







“Effect of dark side leadership and leader-member exchange on corporate performance: Mediating role of employee engagement”

AUTHORS	Sunanta Wiguna   Etty Murwaningsari   Yvonne Augustine Sudibyو 
ARTICLE INFO	Sunanta Wiguna, Etty Murwaningsari and Yvonne Augustine Sudibyو (2023). Effect of dark side leadership and leader-member exchange on corporate performance: Mediating role of employee engagement. <i>Problems and Perspectives in Management</i> , 21(2), 267-279. doi: 10.21511/ppm.21(2).2023.28
DOI	http://dx.doi.org/10.21511/ppm.21(2).2023.28
RELEASED ON	Thursday, 27 April 2023
RECEIVED ON	Friday, 10 February 2023
ACCEPTED ON	Tuesday, 11 April 2023
LICENSE	 This work is licensed under a Creative Commons Attribution 4.0 International License
JOURNAL	"Problems and Perspectives in Management"
ISSN PRINT	1727-7051
ISSN ONLINE	1810-5467
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

50



NUMBER OF FIGURES

1



NUMBER OF TABLES

8

© The author(s) 2023. This publication is an open access article.



BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine
www.businessperspectives.org

Received on: 10th of February, 2023

Accepted on: 11th of April, 2023

Published on: 27th of April, 2023

© Sunanta Wiguna, Etty Murwaningsari, Yvonne Augustine Sudibyo, 2023

Sunanta Wiguna, Doctor, Economics Department, Faculty of Economics and Business, Trisakti University, Indonesia.

Etty Murwaningsari, Professor, Lecturer, Economics Department, Faculty of Economics and Business, Trisakti University, Indonesia. (Corresponding author)

Yvonne Augustine Sudibyo, Doctor, Lecturer, Economics Department, Faculty of Economics and Business, Trisakti University, Indonesia.



This is an Open Access article, distributed under the terms of the [Creative Commons Attribution 4.0 International license](https://creativecommons.org/licenses/by/4.0/), which permits unrestricted re-use, distribution, and reproduction in any medium, provided the original work is properly cited.

Conflict of interest statement:

Author(s) reported no conflict of interest

Sunanta Wiguna (Indonesia), Etty Murwaningsari (Indonesia),
Yvonne Augustine Sudibyo (Indonesia)

EFFECT OF DARK SIDE LEADERSHIP AND LEADER-MEMBER EXCHANGE ON CORPORATE PERFORMANCE: MEDIATING ROLE OF EMPLOYEE ENGAGEMENT

Abstract

Optimized corporate performance assumes that financial and non-financial performance can be achieved through effective collaboration between leaders and employees. This study analyzes the mediation of employee engagement on the connection between dark side leadership and leader-member exchange on corporate performance in Indonesia. This study used a mixed methods approach by distributing questionnaires to 1,013 respondents consisting of supervisors and managers and conducting intensive interviews with 20 respondents with more than 25 years of work experience to strengthen the perception of answers. The paper uses multiple linear regression analysis. The regression results show that dark side leadership ($\beta = -0.228$, $\rho = 0.000$) and leader-member exchange ($\beta = 0.424$, $\rho = 0.000$) affect employee engagement. Next, leader-member exchange ($\beta = 0.176$, $\rho = 0.008$) and employee engagement ($\beta = 0.391$, $\rho = 0.000$) affect corporate performance, while dark side leadership has no effect ($\beta = 0.020$, $\rho = 0.400$). Finally, employee engagement mediates the effect of dark side leadership and leader-member exchange on corporate performance. This finding indicates that the comfort level of employees at work will decrease if a leader demonstrates a dark side behavior that can affect his/her performance, which later impacts corporate performance. Furthermore, the novelty contribution of dark side leadership measurements on the cultural and emotional dimensions can impact employee turnover intention. This study offers implications for practitioners to conduct selective assessments at the beginning of leader recruitment and control internal leader assessments to create effective organizational behavior.

Keywords

leadership style, management accounting, organizational behavior, business ethics, Indonesia

JEL Classification

D22, D91, M41

INTRODUCTION

In the industrial era, corporate performance describes the company's financial condition, which is analyzed using only financial analysis tools. A company's good or bad financial state reflects work performance over a specific period. Usually, financial performance is assessed by comparing actual with budgeted financial performance. Traditional financial performance was commonly used in the industrial era, but it is no longer in line with recent skills and competencies disclosed by Devie et al. (2020), Raval et al. (2019), Utari et al. (2016), and Halim et al. (2009).

Several leadership phenomena that can disrupt corporate performance have been recently in the spotlight. In 2001, there was the Enron scandal involving auditor Arthur Andersen. Enron is a powerful company that attracts and retains top talent both internally and externally. In reality, the company's culture and leadership

harm stakeholders even though companies must have general values and culture that allow employees to make the right decisions (Korac-Kakabadse et al., 2001). The company's leadership style failed to prevent and reveal the mistakes that occurred at Enron, which resulted in the destruction (Mustafa, 2020; Becker, 2020). This shows how excellent business ethics and organizational behavior are needed and essential.

Nauman et al. (2021) initially referred to the measurement of dark side leadership. It provides six measurement dimensions, including morality and justice, role clarification, power-sharing and despotic leadership, the perceived effectiveness of the top management team, and the leader's optimism about the future. The lack of the six-item scale is that dark side leadership is only measured by the ethical effectiveness of a leader. This study seeks to complete the gap in the measurement of dark side leadership by modifying the measurement and adding two new dimensions related to the characteristics of a leader – emotional and cultural dimensions. The addition of these two critical dimensions aims to ensure the reaction of the leader-employee relationship in the company.

The emotional dimension usually predicts employee performance as judged by one's motivation at work. In this study, the emotional dimension is modified to determine the emotional impact of a leader on corporate performance (Ouakouak et al., 2020). The cultural dimension is used to assess the good or bad sides of organizations. This paper modifies the cultural dimension developed as a leadership style (Tran, 2021).

1. LITERATURE REVIEW AND HYPOTHESES

Leadership in this context is to see corporate performance through the lens of dark side leadership and leader-member exchange. This leadership style is related to the stress level shown through employee engagement. The theory about stress is called the conservation of resources (COR); it was first introduced by Hobfoll (1989). This stress-related theory describes the motivation that encourages humans to maintain their current resources to pursue new ones. Conservation relates to individuals who maintain and protect currently owned resources to obtain new ones (Hobfoll, 1989).

This theory provides that resources are defined as things that individuals value. These things can be divided into four categories:

- 1) objects, such as houses, telephones, and others;
- 2) conditions, such as stable work, good health, and others;
- 3) personal characteristics, such as an optimistic attitude, the existence of hope and others; and
- 4) energy, such as knowledge.

This theory reveals that individuals will experience stress if their resources are threatened or depleted or if investment in new resources is not adequately replenished (Hobfoll & Ford, 2007).

Corporate performance is crucial for modern organizations. One way to measure it is via the balanced scorecard. This scorecard is a performance card for an organization stated in financial figures and used as a basis for making future activity plans. Furthermore, a company's work plan should be compared to actual job performance. The outcome is then referred to as deviation. Being balanced means being able to explain that organizational performance must be measured in terms of both financial and non-financial performance, which includes customer's view, internal business processes, and also learning and growth (Utari et al., 2016; Fatima & Elbanna, 2020; Kaplan & Norton, 1992).

Dark side leadership is an ongoing behavior exhibited by a leader that results from an overall hostile organization based on the collaboration between a leader, employees, and the environment. As a result, organizational goals and morale and employee satisfaction are thwarted by misusing the leader's power and self-interest. The essence of dark side leadership is despotic behavior, which focuses

on getting supremacy and dominance and is demotivated by the leader's self-interest. Despotic leaders are noticed to be arrogant, manipulative, bossy, and unforgiving. The unethical and unfair behaviors of despotic leaders in the workplace harm employee performance, organizational behavior, and creativity. However, the mechanisms underlying how leaders can reduce employee performance still need to be understood and further investigated (Nauman et al., 2021).

The leader is a role model in an organization; if dark side behavior is contained in the company's activities, it causes losses. Therefore, the role of dark side personality characteristics in the company has accepted increasing attention in organizational science. Spain et al. (2016) analyzed this area and mapped out the main framework for its assessment. The study paid attention to the dark side's role in the leadership process and employee career dynamics, particularly destructive leadership.

Leaders who are commonly involved in cheating, corruption, lying, and stealing, always prioritize their interests over the interests of the organization and exhibit negative leadership behaviors, abusing employees and organizations. Therefore, the leader's destructive behavior affects employees and organizations (Jabeen & Rahim, 2021). A leader's unethical behavior can decrease job performance. Employees will tend to think about the quality of work-life balance compared to corporate performance (Nauman et al., 2021). In fostering corporate performance, leaders need to collaborate their leadership style with organizational strategy (Saeidi et al., 2021). Dark side leadership negatively affects corporate performance if a toxic triangle is formed, namely dark side leaders, followers, and the environment that supports dark side leadership (Padilla et al., 2007).

Leader-member exchange is a natural relationship between leaders and their employees arising from role formation. It reflects the existence of social exchange. Leaders develop unique relationships with each employee. An employee with a quality relationship with the leader shows high responsibility for work, contributes to their work unit, and shows high performance

(Widyaningsih & Saptoto, 2019). In addition, it can show a cross-functional team (Ton et al., 2022). Leader-member exchange theory explains how leaders can arrange different exchange connections with various existing employees over time. This means leaders will deal with different employees at certain times (Erdogan & Bauer, 2015; Syahridlo et al., 2020; Wiguna & Augustine, 2022). Its implementation can be in the form of change-oriented leadership actions that impact employee expectations to complete work following their duties and responsibilities so that it will foster levels of employee engagement and employee confidence (Gil et al., 2005).

If a leader-member exchange is a high quality represented by mutual trust, respect, and reciprocity between the leadership and employees, it creates a synergy to achieve organizational goals. This will have an impact on corporate performance. On the other hand, if leadership and employees do not have a concern, each cannot synergize and will eventually separate. In such conditions, the leader-member exchange is of low quality, which will impact performance that needs to be managed correctly. High relationship quality happens when employees are included in the in-group member's category. Such employees can be trusted to contribute and improve more than the assigned work. However, low relationship quality happens when employees belong to the out-group member category. These employees carry out their activities according to formal duties. As a result, employees will have less time, less self-rating, and find less support from their company's leaders (Syahridlo et al., 2020).

The interaction of leaders and employees can provide support and improve corporate performance depending on the value of followers (Thrasher et al., 2020; Wiguna & Augustine, 2022). The social environment of employees can show the level of social perceptions of employees. Generally, employees with a strong social perception will carry out their duties and responsibilities beyond work contracts that can support corporate performance (Andersen et al., 2020). The role of an effective leader-member exchange will have implications for employee welfare. Thus, employees will be more enthusiastic and perform optimally (Erdogan & Bauer, 2015).

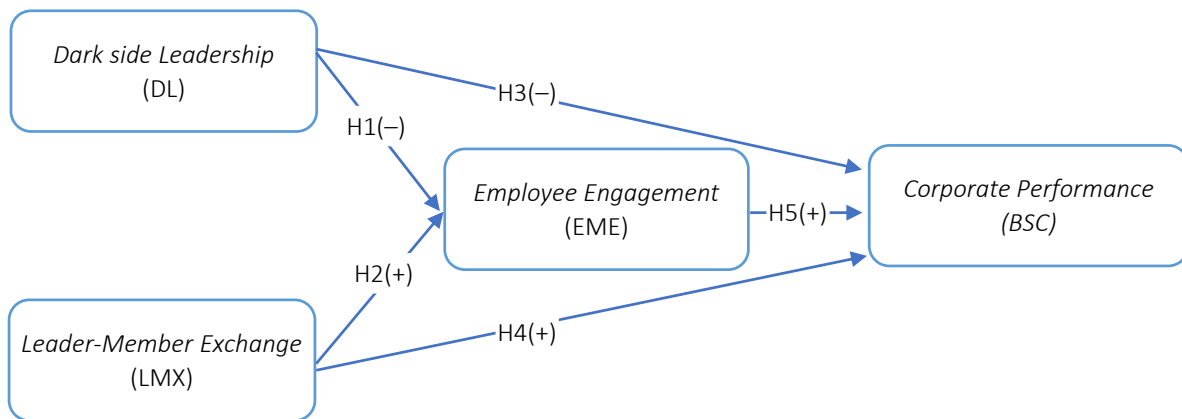


Figure 1. Conceptual framework

Employees who are comfortable with the organization will exert extra effort in their work roles resulting in increased performance. Previous literature provides evidence that engagement positively encourages individual, intra-individual, and group performance, increases organizational profitability and reduces losses, and predicts organizational financial performance (Jabeen & Rahim, 2021). In addition, employees have certain perceptions and predictions of the company due to the leader's ethical actions (De Hoogh & Den Hartog, 2008). Therefore, leaders must have organizational goals to increase employee effectiveness as a reflection of employee engagement (Islami et al., 2018).

The highest level of employee engagement and a sense of belonging will significantly increase performance. If employees are disengaged, poor performance will affect the company's performance. Research proves that quality objectives and quality-based incentives positively connect with quality performance. Quality performance has a positive connection with customer satisfaction and financial performance, and customer satisfaction has a positive connection with financial performance. Meanwhile, the quality objectives affect quality performance, and quality performance affects customer satisfaction. These operational activities demonstrate effective collaboration between leaders and employees so that the company can produce products with a market position and support corporate performance (Murwaningsari & Ramdan, 2009; Murwaningsari et al., 2009). Rapid technological developments also facilitate the communication process under current conditions, inspirational motivation, and support change, impacting employee engagement pat-

terns (Upadhyay & Palo, 2013; Kumar et al., 2022; Hamza et al., 2022). Employee engagement shows the leader's success in the servant-leadership style (Laub, 2005).

This study is different from previous research because it combines research variables previously introduced by Nauman et al. (2021), Gupta and Sharma (2018), and Ismail et al. (2019). This study also changes the research model by adding a dark side leadership. This collaboration is motivated by critical findings from previous research, such as despotic leadership can encourage employees to make work withdrawals. A leader's actions can affect job performance (Nauman et al., 2021). The role of leader-member exchange also influences extra-role performance through the mediation model of employee engagement (Gupta & Sharma, 2018). In the context of employee engagement, it influences job performance by using the creativity mediation model (Ismail et al., 2019).

This paper develops a conceptual framework that links dark side leadership, leader-member exchange, employee engagement, and corporate performance (Figure 1).

Thus, the literature review provides support for examining the importance of looking at existing leadership styles in companies. It is assumed that a destructive leadership style affects the comfort level of employees at work. Then in a complicated situation, employee performance can impact decreasing corporate performance. Therefore, this study explicitly highlights leadership practices and the dark side of leader-member exchange concerning employee engagement and corporate per-

formance. This study formulates the following hypotheses according to the conceptual framework in Figure 1:

- H1: *Dark side leadership has a negative effect on employee engagement.*
- H2: *Leader-member exchange has a positive effect on employee engagement.*
- H3: *Dark side leadership has a negative effect on corporate performance.*
- H4: *Leader-member exchange has a positive effect on corporate performance.*
- H5: *Employee engagement has a positive effect on corporate performance.*

2. METHOD

This study uses a mixed method with qualitative and quantitative approaches. The data collection method was undertaken using questionnaires arranged through item questions with a scale of 1 to 7, which were made in Google Forms and distributed to 1,013 respondents consisting of supervisors and managers via emails, WhatsApp, and LinkedIn. Individuals involved in the company's operations are used as the unit of analysis. Respondents' criteria include:

- respondents located in Indonesia, including the cities of Jakarta, Bogor, Depok, Tangerang, and Bekasi;
- employees from both state-owned enterprises and private companies still actively working to achieve corporate performance;
- employees with a minimum of bachelor's degree education and five years of work experience.

The specifics for filling out the questionnaire are that leaders assess their superiors, for example, supervisors assess their managers and managers assess their directors. Then, to obtain in-depth observations, this study is complemented by qualitative analysis using intensive

interviews with 20 leaders who are research respondents with work experience of more than 25 years.

The dependent variable is a corporate performance measured using Kaplan and Norton's (1992) balanced scorecard, which has four perspectives: finance, customer, internal business, and innovation and learning. Then, dark side leadership uses the indicators Nauman et al. (2021) used, which refers to De Hoogh and Den Hartog (2008). Next, despotic leadership is measured using a scale adapted from a multi-culture leader behavior questionnaire. The measurement contains six items that reflect an authoritarian style that serves the leader's self-interest and is exaggerated, insensitive, and exploitative to others. Then, this study introduces two new dimensions: emotional and cultural. Next, the leader-member exchange uses the indicators Erdogan and Bauer (2015) and Yukl (2012) mentioned. Dark side leadership and leader-member exchange are independent variables in this framework. Finally, employee engagement as a mediation variable uses the Gallup organization developed by Harter et al. (2002).

The data are processed using analytical tools of SmartPLS 3 and SPSS Amos 25. SmartPLS 3 tests the validity and reliability, multiple linear regression, and mediation testing. SPSS Amos 25 is used to complete the normality tests. Thus, the data can fulfill the test requirements and represent the research results.

The regression model based on the conceptual framework in Figure 1 uses the following multiple linear regressions:

Model 1:

$$EME = \beta_1 DL + \beta_2 LMX + e, \quad (1)$$

Model 2:

$$BSC = \beta_1 DL + \beta_2 LMX + \beta_3 EME + e, \quad (2)$$

where *EME* – Employee Engagement; *DL* – Dark Side Leadership; *LMX* – Leader-Member Exchange; and *BSC* – Corporate Performance with a balanced scorecard.

3. RESULTS

This study obtained responses from leaders with manager positions (51%) and supervisors (49%), which were dominated by private companies (85%) and state-owned enterprises (15%). Table 1 presents the descriptive statistics.

Table 1. Descriptive statistics

Source: Processed results of SPSS Amos 25.

Variable	N	Min	Max	Mean	Std. Deviation
DL	1.013	1.00	7.00	3.18	1.50
LMX	1.013	2.00	7.00	4.87	1.43
EME	1.013	2.00	7.00	5.03	1.41
BSC	1.013	2.00	7.00	4.99	1.40

Note: Dark Side Leadership (DL), Leader-Member Exchange (LMX), Employee Engagement (EME), and Corporate Performance (BSC).

In Table 1, the dark side leadership score has a minimum score of 1. This means some respondents consider that their leader does not demonstrate dark side leadership behavior. The maximum value for this variable is 7. This means that there are respondents who note the existence of dark side traits in their company. However, on average, dark side leadership shows a value of 3.18, which means that supervisors and managers disagree on the existence of dark side leadership. Then, focusing on employees' comfort levels at work is crucial. This is evident from the data that employee engagement has the highest average value of all respondents' assessments.

Table 2. Multiple linear regression (Model 1)

Source: SmartPLS 3 processing results.

Hypotheses	Variable	Prediction Direction	Coefficient	P-Values
H1	DL → EME	-	-0.228	0.000**
H2	LMX → EME	+	0.424	0.000**

Note: ** 5% significance level; Dark Side Leadership (DL), Leader-Member Exchange (LMX), and Employee Engagement (EME).

Table 3. Multiple linear regression (Model 2)

Source: SmartPLS 3 processing results.

Hypotheses	Variable	Prediction Direction	Coefficient	P-Values
H3	DL → BSC	-	0.020	0.400
H4	LMX → BSC	+	0.176	0.008**
H5	EME → BSC	+	0.391	0.000**

Note: ** 5% significance level; Dark side Leadership (DL), Leader-Member Exchange (LMX), Employee Engagement (EME), and Corporate Performance (BSC).

Table 2 provides an explanation of model 1 in this study. Dark side leadership and leader-member exchange show a significant effect on employee engagement. This supports H1 and H2. Then, these results can be interpreted that every increase in dark side leadership will cause a decrease in employee engagement by 22.8%; in addition, if there is an increase in leader-member exchange, it will cause an increase in employee engagement by 42.4%.

Table 3 shows the test results of model 2 of this study. The results are surprising because the alleged influence of leader-member exchange and employee engagement (H4 and H5) shows significant results. However, in contrast to dark side leadership (H3), it cannot prove its effect on corporate performance. These results do not imply that this paper has no other contribution because it turns out that the two new dimensions, namely emotional and cultural, do not directly reflect the dark side of leadership. After all, companies want leaders who can make a positive contribution. Thus, these results can provide fresh air for stakeholders that dark side leadership is not vicious on the performance of the companies they currently manage.

Table 4 shows that dark side leadership and leader-member exchange significantly influence corporate performance with mediation. The two models have a direction following the assumptions of this study. This means that if dark side leadership fiercely intersects with employee comfort at work, it will indirectly harm corporate per-

Table 4. Multiple linear regression: Testing mediation effect of employee engagement

Source: SmartPLS 3 processing results.

Variable	Prediction Direction	Coefficient	P-Values
DL → EME → BSC	–	–0.089	0.001**
LMX → EME → BSC	+	0.166	0.001**

Note: ** 5% significance level; Dark Side Leadership (DL), Leader-Member Exchange (LMX), Employee Engagement (EME), and Corporate Performance (BSC).

Table 5. Expansion test of the emotional and cultural dimensions’ effect on employee engagement

Source: SmartPLS 3 processing results.

Variable	Prediction Direction	Coefficient	P-Values
Emotional → EME	–	–0.044	0.116
Culture → EME	–	–0.197	0.000**

Note: ** 5% significance level; Dark Side leadership (DL): Emotional and culture dimension and employee engagement (EME).

formance. In addition, the results in Table 4 are opposite to those in Table 3, which means that dark side leadership does not directly affect corporate performance but will have an impact if employee engagement when mediated.

Table 5 provides the results of testing the effect of emotional and cultural dimensions on employee engagement. The test results prove that culture is essential and requires vigilance when leading a company. These results indicate that if culture is not considered as necessary, then the dark side leadership behavior can bring down such a company through the comfort level of employees.

The in-depth test in Table 6 demonstrates that culture significantly influences corporate performance. Based on the result, the culture can either

strengthen or weaken the practice of vicious dark side leadership. On the other hand, if ignored, it can indirectly trigger the emergence of dark side leadership, which is dangerous to the company’s survival. But from the emotional side of a leader, dark side leadership is only meaningful when in an environment related to customers, innovation, and learning.

Model 1 of this study demonstrates the power of new measures. Table 7 shows the sensitivity level of this measurement. New measures can prove that there is a decrease in the coefficient value in the test results so that the new measurement shows better results than the previous measurement. Furthermore, the measurement of the impact of leader-member exchange on employee engagement shows an increase in the coefficient val-

Table 6. Expansion test of the emotional and cultural dimensions’ effect on corporate performance

Source: SmartPLS 3 processing results.

Dimension	Financial Perspective		Customer Perspective		Internal Business Perspective		Innovation and Learning Perspective	
	coef.	P Value	coef.	P Value	coef.	P Value	coef.	P Value
Emotional	–0.038	0.277	0.091	0.070*	–0.056	0.212	–0.148	0.009**
Culture	–0.177	0.005**	–0.237	0.000**	–0.201	0.002**	–0.161	0.004**

Note: ** 5% significance level; * 10% significance level.

Table 7. Sensitivity test of earlier measurements compared to new measurements (Novelty) in model 1

Source: Nauman et al. (2021); SmartPLS 3 processing results.

Hypotheses	Variable	Prediction Direction	Before Novelty		Novelty	
			Coef.	P Values	Coef.	P Values
H1	DL → EME	–	–0.273	0.000**	–0.228	0.000**
H2	LMX → EME	+	0.421	0.000**	0.424	0.000**

Note: ** 5% significance level; Dark Side Leadership (DL), Leader-Member Exchange (LMX), and Employee Engagement (EME).

Table 8. Sensitivity test of earlier measurements compared to new measurements (Novelty) in model 2

Source: Nauman et al. (2021); SmartPLS 3 processing results.

Hypotheses	Variable	Prediction Direction	Before Novelty		Novelty	
			Coef.	P Values	Coef.	P Values
H3	DL → BSC	–	–0.050	0.223	0.020	0.400
H4	LMX → BSC	+	0.107	0.056*	0.176	0.008**
H5	EME → BSC	+	0.310	0.000**	0.391	0.000**

Note: **5% significance level; * 10% significance level; Dark Side Leadership (DL), Leader-Member Exchange (LMX), Employee Engagement (EME), and Corporate Performance (BSC).

ue. This is because the leader-member exchange measurement was never developed. Therefore, based on this model, leader-member exchange has a better chance in the coefficients even without any updates. So, the novelty of this model plays a significant role.

Model 2 in Table 8 shows surprising results. Testing the effect of dark side leadership shows that it does not affect corporate performance. However, the impact of the overall leader-member exchange as a result of the development of the measurement on the other variables causes an indirect effect of increasing the level of the coefficient. In testing the effect of employee engagement on corporate performance, it shows balanced results, which are significantly positive and there is an increase from 0.107 to 0.176. It means that the new two dimensions as a novelty are fundamental.

Respondents only distinguish between good and bad leaders by analyzing the results of intensive interviews. A good leader gives clear orders, directions, support, and work delegation so that the impact felt by employees can enthusiastically complete their work. Then, a bad leader does not care about the company's activities. This type tends to prioritize personal interests over the interests of employees, such as prioritizing maximum revenue without providing support and solutions to problems faced by each employee. This is consistent with leadership theory. According to the theory, there are three leadership models: transformational leadership, which depicts a good leader; transactional leadership; and laissez-faire leadership, which depicts a bad leader.

4. DISCUSSION

Companies expect leaders who have positive values to be able to improve corporate performance. This can trigger every employee to contribute op-

timally to a company. In addition, a leader can create a harmonious and comfortable atmosphere. Thus, a conducive situation can impact employee engagement. However, it is different if vicious dark side leadership is implemented in the corporate environment. This will harm employees and show dark side traits.

This study can demonstrate that, according to H1, dark side leadership significantly affects employee engagement, supporting Nauman et al. (2021) and Jabeen and Rahim (2021). Then, this study also proved H2: the positive effect of leader-member exchange on employee engagement is consistent with Gupta and Sharma (2018) and Syahridlo et al. (2020). Besides, this study also demonstrates that H4 result (leader-member exchange has a significant effect on corporate performance) is consistent with Gupta and Sharma (2018) and Syahridlo et al. (2020). Finally, this study also supports H5 (employee engagement has a significant effect on corporate performance), which is in line with Gupta and Sharma (2018) and Islami et al. (2018).

In Indonesia, leaders need to seize opportunities to establish quality in-group relationships. The respondent data demonstrate that companies established for a long time tend to have high in-group quality. Meanwhile, newly developing companies generally do not prioritize leader-member exchange quality. Wrong prejudice from leaders toward employees or vice versa will only create an uncomfortable atmosphere both professionally and personally so that it can have an impact on decreasing corporate performance. If dark side leadership is developing in the corporate environment, employees will experience high stress. Leaders will put a burden on themselves and their work. This stress level can trigger a decrease in employee engagement and job dissatisfaction. So, young employees decide whether to stay or leave the compa-

ny. This is a form of the inability of young and productive employees to carry out a work-life balance. This condition is closely related to the COR theory in this study, which increases the company's turnover intention (Tepper, 2000; Mackey et al., 2021).

Dark side leadership, destructive leadership, despotic leadership, harmful leadership, abusive leadership, narcissistic leadership, and toxic leadership are terms that describe the dark side behavior of a leader. The statistical testing indicates that H3 (dark side leadership does not affect corporate performance) results are not in line with Nauman et al. (2021) and Saeidi et al. (2021).

The results indicate that dark side leadership does not affect corporate performance due to several things. First, in Indonesia, many people interpret dark side leadership as a leader's negative behavior. However, some literature explains that the dark side traits can grow and develop in the behavior of charismatic leaders. This type of leader shows behavior that many employees easily like in carrying out their authority and responsibilities. In addition, many charismatic leaders slip into authentic leadership. Authentic leadership implies that leaders have accepted themselves as they are. This theory expresses the concept of being oneself. At the same time, a leader decides that being oneself is preferable to pretending to be the desired type of leader. Even if they have a dark side, charismatic or authentic leaders can manage employees under the company's goals, vision, and mission (Barbuto, 2005; Gardner et al., 2011; Gardner et al., 2021). In addition, Table 1 provides support that the respondents of this study have the perception that currently the leaders in their companies are still included in the group of good leaders in line with the results of intensive interviews conducted in this study.

Second, on the six-item scale from Nauman et al. (2021), the indicators used are only limited to the leader's ethical behavior. This ethic indicates the existence of dark side leadership. Meanwhile, the new indicators can adapt and contribute to assessing dark side leadership with a different view that can pay attention to the characteristics of leaders to show hidden dark side or disguised leaders. But both of them cannot show the impact of the dark side on corporate performance in an Indonesian company.

Third, dark side leadership can grow and develop in several synergistic situations. The first is the leader, the subject who takes specific actions that can decrease corporate performance. The second, followers or employees, is an external party directly related to dark side leadership. The third is the environment; environmental conditions that are not conducive can hinder the occurrence of dark side leadership. These three are called a toxic triangle. In this concept, this triangle must synergize to enhance dark side leadership (Padilla et al., 2007). However, it cannot synergize situations to create toxic triangles based on Indonesian respondents' perceptions.

This study provides a new perspective for leaders to find employees who share values similar to organizational ones. Employees who have the same culture as the company can increase corporate performance. Employees with conformers and colluders types can increase dark side leadership to prioritize their interests rather than the company's interests. Management can exercise control by conducting periodic checks and balances such as periodic visits, surveying employees regarding levels of job satisfaction, and controlling leaders not to create a culture and empire of dark side leadership (Padilla et al., 2007; Tran, 2021). In the context of the emotional dimension, leaders with emotional intelligence will be able to control their and their employees' feelings (Ouakouak et al., 2020). The impact of emotional intelligence that leaders have will display an empathetic attitude toward themselves, which is used to create a work environment that motivates employees. Leaders who are good at managing their emotions have better social skills. This will have an impact on employees under their auspices to share a sense of belonging to a company. In an integrated manner, the emotional intelligence of leaders can improve employee performance, which will then have an impact on corporate performance.

The results of statistical tests also show that employee engagement mediates the effect of dark side leadership and leader-member exchange on corporate performance. However, the most crucial thing about these results is the contradiction between the direct effect of dark side leadership and the mediating impact of employee engagement. This means that dark side leadership will create a

dangerous situation for the comfort of employees, ultimately influencing corporate performance.

This study recommends that company management identify their level of dark side leadership. Company management is not recommended to carry out a strategy of separating in-group and out-group members at a leader-member exchange, which will trigger a debate about separating tasks from authority. This division will further impact the incompatibility of the distribution of benefits. Instead, management should encourage leaders to provide clear job standards or descriptions. High leader-member exchange quality can trigger the regeneration of leaders within the company. This condition triggers the formation of a homogeneous environment. Management should provide opportunities for improvement to create a challenging environment. In employee engagement, management needs to build employee trust by training on leadership skills and other accounting competencies.

For practitioners in management accounting, they can immediately create preventive action mechanisms such as assessment of leaders and create a good culture so that dark side leadership practices do not develop in companies. Other steps include developing management control systems in collaboration with behavioral controls from a psychological point of view and a good talent management scheme.

The recommendation that can be given to leaders in Indonesia, especially Jakarta, Bogor, Depok, Tangerang, and Bekasi, is that dark side leadership does not become an obstacle to performance achievement, namely by developing situational leadership and self-awareness (Augustine & Muslimah, 2016; Thompson & Glaso, 2018; Wanta & Augustine, 2021; Crook et al., 2021). This concept relates to how leaders manage employees' uniqueness in leading the company according to certain situations to achieve the company's goals, vision, and mission optimally.

CONCLUSION

This study aimed to determine whether dark side leadership, leader-member exchange, and employee engagement affect corporate performance. This study demonstrates that dark side leadership and leader-member exchange affect employee engagement, and leader-member exchange and employee engagement affect corporate performance. However, the results also found that dark side leadership does not affect corporate performance. Besides that, employee engagement is a mediating variable in the effect of dark side leadership and leader-member exchange on corporate performance.

The paper concludes that the conditions of dark side leadership and leader-member exchange in companies in Indonesia significantly affect the comfort of employees working in companies. Two critical things emphasize how good culture and emotions of a leader can increase employee comfort. A high level of employee engagement and the quality of the relationship between leaders and employees can foster corporate performance from four perspectives: finance, customer, internal business, and innovation and learning.

Future research can delve deeper into the dark side leadership. For example, it is interesting to separate respondents based on the company's culture. Future research can also collaborate on a more comprehensive concept of talent management and leader-member exchange moral disengagement.

AUTHOR CONTRIBUTIONS

Conceptualization: Sunanta Wiguna, Ety Murwaningsari, Yvonne Augustine Sudiby.

Data curation: Sunanta Wiguna, Ety Murwaningsari, Yvonne Augustine Sudiby.

Formal analysis: Sunanta Wiguna, Ety Murwaningsari, Yvonne Augustine Sudiby.

Investigation: Sunanta Wiguna, Ety Murwaningsari, Yvonne Augustine Sudiby.

Methodology: Sunanta Wiguna, Etty Murwaningsari, Yvonne Augustine Sudibyo.
 Project administration: Sunanta Wiguna, Etty Murwaningsari, Yvonne Augustine Sudibyo.
 Supervision: Etty Murwaningsari, Yvonne Augustine Sudibyo.
 Validation: Sunanta Wiguna, Etty Murwaningsari, Yvonne Augustine Sudibyo.
 Visualization: Sunanta Wiguna, Etty Murwaningsari, Yvonne Augustine Sudibyo.
 Writing – original draft: Sunanta Wiguna.
 Writing – review & editing: Sunanta Wiguna, Etty Murwaningsari, Yvonne Augustine Sudibyo.

ACKNOWLEDGMENT

This paper is not supported by grants or scholarship and is free from conflict of interest.

REFERENCES

- Andersen, I., Buch, R., & Kuvaas, B. (2020). A literature review of social and economic leader-member exchange. *Frontiers in Psychology, 11*. <https://doi.org/10.3389/fpsyg.2020.01474>
- Augustine, Y., & Muslimah, S. (2016). Effect of servant leadership, job satisfaction, and policy governance to nonprofit organization performance in Indonesia. *OIDA International Journal of Sustainable Development, 9*(12), 15-32. Retrieved from <https://ssrn.com/abstract=2904535>
- Barbuto, J. E. (2005). Motivation and transactional, charismatic, and transformational leadership: A test of antecedents. *Journal of Leadership & Organizational Studies, 11*(4), 26-40. <https://doi.org/10.1177/107179190501100403>
- Becker, G. K. (2020). Paying the price: Lessons from the Volkswagen emissions scandal for moral leadership. *The Journal of the Macau Ricci Institute*. Retrieved from <http://mrijournal.riccimac.org/index.php/en/issues/issue-1/14-2-paying-the-price-lessons-from-the-volkswagen-emissions-scandal-for-moral-leadership>
- Cresswell, J. W. (2016). *Research design, pendekatan metode kualitatif, kuantitatif dan campuran [Research design, qualitative, quantitative and mixed methods approaches]*. Yogyakarta: Pustaka Pelajar. (In Indonesian).
- Creswell, J. W., & Creswell, J. D. (2018). *Research design qualitative, quantitative and mixed method approaches* (5th ed.). London: Sage Publication.
- Crook, N., Alakavuklar, O. N., & Bathurst, R. (2021). Leader, “know yourself”: Bringing back self-awareness, trust and feedback with a theory O perspective. *Journal of Organizational Change Management, 34*(2), 350-365. <https://doi.org/10.1108/JOCM-05-2020-0131>
- De Hoogh, A. H. B., & Den Hartog, D. N. (2008). Ethical and despotic leadership, relationships with leader’s social responsibility, top management team effectiveness and subordinates’ optimism: A multi-method study. *The Leadership Quarterly, 19*(3), 297-311. <https://doi.org/10.1016/j.leaqua.2008.03.002>
- Devie, D., Liman, L. P., Tarigan, J., & Jie, F. (2020). Corporate social responsibility, financial performance and risk in Indonesian natural resources industry. *Social Responsibility Journal, 16*(1), 73-90. <https://doi.org/10.1108/SRJ-06-2018-0155>
- Erdogan, B., & Bauer, T. N. (2015). Leader-member exchange theory. In J. D. Wright (Ed.), *International Encyclopedia of the Social & Behavioral Sciences* (2nd ed.) (pp. 641-647). Elsevier. <http://doi.org/10.1016/B978-0-08-097086-8.22010-2>
- Fatima, T., & Elbanna, S. (2020). Balanced scorecard in the hospitality and tourism industry: Past, present and future. *International Journal of Hospitality Management, 91*, 102656. <https://doi.org/10.1016/j.ijhm.2020.102656>
- Gardner, W. L., Cogliser, C. C., Davis, K. M., & Dickens, M. P. (2011). Authentic leadership: A review of the literature and research agenda. *The Leadership Quarterly, 22*(6), 1120-1145. <https://doi.org/10.1016/j.leaqua.2011.09.007>
- Gardner, W. L., Karam, E. P., Alvensson, M., & Einola, K. (2021). Authentic leadership theory: The case for and against. *The Leadership Quarterly, 22*(6), 101495. <https://doi.org/10.1016/j.leaqua.2021.101495>
- Gil, F., Rico, R., Alcover, C. M., & Barrasa, A. (2005). Change-oriented leadership, satisfaction and performance in work groups: Effects of team climate and group potency. *Journal of Managerial Psychology, 20*(3/4), 312-328. <https://doi.org/10.1108/02683940510589073>
- Gupta, N., & Sharma, V. (2018). Relationship between leader member exchange (LMX), high-involvement HRP and employee resilience on extra-role performance mediating role of employee engagement. *Journal of Indian Business Research, 10*(2), 126-150. <https://doi.org/10.1108/JIBR-09-2017-0147>
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2018). *Multivariate data analysis* (8th ed.). UK: Cengage.
- Halim, A., Tjahjono, A., & Husein, M. F. (2009). *Sistem pengendalian manajemen edisi revisi [Management, 91*, 102656. <https://doi.org/10.1016/j.ijhm.2020.102656>

- agement control system revised edition]. Yogyakarta: UPP STIM YKPN. (In Indonesian).
18. Hamza, K. A., Alshaabani, A., Salameh, N., & Rudnak, I. (2022). Impact of transformational leadership on employees' reactions to change and mediating role of organizational trust: Evidence from service companies in Hungary. *Problems and Perspectives in Management*, 20(2), 522-535. [https://doi.org/10.21511/ppm.20\(2\).2022.43](https://doi.org/10.21511/ppm.20(2).2022.43)
 19. Harter, J. K., Hayes, T. L., & Schmidt, F. L. (2002). Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis. *Journal of Applied Psychology*, 87(2), 268-279. <https://doi.org/10.1037//0021-9010.87.2.268>
 20. Hobfoll, S. E. (1989). Conservation of resources: A new attempt at conceptualizing stress. *American Psychologist*, 44(3), 513-524. <https://doi.org/10.1037/0003-066X.44.3.513>
 21. Hobfoll, S. E., & Ford, J. S. (2007). Conservation of resources theory. In G. Fink (Ed.), *Encyclopedia of Stress* (2nd ed.) (pp. 519-525). Academic Press. <https://doi.org/10.1016/B978-012373947-6.00093-3>
 22. Islami, X., Mulolli, E., & Mustafa, N. (2018). Using management by objectives as a performance appraisal tool for employee satisfaction. *Future Business Journal*, 4(1), 94-108. <https://doi.org/10.1016/j.fbj.2018.01.001>
 23. Ismail, H. N., Iqbal, A., & Nasr, L. (2019). Employee engagement and job performance in Lebanon: The mediating role of creativity. *International Journal of Productivity and Performance Management*, 68(3), 506-523. <https://doi.org/10.1108/IJPPM-02-2018-0052>
 24. Jabeen, R., & Rahim, N. (2021). Exploring the effects of despotic leadership on employee engagement, employee trust and task performance. *Management Science Letters*, 11, 223-232. <https://doi.org/10.5267/j.msl.2020.8.012>
 25. Kaplan, R. S., & Norton, D. P. (1992). The balanced scorecard measures that drive performance. *Harvard Business Review*. Retrieved from <https://hbr.org/1992/01/the-balanced-scorecard-measures-that-drive-performance-2>
 26. Korac-Kakabadse, N., Korac-Kakabadse, A., & Kouzmin, A. (2001). Leadership renewal: Towards the philosophy of wisdom. *International Review of Administrative Sciences*, 67(2), 207-227. <https://doi.org/10.1177/0020852301672002>
 27. Kumar, A., Kapoor, S., & Gupta, S. K. (2022). Do the qualities of transformational leadership influence employees' job engagement? A survey of the Indian power sector. *Problems and Perspectives in Management*, 20(4), 614-625. [http://dx.doi.org/10.21511/ppm.20\(4\).2022.46](http://dx.doi.org/10.21511/ppm.20(4).2022.46)
 28. Laub, J. (2005). From paternalism to the servant organization: Expanding the organizational leadership assessment (OLA) model. *The International Journal of Servant-Leadership*, 1(1), 155-186. Retrieved from <https://www.servantleaderperformance.com/wp-content/uploads/2017/12/Laub-Article-From-Paternalism-to-the-SL-Organization.pdf>
 29. Mackey, J. D., Ellen III, B. P., McAllister, C. P., & Alexander, K. C. (2021). The dark side of leadership: A systematic literature review and meta-analysis of destructive leadership research. *Journal of Business Research*, 132, 705-718. <https://doi.org/10.1016/j.jbusres.2020.10.037>
 30. Murwaningsari, E. N., & Ramdan, Z. (2009). The relationship between the balanced scorecard and the performance of large companies is several factors that influence. *Journal of Tax Information, Accounting and Public Finance*, 4(1). <https://doi.org/10.25105/jipak.v4i1.4460>
 31. Murwaningsari, E., Basaria, M. G., & Rachmawaty, S. (2009). Faktor-faktor yang mempengaruhi kinerja kualitas, kinerja keuangan dan kepuasan pelanggan [Factors that affect quality performance, financial performance and customer satisfaction]. *Journal of Management Applications*, 7(3), 2302-6332. (In Indonesian). Retrieved from <https://jurnaljam.ub.ac.id/index.php/jam/article/view/534>
 32. Mustafa, R. M. (2020). *Case analysis: Enron; ethics, social responsibility, and ethical accounting as inferior goods?* (MPRA Paper No. 98441). Retrieved from https://mpr.ub.uni-muenchen.de/98441/1/MPRA_paper_98441.pdf
 33. Nauman, S., Zheng, C., & Basit, A. A. (2021). How despotic leadership jeopardizes employees' performance: The roles of quality of work life and work withdrawal. *Leadership & Organization Development Journal*, 42(1), 1-16. <https://doi.org/10.1108/LODJ-11-2019-0476>
 34. Ouakouak, M. L., Zaitouni, M. G., & Arya, B. (2020). Ethical leadership, emotional leadership, and quitting intentions in public organizations: Does employee motivation play a role? *Leadership & Organization Development Journal*, 41(2), 257-279. <https://doi.org/10.1108/LODJ-05-2019-0206>
 35. Padilla, A., Hogan, R., & Kaiser, R. B. (2007). The toxic triangle: Destructive leaders, susceptible followers, and conducive environments. *The Leadership Quarterly*, 18(3), 176-194. <https://doi.org/10.1016/j.leaqua.2007.03.001>
 36. Raval, S. J., Kant, R., & Shankar, R. (2019). Benchmarking the lean six sigma performance measures: A balanced score card approach. *Benchmarking: An International Journal*, 26(6), 1921-1947. <https://doi.org/10.1108/BIJ-06-2018-0160>
 37. Saeidi, P., Robles, L. A. A., Saeidi, S. P., & Zamora, M. I. V. (2021). How does organizational leadership contribute to the firm performance through social responsibility strategies? *Heliyon*, 7(7), e07672. <https://doi.org/10.1016/j.heliyon.2021.e07672>
 38. Spain, S. M., Harms, P. D., & Wood, D. (2016). Stress, well-being and the dark side of the leadership. In *The Role of Leadership*

- in Occupational Stress Research in Occupational Stress and Well Being* (pp. 33-59). Bingley: Emerald Group Publishing Limited. <https://doi.org/10.1108/S1479-35552016000014002>
39. Syahridlo, A., Hasiholan, L. B., & Fathoni, A. (2020). The effect of leader member exchange, change oriented leadership and management by objective on BSC-based performance measurement with employee engagement as variables mediation (case study at PT Serasi Autoraya Semarang branch). *Journal of Management*, 6(1). Retrieved from <http://jurnal.unpand.ac.id/index.php/MS/article/view/1554>
 40. Tepper, B. J. (2000). Consequences of abusive supervision. *The Academy of Management Journal*, 43(2), 178-190. <https://doi.org/10.2307/1556375>
 41. Thompson, G., & Glaso, L. (2018). Situational leadership theory: A test from a leader-follower congruence approach. *Leadership & Organization Development*, 39(5), 574-591. <https://doi.org/10.1108/LODJ-01-2018-0050>
 42. Thrasher, G., Dickson, M., Biermeier-Hanson, B., & Najor-Durack, A. (2020). Social identity theory and leader-member exchange: Individual, dyadic and situational factors affecting the relationship between leader-member exchange and job performance. *Organization Management Journal*, 17(3), 133-152. <https://doi.org/10.1108/OMJ-04-2019-0719>
 43. Ton, A. D., Hammerl, L., Weber, D., Kremer, O., & Szabo-Szentgroti, G. (2022). Why leaders are important for cross-functional teams: Moderating role of supportive leadership on knowledge hiding. *Problems and Perspectives in Management*, 20(3), 178-191. [https://doi.org/10.21511/ppm.20\(3\).2022.15](https://doi.org/10.21511/ppm.20(3).2022.15)
 44. Tran, Q. H. N. (2021). Organizational culture, leadership behavior and job satisfaction in the Vietnam context. *International Journal of Organizational Analysis*, 29(1), 136-154. <https://doi.org/10.1108/IJOA-10-2019-1919>
 45. Upadhyay, A., & Palo, D. S. (2013). Engaging employees through balanced scorecard implementation. *Strategic HR Review*, 12(6), 302-307. <https://doi.org/10.1108/SHR-08-2012-0057>
 46. Utari, D., Purwanti, A., & Prawiro-negoro, D. (2016). *Management accounting (practical approach)*. Jakarta: Media Discourse Partners.
 47. Wanta, D., & Augustine, Y. (2021). The effect of servant leadership, job satisfaction and organizational culture on employee performance moderated by good governance in women's cooperative institution. *Technium Sustainability*, 1(2), 45-58. Retrieved from <https://www.techniumscience.com/index.php/sustainability/article/view/5222>
 48. Widyaningsih, R. U., & Saptoto, R. (2019). Peran leader-member exchange (LMX) dan occupational stress untuk memprediksi intensi turnover [The role of leader-member exchange (LMX) and occupational stress in predicting turnover intention]. *Gadjah Mada Journal of Psychology*, 5(1), 7-17. <https://doi.org/10.22146/gamajop.47979>
 49. Wiguna, S., & Augustine, Y. (2022). The mediation of employee engagement to the relationship of leadership style and corporate performance. *Technium Social Sciences Journal*, 28(1), 376-388. <https://doi.org/10.47577/tssj.v28i1.5797>
 50. Yukl, G. (2012). Effective leadership behavior: What we know and what questions need more attention. *Academy of Management Perspectives*, 26(4), 66-85. <https://doi.org/10.5465/amp.2012.0088>