





“Relationship between internal legal compliance culture, leadership style, organizational trust, and employee engagement in Vietnam’s banking sector”

AUTHORS	Diep Dao Mong  Hai Phan Thanh  
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Diep Dao Mong, Ph.D., Dean, Faculty
of Economic Law, University of Law,
Hue University, Vietnam.

Hai Phan Thanh, Ph.D., Associate
Professor, School of Business and
Economics, Institute of Research and
Development, Duy Tan University,
Vietnam. (Corresponding author)



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Diep Dao Mong (Vietnam), Hai Phan Thanh (Vietnam)

RELATIONSHIP BETWEEN INTERNAL LEGAL COMPLIANCE CULTURE, LEADERSHIP STYLE, ORGANIZATIONAL TRUST, AND EMPLOYEE ENGAGEMENT IN VIETNAM'S BANKING SECTOR

Abstract

This study was conducted to explore and measure the relationship between leadership style, internal legal compliance culture, organizational trust, and employee engagement in the banking sector from the perspective of managerial perceptions. Data were collected through a survey of 386 managers currently working at 35 commercial banks in Vietnam. The results of the two-stage partial least squares structural equation modeling (PLS-SEM) analysis indicate that managers' leadership styles have a positive impact on the implementation of internal legal compliance culture and enhance employee engagement. Additionally, the enforcement of internal legal compliance culture positively increases organizational trust, which in turn influences employee engagement in the banking industry. The study's findings provide empirical evidence on the influence of leadership style and the implementation of internal legal compliance culture on promoting stability and sustainable development in the banking sector of emerging economies. At the same time, the study emphasizes that a strong internal legal compliance culture not only ensures regulatory adherence but also fosters a work environment where employees feel valued and secure. When employees perceive that their organization operates ethically and transparently, they are more likely to develop a sense of engagement, thereby strengthening their overall involvement. This heightened engagement can lead to improved job performance, lower turnover rates, and greater organizational efficiency in the banking sector.

Keywords

internal legal compliance culture, leadership style,
organizational trust, employee engagement, commercial
banks, Vietnam

JEL Classification

M14, M12, M54, K40, G21, G30

INTRODUCTION

In an increasingly complex and tightly regulated business environment, maintaining a strong internal compliance culture is essential for organizational success. Adhering to internal legal frameworks ensures that financial institutions operate ethically, transparently, and in accordance with industry regulations. However, beyond merely fulfilling legal requirements, an effective internal compliance culture plays a crucial role in shaping organizational behavior, fostering trust, and enhancing employee engagement. The relationship between internal compliance culture, leadership style, organizational trust, and employee engagement has attracted significant academic attention, as these factors collectively contribute to the long-term sustainability and stability of financial institutions.

The banking sector presents a particularly relevant context for examining these relationships. As a highly regulated industry, banks

must adhere to strict compliance requirements, necessitating a robust internal legal framework. Non-compliance can result in severe financial and reputational consequences, prompting banking organizations to establish a strong culture of legal compliance. However, compliance is not merely a regulatory obligation but also a strategic asset that enhances corporate governance and promotes a positive workplace culture. Leadership plays a critical role in ensuring that compliance is integrated into daily business operations in a way that fosters trust and engagement rather than simply imposing rules and restrictions.

Despite growing awareness of the importance of compliance culture in the banking sector, empirical research exploring the specific relationship between internal legal compliance culture, leadership style, organizational trust, and employee engagement remains limited. Most existing studies focus on compliance from a legal or regulatory perspective, often overlooking its broader organizational and behavioral impacts. Current research primarily relies on secondary data to assess the long-term impact of these factors on bank performance. However, primary data collection through direct surveys of employees and managers in the banking sector, particularly in emerging economies such as Vietnam, remains underexplored. Empirical studies applying structural equation modeling (CB-SEM, PLS-SEM) to measure the relationship between internal compliance culture implementation, leadership style, and levels of employee engagement and trust are also relatively scarce.

By providing empirical insights into these relationships, this study contributes to a deeper understanding of how banks can leverage compliance culture as a tool to enhance workplace engagement, improve leadership effectiveness, and strengthen organizational trust. The findings of this study are expected to provide valuable implications for banking organizations, policymakers, and business leaders seeking to reinforce compliance efforts while fostering a more engaged and committed workforce. A comprehensive understanding of the dynamics between compliance culture, leadership, trust, and employee engagement can inform the development of more effective management strategies, regulatory policies, and corporate governance frameworks. Furthermore, the study's insights will be particularly relevant for emerging economies, where banking institutions are undergoing rapid transformation and facing increasing regulatory pressures. By promoting a strong compliance culture and ethical leadership, banks can achieve greater organizational stability, mitigate risks, and enhance their overall competitiveness in the financial sector.

1. LITERATURE REVIEW

This study is grounded in the theory of emotional contagion, which suggests that within an organization, individuals tend to mimic the behaviors of others, leading to synchronization in emotions and actions (Hatfield et al., 1993). Emotional contagion begins when individuals within a group absorb the emotions of others through verbal communication, facial expressions, posture, and social interactions (Barsade, 2002). The degree of contagion is influenced by the expressiveness of key figures in the organization, especially managers and leaders. This effect is particularly noticeable among new employees, who tend to adopt the behaviors and attitudes shaped by the existing organizational culture. In other words, they are expected to align with the organization's established

cultural values. Emotional contagion can occur not only among employees within the same organization but also between leaders and their teams. As a result, internal culture – particularly leadership style – plays a fundamental role in shaping behavioral and attitudinal contagion within an organization.

Thus, leadership style plays a pivotal role in shaping and maintaining organizational culture in general and internal compliance culture in particular. Authentic leadership, characterized by consistency between actions and ethical values and standards, can effectively encourage employees to voluntarily comply with internal regulations. Studies by Dlamini et al. (2017) and Dai et al. (2013) indicate that authentic leadership fosters positive employee behaviors and

leads to favorable organizational outcomes. By demonstrating a strong commitment to ethical values and legal principles, leaders can create a work environment where employees feel encouraged and supported in adhering to internal regulations.

In addition, leadership style directly influences employee engagement in the organization. Leadership styles that inspire and motivate employees have been shown to have a positive impact on employee engagement. Previous studies such as Alshehri et al. (2017), Agarwal (2014), Yahaya and Ebrahim (2016), and Raziq et al. (2024) demonstrate that leadership style positively influences employee engagement. Authentic leadership, characterized by actions consistent with shared organizational values and high ethical standards, enhances trust and employee engagement with the organization. When employees perceive clear guidance and support from leaders, they are more likely to commit and remain loyal to the organization.

Meanwhile, corporate culture is viewed as an effective way of operating with enough power to communicate to new members the proper ways of behavior, ensuring a shared understanding, thinking, and perception of issues within the organization (Schein, 2010). An organization with a stable corporate culture provides a foundation for building a high-quality production system (Abdul Rashid et al., 2004). Within this corporate culture framework, internal compliance culture, with clear values and rules, contributes to establishing trust between employees and the organization. When regulations are enforced consistently and fairly, employees feel secure and trust the work environment. Research on organizational culture, through studies by Yiing and Ahmad (2009), Sumual et al. (2022), and Paulino and Yngson (2023), shows that elements of organizational culture influence employee engagement. Transparency and clarity in internal policies also strengthen employees' trust when they perceive that the organization operates on principles of fairness and transparency. The implementation of a compliance culture is based on components such as individual responsibility awareness, leadership compliance behavior, internal legal training and dissemination, and transparency and clarity in internal policies.

Employee trust in the organization is a key factor determining their level of commitment. This trust depends on various aspects of work and the organization, with leadership being an important element (George et al., 2020; Shockley-Zalabak et al., 2000). A recent study by Quinia (2021) further shows that leadership culture and their relationships not only impact employee satisfaction but also influence their commitment to the organization. Schein (2010) argues that if an organization has a good reputation, a positive image in the public's eyes, and good internal treatment, employees will feel proud of the organization and, as a result, have a desire for long-term commitment. When employees trust the organization's goals, values, and leadership, they are more likely to commit and contribute more willingly. Meyer and Herscovitch (2001) define organizational commitment as a strong belief in and acceptance of the organization's goals and values, a willingness to make significant efforts on behalf of the organization, and a strong desire to remain a member of the organization. This commitment not only improves work performance but also reduces turnover rates and enhances job satisfaction.

Thus, several studies mentioned above highlight the strong relationship between leadership style, internal compliance culture, trust, and employee engagement within an organization. Effective leadership not only promotes a culture of compliance but also strengthens employee trust and engagement. At the same time, a transparent organizational culture that adheres to the law will reinforce employee trust, thereby enhancing their commitment and attachment to the organization.

Based on the theoretical framework, the purpose of this study is to explore the relationships and measure the direct and indirect impact of leadership styles on internal legal compliance culture, organizational trust, and employee engagement, based on the perceptions of managers at commercial banks in Vietnam. Figure 1 presents the theoretical model and hypotheses.

- H_1 : *Leadership style has a positive impact on the implementation of internal compliance culture in commercial banks.*
- H_2 : *Leadership style has a positive impact on employee engagement in commercial banks.*

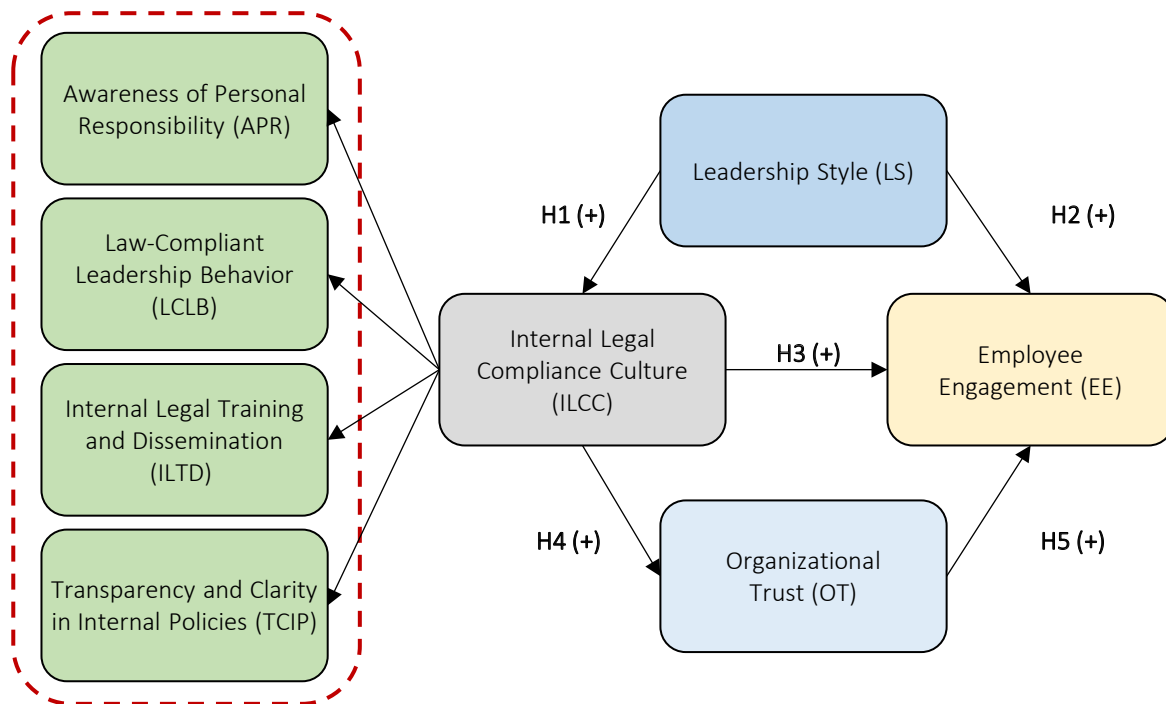


Figure 1. Model and hypotheses

- H_3 : *The implementation of internal compliance culture has a positive impact on employee engagement in commercial banks.*
- H_4 : *The implementation of internal compliance culture has a positive impact on organizational trust in commercial banks.*
- H_5 : *Organizational trust has a positive impact on employee engagement in commercial banks.*

2. DATA AND RESEARCH METHODOLOGY

From the theoretical overview presented in the previous section, the model of the relationship between leadership style, the implementation of internal compliance culture, organizational trust, employee engagement, and the research hypotheses has been clearly defined. The next research process involves interviewing 10 selected experts. These experts are experienced managers who have worked in the commercial banking sector for over 20 years, as well as professors and associate professors researching in the banking field at research institutes and universities. Based on the pre-

pared semi-structured questionnaire, which includes two parts: one part with open-ended questions related to the components of implementing internal compliance culture in the banking sector, and another part with closed-ended questions regarding opinions on the first draft scales for the variables in the research model, the aim is to refine the final measurement scale.

The results of the in-depth expert interviews about the components of implementing internal compliance culture show that awareness of individual responsibility was emphasized as a foundational element. Each individual in the organization, especially managers, needs to understand their role and responsibility in complying with legal regulations. Notably, Expert 6 stated: *“If employees and leaders are not aware of their individual responsibility for internal legal compliance, no matter how strict the regulations are in the bank, they cannot be effectively implemented.”* Meanwhile, the leadership’s behavior in complying with legal regulations plays a crucial role in creating a disciplined and transparent working environment. Expert 9 commented: *“Leaders must set an example in complying with internal regulations. If they do not take it seriously, employees will tend to be negligent as well.”* The third component is the training and dis-

semination of internal legal regulations. This is the tool that helps enhance compliance awareness and skills within the organization. Expert 4 shared: *“The bank needs to have regular training programs to ensure employees understand and apply legal regulations to their daily tasks.”* Lastly, transparency and clarity in internal policies are considered key factors that help employees easily access and properly implement regulations. Expert 2 emphasized: *“The clearer and more transparent the internal policies are, the less likely violations due to misunderstandings or lack of information will occur.”* Thus, through expert interviews, it can be concluded that implementing an internal compliance culture requires a comprehensive approach, integrating all four components: individual awareness,

leadership role, training, and transparency in internal policies.

Additionally, based on the experts’ opinions, the results of the collected opinions show that the research scale, which is derived from studies by Wallace et al. (2011), Ugwu et al. (2014), and Thomas (2007), needs to be adjusted to fit the implementation within the commercial banking sector, with the main survey target being managers working in this field. The finalized scale is presented in Table 1.

After interviewing experts, the official questionnaire was developed based on 34 items and used a 5-point Likert scale (1: strongly disagree, 5:

Table 1. Measurement summary

Symbol	Scales	Sources
Awareness of Personal Responsibility (APR)		
APR1	I am fully aware that complying with internal legal regulations is an important personal responsibility in my role at the bank	Author’s development; Expert opinion
APR2	I understand that non-compliance with internal regulations can lead to legal risks and negatively affect the bank	
APR3	I always consider my personal responsibility when making decisions to ensure compliance with internal legal regulations	
APR4	I believe that every individual in the organization, including myself, plays an important role in maintaining a compliance culture	
APR5	I am willing to proactively learn and update internal legal regulations to fully fulfill my compliance responsibilities	
Law-Compliant Leadership Behavior (LCLB)		
LCLB1	I always demonstrate a strong commitment to complying with internal legal regulations in the process of leading the bank	Author’s development; Expert opinion
LCLB2	I encourage and facilitate employees to comply with internal legal regulations in their daily work	
LCLB3	I am willing to address violations of internal legal regulations in the company in a serious and fair manner	
LCLB4	I proactively guide and train employees on the importance of complying with internal legal regulations in business operations	
LCLB5	I always make decisions based on the principle of compliance with internal legal regulations, even if it may impact short-term business interests	
Internal Legal Training and Dissemination (ILTD)		
ILTD1	My bank regularly organizes training sessions on internal legal regulations for employees	Author’s development; Expert opinion
ILTD2	I am provided with complete materials and guidance on the bank’s internal legal regulations	
ILTD3	My bank has effective communication channels to disseminate changes in internal legal regulations	
ILTD4	I feel confident in applying internal legal regulations to my daily work thanks to the bank’s training programs	
ILTD5	The bank’s leadership encourages and supports employees in participating in internal legal training activities	
Transparency and Clarity in Internal Policies (TCIP)		
TCIP1	The bank’s internal policies are communicated clearly and understandably to all employees	Author’s development; Expert opinion
TCIP2	I can easily access and refer to the internal policies when necessary	
TCIP3	My bank regularly updates and promptly notifies about changes in internal policies	
TCIP4	The procedures and regulations in the internal policies are applied consistently and fairly	
TCIP5	The bank’s leadership encourages transparency and clarity in the development and implementation of internal policies	

Table 1 (cont.). Measurement summary

Symbol	Scales	Sources
Leadership Style (LS)		
LS1	I inform my staff about what the bank expects from them	Wallace et al., (2011); Expert opinion
LS2	I assign specific tasks to my staff	
LS3	I decide what will be done and how it will be done within the scope of my responsibilities	
LS4	I encourage my staff to consistently use the processes in their work	
LS5	I require my staff to follow the bank's standard rules and regulations	
Organizational Trust (OT)		
OT1	I am very satisfied with the bank's ability to achieve its goals	Ugwu et al., (2014)
OT2	I can communicate with my direct supervisor when issues arise	
OT3	My direct supervisor always speaks positively about subordinates in front of others	
OT4	My direct supervisor always follows through on what they say	
OT5	I feel connected to my organization	
Employee Engagement (EE)		
EE1	I am willing to put in my best effort to achieve challenging work goals	Thomas (2007)
EE2	I am ready to dedicate myself fully to performing my job duties	
EE3	I am always willing to "go the extra mile" to complete my work well	
EE4	I am ready to put my heart and passion into my work	

strongly agree). According to Hair et al. (2014) for research using the PLS-SEM model, a suitable sample size must be over 200 samples. Therefore, the author decided to select double that number, with $n = 400$. Through an introduction from the Vietnam Banking Association, the paper-based questionnaire and Google Form link were sent to 400 managers currently working at 35 joint-stock commercial banks starting from September 2024. Among these 35 commercial banks, 31 are joint-stock commercial banks managed and operated by the State Bank of Vietnam, while 04 are state-owned commercial banks. The list of management staff was provided by the banks, and the survey participants were randomly selected from the list of managers at each of these banks. Details regarding the number of management staff participating in the survey from the 35 banks are presented in Appendix A.

By November 30, 2024, 390 managers agreed to participate in the study by completing the survey, either using the paper questionnaire or the link (representing 97.5%). After screening and evaluating the responses, 386 out of 390 questionnaires were found to be completely valid and filled out. In terms of gender, male managers accounted for 63.5%, while female managers made up 36.5%. In terms of education, 78.5% had a postgraduate degree (Master's, Ph.D.), while 21.5% had a bachelor's degree. As for age, the largest age group was between 40 and under 55 years old, accounting for

55%, followed by those aged 30 to under 40 years old, at 35%, and those under 30 or over 55 years old, representing 10% of the surveyed managers.

After the survey, the official data, consisting of 386 managers, were entered into analysis, and the quantitative research process was carried out in two stages. Stage 1 involved the development of the model, determining the reflective values of the factor of implementing the internal legal compliance culture using the iterative indicator method. Stage 2 was the stage of identifying the official path model for the study. At both stages of applying the PLS-SEM model, Henseler and Chin (2010) suggest assessing two key aspects: (1) evaluating the reliability, convergent validity, and discriminant validity of the factors within the research model; and (2) analyzing the measurement and structural models by examining multicollinearity, the R^2 coefficient, f^2 effect size, Q^2 predictive relevance, and both direct and indirect relationships within the model (Hair et al., 2014). Based on the results of the evaluation of the measurement and structural models, the discussion will proceed, highlighting the implications derived from the study.

3. RESULTS

The research model was evaluated for reliability, convergent validity, and discriminant validity through the outer loading coefficients of each observation, Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE).

Data processing was performed using SmartPLS software, and the results showed that the outer loading coefficients of all observations ranged from 0.735 to 0.951, all greater than 0.7. Moreover, the Cronbach's Alpha coefficients ranged from 0.804 to 0.920, all exceeding the 0.7 threshold. Similarly, the Composite Reliability values fell between 0.812 and 0.923, also above 0.7. These results confirm that the scales used in the research model demonstrated reliability, in line with the criteria established by Hu and Bentler (1999) and Hair et al. (2014). Meanwhile, according to Fornell and Larcker (1981) convergent validity is measured by the AVE, which should be greater than 0.5. The findings in Table 2 reveal that the AVE values range from 0.561 to 0.759, all exceeding

0.5, thereby meeting the required threshold. For discriminant validity, the Heterotrait-Monotrait Ratio (HTMT) matrix is commonly used, with the standard that HTMT values must be less than 0.85 (Henseler et al., 2015). The data in Table 3 indicate that the HTMT coefficients varied between 0.552 and 0.738, all below 0.85, suggesting that the scales employed in the research model met the criteria for discriminant validity.

Thus, the results of the data analysis from Table 2 and Table 3 indicate that the data collected from the survey fully meet the requirements for reliability, convergent validity, and discriminant validity. Therefore, the next step of analyzing and evaluating the PLS-SEM structural model will proceed.

Table 2. Descriptive statistics, internal consistency, and convergent validity

Constructs	Items	Outer Loading	Mean	Cronbach's Alpha	C.R	AVE
Awareness of Personal Responsibility (APR)	APR1	0.828	3.904	0.897	0.898	0.708
	APR2	0.829	3.852			
	APR3	0.832	3.852			
	APR4	0.829	3.803			
	APR5	0.889	3.699			
Law-Compliant Leadership Behavior (LCLB)	LCLB1	0.805	3.886	0.865	0.868	0.650
	LCLB2	0.792	3.876			
	LCLB3	0.795	3.894			
	LCLB4	0.796	3.899			
	LCLB5	0.842	3.922			
Internal Legal Training and Dissemination (ILTD)	ILTD1	0.846	3.720	0.915	0.916	0.747
	ILTD2	0.860	3.728			
	ILTD3	0.839	3.661			
	ILTD4	0.843	3.699			
	ILTD5	0.931	3.702			
Transparency and Clarity in Internal Policies (TCIP)	TCIP1	0.852	3.868	0.920	0.923	0.759
	TCIP2	0.827	3.894			
	TCIP3	0.856	3.860			
	TCIP4	0.865	3.839			
	TCIP5	0.951	3.845			
Leadership Style (LS)	LS1	0.790	4.158	0.804	0.812	0.561
	LS2	0.785	4.093			
	LS3	0.735	4.098			
	LS4	0.809	4.080			
	LS5	0.719	4.117			
Organizational Trust (OT)	OT1	0.742	3.904	0.823	0.825	0.586
	OT2	0.739	3.863			
	OT3	0.769	3.858			
	OT4	0.801	3.891			
	OT5	0.774	3.865			
Employee Engagement (EE)	EE1	0.851	3.813	0.876	0.877	0.729
	EE2	0.875	3.834			
	EE3	0.835	3.852			
	EE4	0.854	3.868			

Note: CR – Composite Reliability; AV – Average Variance Extracted.

Table 3. HTMT coefficient between variables

Constructs	EE	ILCC	LS	OT
EE	–	–	–	–
ILCC	0.738	–	–	–
LS	0.678	0.552	–	–
OT	0.668	0.606	0.592	–

3.1. PLS-SEM structural model evaluation

Based on the results in Table 4, multicollinearity was tested through the Inner VIF coefficient < 3, with relationship pairs ranging from 1.0 to 1.518, all < 3. It can be concluded that multicollinearity does not occur in the research model according to Hu and Bentler (1999).

Meanwhile, the R² value shows the accuracy of the prediction, indicating that 54.3% of employee engagement, 21.7% of internal legal compliance culture implementation, and 26.4% of trust in the organization are explained by the leadership style factor within the scope of the commercial banking sector in Vietnam. Additionally, the Q² coefficient shows the relevance of the prediction for these factors, with values of 39.2%, 15.6%, and 14.9%, respectively. These are relatively low values compared to the expected thresholds to explain that the research model is significant based on the factors established (Hair et al., 2019).

Table 4 also clearly shows the impact of the independent variable on the dependent variable through the f² coefficient. The relationship between internal legal compliance culture implementation and trust in the organization (ILCC → OT) has an f² = 0.362 > 0.35 indicating a large effect. The

relationships between internal legal compliance culture implementation and employee engagement (ILCC → EE) show 0.15 < f² = 0.238 < 0.35 and between leadership style and internal legal compliance culture implementation (LS → ILCC) with 0.15 < f² = 0.281 < 0.35 both show a medium effect. The relationship between leadership style and employee engagement (LS → EE), and trust in the organization and employee engagement (OT → EE), both have f² coefficients between 0.02 < f² < 0.15 indicating a small effect. These results were compared and evaluated using Cohen (1988) effect size criteria.

Table 4. Results of structural model evaluation

Constructs/ Path	Inner VIF	f ²	R ²	R ² adjusted	Q ²
EE	–	–	0.546	0.543	0.392
ILCC	–	–	0.219	0.217	0.156
OT	–	–	0.266	0.264	0.149
ILCC → EE	1.489	0.238	–	–	–
ILCC → OT	1.000	0.362	–	–	–
LS → EE	1.427	0.116	–	–	–
LS → ILCC	1.000	0.281	–	–	–
OT → EE	1.518	0.076	–	–	–

The hypothesis testing was conducted by evaluating the paths in the research model using the Bootstrap technique with 5,000 samples. The outcomes of the hypothesis testing are shown in Table 5 and Figure 2.

Table 5. Testing direct and indirect effect relationships

Path	Hypothesis	Original sample	Standard deviation	P values	Confidence interval		Decision on hypothesis
					2.5%	97.5%	
Direct impact relationship							
ILCC → EE	H3	0.400	0.036	0.000	0.326	0.468	Accept
ILCC → OT	H4	0.516	0.046	0.000	0.423	0.602	Accept
LS → EE	H2	0.274	0.036	0.000	0.203	0.344	Accept
LS → ILCC	H1	0.468	0.045	0.000	0.379	0.555	Accept
OT → EE	H5	0.229	0.039	0.000	0.150	0.305	Accept
Indirect impact relationship							
LS → ILCC → OT → EE	-	0.055	0.013	0.000	0.032	0.084	Accept
LS → ILCC → EE	-	0.187	0.026	0.000	0.138	0.241	Accept
ILCC → OT → EE	-	0.118	0.023	0.000	0.075	0.165	Accept
LS → ILCC → OT	-	0.241	0.040	0.000	0.169	0.325	Accept

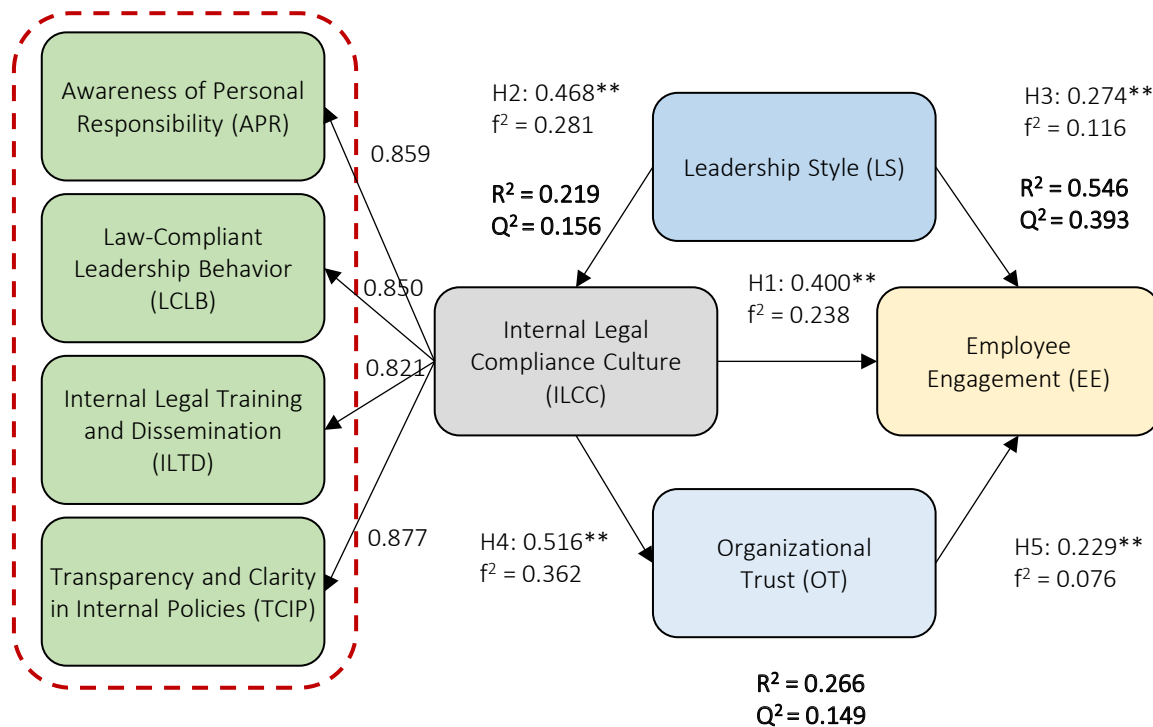


Figure 2. PLS-SEM structural model testing results

The results in Table 5 show that all 5/5 hypotheses regarding the direct relationships proposed initially are supported. The strongest relationship is that the implementation of a compliance culture within the organization has a positive impact on organizational trust ($\beta = 0.516$, $p = 0.000$), followed by the relationships between leadership style and the implementation of the compliance culture ($\beta = 0.468$, $p = 0.000$), the impact of implementing the compliance culture on employee engagement ($\beta = 0.400$, $p = 0.000$), leadership style and employee engagement ($\beta = 0.274$, $p = 0.000$), and organizational trust and employee engagement ($\beta = 0.229$, $p = 0.000$).

Bootstrap with $n = 5,000$ was conducted to extend the sample size and test the indirect path relationships. The results presented in Table 5 show that all 4/4 indirect relationships are significant and accepted. This indicates that within the scope of the commercial banking sector in Vietnam, the implementation of a compliance culture and organizational trust play a mediating role in the relationship between leadership style and employee engagement.

4. DISCUSSION

The results of the data analysis from the survey of 386 managers working in the commercial banking sector

in Vietnam show that the four concepts developed in the research model – leadership style, the implementation of internal legal compliance culture, organizational trust, and employee engagement – are closely related to one another. Among them, leadership style has both direct and indirect impacts on employee engagement through the mediating role of the implementation of internal legal compliance culture and organizational trust. The results of this study are consistent with those of several prior studies, including those by Yiing and Ahmad (2009), Sumual et al. (2022), Paulino and Yngson (2023), and Quinia (2021). The major difference between this study and previous ones is the clear development of four specific components that constitute the implementation of internal legal compliance culture in the banking sector, which include:

- 1) awareness of individual responsibility;
- 2) leadership behavior in legal compliance;
- 3) training and dissemination of internal laws; and
- 4) transparency and clarity in internal policies.

The results of the hypothesis testing show that all four components form and represent specific aspects of the implementation of internal legal compliance culture within the banking sector

This study shows that the leadership style of managers in the banking sector positively impacts the implementation of internal legal compliance culture and employee engagement. Many previous studies, such as those by Alshehri et al. (2017), Agarwal (2014), Yahaya and Ebrahim (2016), and Raziq et al. (2024), also show similarities with the results of this study. To enhance this positive impact, commercial banks in Vietnam as well as in emerging markets need to combine strategies in human resource management, technology, and organizational culture. The application of transformational leadership, improvement in communication mechanisms, integration of compliance into human resources strategies, use of technology, and promotion of accountability will help create a transparent, efficient, and sustainable work environment, as outlined below:

First, leaders in commercial banks should apply transformational leadership and ethical leadership styles to motivate employees and establish a strong compliance culture. Leaders must inspire and motivate through a clear vision of the importance of internal legal compliance and set an example by adhering to regulations. They should also encourage innovation and creativity by balancing compliance with innovation in banking operations. Leaders need to demonstrate ethics and responsibility by being transparent, fair, and accountable for all organizational decisions.

Second, commercial banks need to integrate compliance culture with human resource development strategies by recruiting and training based on compliance values. This includes developing recruitment processes that prioritize candidates with a strong sense of compliance. Regular training should be provided to raise awareness of financial laws and internal regulations. Banks should also establish performance evaluation systems based on compliance by incorporating compliance criteria into employee KPIs to encourage proper behavior. Additionally, programs should be introduced to reward employees with good compliance records and strictly penalize violations.

Third, commercial banks must improve communication and feedback mechanisms within the organization to increase the leaders' influence on employees and strengthen the compliance culture.

This can only be achieved through transparent and frequent communication by providing timely information on legal regulations and internal policies via workshops, internal newsletters, or digital platforms. Banks should also encourage employee feedback by establishing a whistleblowing system that protects employees' identities to detect non-compliant behavior early. Strengthening dialogue between leaders and employees by holding regular meetings to answer questions, listen to opinions, and adjust policies according to practical needs is also essential.

Fourth, commercial banks should leverage technology for compliance management and employee engagement in the digital era. This can be achieved by implementing a Compliance Management System (CMS) using AI and Big Data to monitor compliance, detect risks early, and automate reporting processes. Digital platforms should be used to interact with employees through internal apps, AI chatbots, or portals to provide guidance materials, answer questions, and track compliance levels within departments. Online courses and gamified compliance training content should be developed to enhance employees' interest and retention.

Fifth, accountability and a culture of responsibility should be promoted within commercial banks by establishing a clear accountability mechanism, where every employee understands the consequences of non-compliance and the benefits of adhering to regulations. This is demonstrated through the identification of individual and collective responsibilities for compliance. Strict enforcement of monitoring and internal control processes should be carried out through regular internal audits and the use of data to analyze weaknesses in the compliance system. A zero-tolerance culture for misconduct should be built, motivating employees to report issues and address problems proactively.

The results of this empirical study also show the positive impact of implementing a culture of legal compliance on employee engagement, both directly and indirectly through the mediating role of trust in the organization. This is consistent with the findings of previous studies, such as those by Yiing and Ahmad (2009), Sumual et al. (2022), and Paulino and Yngson (2023). To effectively imple-

ment this impact relationship, commercial banks in Vietnam and in other emerging countries need to enhance transparency and fairness in compliance practices. This can only be achieved when commercial banks clearly disclose compliance policies and ensure that all employees have easy access to the information. Building a fair and unbiased monitoring and violation handling system will help employees feel protected and respected. Incorporating compliance into performance evaluation systems and rewarding individuals and teams who perform well will motivate employees.

Additionally, banks must focus on building and reinforcing employees' trust in the organization. This is demonstrated through aspects such as leaders showing integrity and consistency in words and actions, becoming role models for legal compliance. Commercial banks should enhance internal communication and create spaces for employees to express their opinions without fear of punishment. Moreover, improving employee benefits and working conditions is crucial, ensuring that compliance is not just a mandatory requirement but also brings tangible benefits to employees.

CONCLUSIONS

The study is designed to explore and measure the relationship between leadership style, the implementation of an internal legal compliance culture, organizational trust, and employee commitment in Vietnam's commercial banks. The study's findings indicate that, given the distinctive characteristics of commercial banks in terms of risk and risk management, leadership style has both direct and indirect effects on employee commitment through the mediating role of the implementation of an internal legal compliance culture and organizational trust.

Furthermore, the results highlight the necessity for bank leaders to adopt effective leadership approaches that foster a strong compliance culture and enhance employees' trust in the organization. A well-established compliance culture not only ensures adherence to legal and regulatory requirements but also contributes to a more transparent and ethical working environment. When employees trust their organization and perceive leadership as supportive and fair, they are more likely to remain committed and engaged in their roles.

This further reinforces the critical role of leadership style and the implementation of an internal legal compliance culture as key determinants of the stability and sustainability of the commercial banking sector, both in the present and the future. Strengthening these elements can lead to improved employee performance, reduced turnover rates, and overall organizational resilience, ultimately supporting the long-term growth of Vietnam's banking industry in an increasingly competitive and dynamic financial landscape.

AUTHOR CONTRIBUTIONS

Conceptualization: Diep Dao Mong, Hai Phan Thanh.

Data curation: Diep Dao Mong, Hai Phan Thanh.

Formal analysis: Diep Dao Mong.

Funding acquisition: Diep Dao Mong, Hai Phan Thanh.

Investigation: Diep Dao Mong, Hai Phan Thanh.

Methodology: Diep Dao Mong, Hai Phan Thanh.

Project administration: Diep Dao Mong, Hai Phan Thanh.

Resources: Diep Dao Mong, Hai Phan Thanh.

Software: Diep Dao Mong, Hai Phan Thanh.

Supervision: Diep Dao Mong, Hai Phan Thanh.

Validation: Diep Dao Mong, Hai Phan Thanh.

Visualization: Diep Dao Mong, Hai Phan Thanh.

Writing – original draft: Diep Dao Mong, Hai Phan Thanh.

Writing – reviewing & editing: Diep Dao Mong, Hai Phan Thanh.

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APPENDIX A

Table A1. Number of managers from 35 commercial banks in Vietnam participating in the survey

No.	Vietnamese name of banks	Bank name	Transaction name	Number of Surveyed votes
1	Ngân hàng TMCP Việt Nam Thịnh Vượng	Vietnam Prosperity Bank, JSC	VPBank, VPB	6
2	Ngân hàng TMCP Đầu tư và Phát triển Việt Nam	Bank for Investment and Development of Vietnam, JSC	BIDV, BID	30
3	Ngân hàng TMCP Ngoại Thương Việt Nam	Bank for Foreign Trade of Vietnam, JSC	Vietcombank, VCB	42
4	Ngân hàng TMCP Công thương Việt Nam	Vietnam Bank for Industry and Trade, JSC	VietinBank, CTG	43
5	Ngân hàng TMCP Quân Đội	Military Bank, JSC	MBBank, MBB	18
6	Ngân hàng TMCP Á Châu	Asia Commercial Bank, JSC	ACB	10
7	Ngân hàng TMCP Sài Gòn – Hà Nội	Saigon-Hanoi Bank, JSC	SHB	2
8	Ngân hàng TMCP Kỹ Thương	Vietnam Technological and Commercial Bank, JSC	Techcombank, TCB	25
9	Ngân hàng TMCP Phát triển Thành phố Hồ Chí Minh	Ho Chi Minh City Development Bank, JSC	HDBank, HDB	6
10	Ngân hàng TMCP Bưu điện Liên Việt	Lien Viet Postal Bank, JSC	LPBank, LPB	5
11	Ngân hàng TMCP Quốc Tế	Vietnam International Bank, JSC	VIB	2
12	Ngân hàng TMCP Đông Nam Á	Southeast Asia Bank, JSC	SeABank, SSB	3
13	Ngân hàng TMCP Tiên Phong	Tien Phong Bank, JSC	TPBank, TPB	18
14	Ngân hàng TMCP Phương Đông	Orient Commercial Bank, JSC	OCB	6
15	Ngân hàng TMCP Hàng Hải	Vietnam Maritime Joint Stock Commercial Bank	MSB	5
16	Ngân hàng TMCP Sài Gòn Thương Tín	Sai Gon Thuong Tin Joint Stock Commercial Bank	Sacombank, STB	20
17	Ngân hàng TMCP Xuất Nhập Khẩu	Vietnam Export-Import Bank, JSC	Eximbank, EIB	15
18	Ngân hàng TMCP Sài Gòn	Saigon Commercial Bank, JSC	SCB	10
19	Ngân hàng TMCP Nam Á	Nam A Bank, JSC	Nam A Bank, NAB	8
20	Ngân hàng TMCP An Bình	An Binh Bank, JSC	ABBANK, ABB	2
21	Ngân hàng TMCP Đại Chúng Việt Nam	Vietnam Public Joint Stock Commercial Bank	PVCombank	2
22	Ngân hàng TMCP Bắc Á	Bac A Bank, JSC	Bac A Bank, BAB	8
23	Ngân hàng TMCP Quốc dân	National Citizen Bank, JSC	NCB	3
24	Ngân hàng TMCP Việt Nam Thương Tín	Viet Nam Thuong Tin Joint Stock Commercial Bank	VietBank, VBB	3
25	Ngân hàng TMCP Việt Á	Viet A Bank, JSC	Viet A Bank, VAB	5
26	Ngân hàng TMCP Bản Việt	Ban Viet Bank, JSC	BVBank, BVB	7
27	Ngân hàng TMCP Đông Á	Dong A Bank, JSC	DongA Bank	10
28	Ngân hàng TMCP Kiên Long	Kien Long Joint Stock Commercial Bank	Kienlongbank, KLB	11
29	Ngân hàng TMCP Sài Gòn Công Thương	Saigon Bank for Industry and Trade, JSC	Saigonbank, SGB	5
30	Ngân hàng TMCP Bảo Việt	Bao Viet Bank, JSC	Baoviet Bank	4
31	Ngân hàng TMCP xăng dầu Petrolimex	Petrolimex Group Commercial Joint Stock Bank	PGBank, PGB	5
32	Ngân hàng NN&PT Nông thôn Việt Nam	Vietnam Bank for Agriculture and Rural Development, LLC	Agribank	45
33	Ngân hàng Thương mại TNHH MTV Đại Dương	Ocean Bank, LLC	Oceanbank	2
34	Ngân hàng Thương mại TNHH MTV Dầu khí toàn cầu	Global Petro Bank, LLC	GPBank	2
35	Ngân hàng Thương mại TNHH MTV Xây dựng Việt Nam	Vietnam Construction Bank, LLC	CB	2
		Total		390