship between leadership and organizational capability. When leaders focus not only on results but also on employee well-being, they create a more productive and innovative work environment. This is in line with the Job Demands-Resources (JD-R) theory which states that employee well-being can affect organizational performance by increasing employee motivation and engagement (Bakker & Demerouti, 2007).

CONCLUSION

Based on the results of the study, it can be concluded that leadership has a significant influence on organizational capability with a contribution of 43.9% (R^2 value = $0.439R^2 = 0.439R^2 = 0.439$). This shows that good leadership quality, such as the ability to manage resources, motivate teams, and create a conducive work environment, plays an important role in increasing organizational capacity, including efficiency, innovation, and adaptability. In addition, employee well-being is proven to moderate the relationship between leadership and organizational capability, increasing its influence to 61.1% after entering the moderating variable (R^2 value = $0.611R^2 = 0.611R^2 = 0.611$). This finding underlines that employee well-being not only contributes directly to organizational performance but also strengthens the effectiveness of leadership in supporting the achievement of organizational goals. The relationship between these variables shows a complex dynamic, where the interaction between leadership and employee well-being together significantly affects organizational capability. Therefore, organizations are advised to prioritize employee well-being through strategic programs that are aligned with adaptive and supportive leadership, in order to achieve optimal organizational performance.

LIMITATION

This study has limitations in cross-sectional design, so it cannot identify causal relationships. Further research is recommended to use a longitudinal design to understand the causal relationship between variables. In addition, contextual factors such as organizational culture and external environment can be added to provide a more comprehensive picture.

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