Work Culture Improve Employee Performance? The Mediating Role of Work Motivation

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Abstract. This study aims to analyze the influence of organizational culture on employee performance with employee work motivation as a mediating variable. A strong organizational culture is believed to be able to improve employee performance through increasing work motivation. This study uses a quantitative approach with a survey method involving 150 respondents from the MSME industrial sector in the city of Bandung. Data was collected using a questionnaire that measured organizational culture, work motivation and employee performance variables. Data processing was carried out using the SEM-PLS approach to test the direct and indirect relationships between these variables. The results show that organizational culture has a positive and significant effect on employee performance. Apart from that, employee work motivation also mediates the relationship between organizational culture and employee performance. In other words, a good organizational culture not only influences performance directly, but also increases employee work motivation. The implications of this study highlight the importance for companies to strengthen a positive organizational culture to increase employee motivation and overall performance.

Keywords: Employee Performance, Employee Work Motivation, Organizational Culture

1 Introduction

The rapid growth of business and technological advancements requires organizations to have a competitive advantage. This advantage depends on the quality of human resources (HR), as they play a key role in planning, executing, and controlling activities to achieve the company's objectives. Without the active role of HR, the achievement of organizational goals becomes difficult [1].

Organizational culture is one of the key strategies in creating a positive work environment and boosting employee motivation. This culture is formed by members of the organization working in line with the established vision and mission. Employee motivation and their performance are essential elements in achieving organizational success. A decline in performance is often influenced by the organization's contribution to em-

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ployee motivation. Therefore, understanding the factors that affect employee performance becomes crucial, especially in the Micro, Small, and Medium Enterprises (MSME) sector, which employs the majority of the workforce in Indonesia yet still has low productivity [2].

Several previous studies have examined the influence of work culture on employee performance. Usman found that competence, experience, and work culture significantly affect employee performance at the Makassar Air Traffic Service Center [3]. The importance of work culture and leadership style in improving employee performance, found that work culture and communication significantly affect employee motivation and performance, with motivation proven to be a mediator between work culture and performance [3].

This study aims to expand on these studies by investigating how work motivation mediates the relationship between organizational culture and employee performance in the MSME sector in Bandung. Focusing on this sector provides important insights for MSME business owners regarding strategic steps that can be taken to develop their human resources, including creating a positive work culture and maximizing employee potential through effective motivation programs.

2 Research Method

This research uses a quantitative approach with an exploratory type of research to test the proposed hypothesis. The population in this study were MSME employees in the craft sector in the city of Bandung, West Java. From this population, a sample of 150 respondents was randomly selected with the criteria being permanent non-daily employees, having worked for at least 3 years, and knowing the overall business operations. The collected data was then processed using a structural equation model with the Partial Least Squares (PLS) approach.

2.1 Variable Measurement

This research uses organizational culture, employee motivation and employee performance variables in the context of MSME employees. Organizational culture is measured by four items, Employee motivation was measured by five items, finally, employee performance is measured using five items adopted from Ojo [4].

2.2 Statistical Analysis

In the research that has been carried out, the results of the research will be described, consisting of scene orientation, preparation and implementation of research, research variables, conceptual definitions and operational definitions of variables, description of research results, as well as results of research analysis tests in accordance with the objectives of this research.

2.3 Hypothesis Testing

This stage is related to the formation of the initial model of the initial structural equation model, before estimation is carried out. This initial model was formulated based on a theory or previous research.

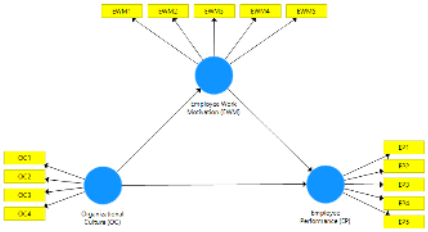

Fig 1. Conceptual Model Diagram of Partial Least Square

Through the conceptual diagram above, the path model consists of two sub structures. In general, these sub-structures can be described through the following equations [5]:

$$\eta 1 = (\gamma 11 \times \xi) + \zeta 1 \quad (1)$$

$$\eta 2 = (\gamma 21 \times \xi) + (\gamma 22 \times \eta 1) + \zeta 2 \quad (2)$$

3 Result

3.1 Outer Model Evaluation

The manifest variables in the research include the following:

- The latent variable organizational culture (OC) is measured by 4 observed variables, namely OC1, OC2, OC3, and OC4.
- The latent variable employee work motivation (EWM) is measured by 5 observed variables, namely EWM1, EWM2, EWM3, EWM4, and EWM5.
- The latent variable employee performance (EP) is measured by 5 observed variables, namely EP1, EP2, EP3, EP4, and EP5.
- Next, convergent validity, discriminant validity and reliability tests were carried out.

3.2 Convergent Validity Test

The first stage assesses the convergent validity criteria. An indicator is said to have good validity in reflective latency if it has a loading factor value greater than 0.70. Meanwhile, a loading factor of 0.50 to 0.60 can still be maintained for models that are still in the development stage. Based on estimation results using the help of the SmartPLS 3.0 program application. The following output is obtained.

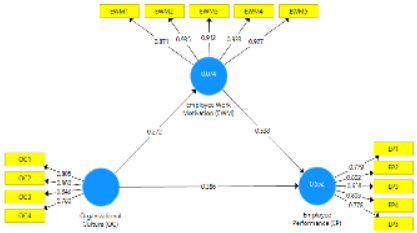

Fig. 2. Loading Factor Value of Outer Model Evaluation

Based on the test results with SmartPLS 3.0, the following results were obtained.

Table 1. Convergent Validity Loading Factor

Construct	**OC1**	**OC2**	**OC3**	**OC4**	**EWM1**	**EWM2**	**EWM3**
Loading Factor	0,805	0,860	0,843	0,780	0,871	0,935	0,942
Criteria (*Loading Factor* ≥ 0,5)	Valid	Valid	Valid	Valid	Valid	Valid	Valid
Construct	**EWM4**	**EWM5**	**EP1**	**EP2**	**EP3**	**EP4**	**EP5**
Loading Factor	0,933	0,927	0,779	0,802	0,658	0,805	0,778
Criteria (*Loading Factor* ≥ 0,5)	Valid	Valid	Valid	Valid	Valid	Valid	Valid

The picture and table above show the loading factor values for each construct for each variable. Based on this, based on the loading factors, all constructs are declared valid. Next, average variance extracted (AVE) testing will be carried out to further strengthen the results of convergent validity with the criterion that if the AVE value is > 0.5, then the construct used in the research is valid. The following are the results of the average variance extracted test using the PLS 3.0 program:

Table 2. Average Variance Extracted Value

Variable	***Average Variance Extracted* (AVE)**	**Criteria (*AVE* ≥ 0,5)**
Organizational Culture (OC)	0,676	Valid
Employee Work Motivation (EWM)	0,850	Valid
Employee Performance (EP)	0,588	Valid
Average	**0,705**	

Based on the table above, the convergent validity results can be seen based on the average variance extracted value. These results show that all latent variables have an AVE value greater than 0.5, so that all constructs are declared valid. These things indicate that the indicators that form the latent construct have good convergent validity when seen from the average variance extracted value.

3.3 Discriminant Validity Test

Discriminant validity can be seen from the cross-loading value. The correlation value of the indicator with the construct must be greater than the correlation value between the indicator and other constructs. And it can also be seen from the comparison between the square root of AVE and the correlation between latent constructs. If the square root value of AVE is greater than the correlation between latent constructs, it indicates that the latent construct has good discriminant validity in the model. Below are presented the results of the discriminant validity test using the Smart PLS 3.0 program.

Table 3. Results of Discriminant Validity Test

	OC1	**OC2**	**OC3**	**OC4**	**EWM1**	**EWM2**	**EWM3**
OC	0,805	0,860	0,843	0,780	0,328	0,175	0,308
EWM	0,137	0,341	0,180	0,197	0,871	0,935	0,942
EP	0,380	0,489	0,406	0,458	0,602	0,554	0,619
	EWM4	**EWM5**	**EP1**	**EP2**	**EP3**	**EP4**	**EP5**
OC	0,229	0,196	0,236	0,432	0,356	0,383	0,598
EWM	0,933	0,927	0,587	0,616	0,337	0,427	0,454
EP	0,599	0,581	0,779	0,802	0,658	0,805	0,778

Based on the table above, all indicators have a high correlation with their constructs compared to other constructs. So, it can be concluded that the research model has good discriminant validity in cross loading discriminant validity.

3.4 Reliability Test

The next step is to assess Cronbach's Alpha and Composite Reliability criteria. Each construct is said to be reliable if it has Cronbach's Alpha and Composite Reliability greater than 0.70. Below are presented the results of the reliability test using the Smart PLS 3.0 program.

Table 4. Cronbach's Alpha and Composite Reliability Value

Laten	***Cronbach's Alpha***	***Composite Reliability***
Organizational Culture (OC)	0,841	0,893
Employee Work Motivation (EWM)	0,956	0,966
Employee Performance (EP)	0,824	0,876

Based on the table above, all latent constructs have Cronbach's alpha and composite reliability values of more than 0.7, this indicates that the latent constructs have good reliability. This indicates that all latent constructs have good reliability.

3.5 Structural (Inner) Model Evaluation

Inner model evaluation is an analysis of the results of the relationship between constructs. The estimated relationship between constructs is as follows.

- The latent variable employee work motivation (EWM) is influenced by latent variable organizational culture (OC).
- The latent variable employee performance (EP) is influenced by latent variable organizational culture (OC) dan employee work motivation (EWM).

3.6 R Square

Furthermore, based on the test results with SmartPLS 3.0, the R Square results were obtained as follows.

Table 5. Results of R Square Test

Variable	R *Square*	Level
Employee Work Motivation (EWM)	0,074	Weak
Employee Performance (EP)	0,552	Moderate
Average	**0,313**	

According to Chin (1998) in [6], R Square with a value of 0.67 indicates a strong model, a value of 0.33 indicates a moderate model and a value of 0.19 indicates a weak model.

From the results of the table above, it can be seen that the R-Square for the Employee Work Motivation (EWM) variable is 0.074, which means that Organizational Culture (OC) contributes an influence of 0.074 or 7.4% to Employee Work Motivation (EWM) in the weak category. Meanwhile, the remaining 92.6% is the influence of other unobserved factors.

The R-Square for the Employee Performance (EP) variable is 0.552, which means that Organizational Culture (OC) and Employee Work Motivation (EWM) contribute an influence of 0.552 or 55.2% to Employee Performance (EP) in the moderate category. Meanwhile, the remaining 44.8% is the influence of other unobserved factors.

3.7 F Square

The next test was carried out to see the F Square value. Ghozali explain that F Square is used to see the influence of latent variable predictors at the structural level. An F Square value of 0.02 indicates a small rating, an Effect Size of 0.15 indicates a medium rating and an Effect Size of 0.35 indicates a large rating [5]. Based on the test results with SmartPLS 3.0, the F Square results were obtained as follows.

Table 6. Results of F Square Test

Influence	Effect Size	Rating
Organizational Culture (OC) --> Employee Work Motivation (EWM)	0,080	Small
Organizational Culture (OC) --> Employee Performance (EP)	0,309	Medium
Employee Work Motivation (EWM) --> Employee Performance (EP)	0,599	Large

Based on the table above, it shows the influence of latent variable predictors at the structural level. The Organizational Culture (OC) variable has a small influence in influencing Employee Work Motivation (EWM), while the Employee Performance (EP) variable has a medium influence. And the Employee Work Motivation (EWM) variable has a large category of influence in influencing Employee Performance (EP).

3.8 Q Square Predictive Relevance

The next step is to look at the Q-square predictive relevance for the construct model. The Q-square test is used to measure how well the observation values produced by the model and also the parameter estimates are. A Q-square value greater than 0 (zero) indicates that the model has a predictive relevance value, while a Q-square value of less than 0 (zero) indicates that the model lacks predictive relevance [7]. The Q-square value obtained by using the R2 value in the table above, obtained the following calculation results:

Table 7. Results of Q^2 *Predictive Relevance*

Variable	R Square	1-R Square
Employee Work Motivation (EWM)	0,074	0,926
Employee Performance (EP)	0,552	0,448
$Q^2 = 1- (1-R_1^2) (1-R_2^2)$		0,585

Based on the table above, the Q2 (Q-square predictive relevance) value obtained is 0.585. Because the value is greater than 0 (zero), it means that the model has adequate predictive relevance value.

3.9 Goofness of Fit (GoF) Test

The goodness of fit test results is obtained from the square root of the product of the Average Variance Extracted and the average R-squares. According to Rose [8], the small value = 0.1; medium value = 0.25; and large = 0.38. This means that the Goodness of Fit is quite large. Below are presented the results of calculating the Goodness of Fit value using the following formula:

$$GoF = \sqrt{\overline{AVE} \times \overline{R^2}} \quad (3)$$

From the results of the goodness of fit calculation above, a value of 0.470 was obtained, so it can be concluded that the model has a large goodness of fit and the greater the goodness of fit value, the more appropriate it is to describe the sample in the research.

3.10 Hypothesis Testing

Hypothesis testing in this research was carried out using the path coefficient, t-value and p-value. To assess the significance and predictions in hypothesis testing, it can be seen from the path coefficient and t-value [9]. According to Abdillah, assessing predictions and significance in hypothesis testing can be seen from the t-value and p-value. The t-table values can be seen in the following table [9].

Table 8. T-Table Value [9]

	One tailed	*Two tailed*
t-tabel	1.64	1.96

Testing criteria:

1. If the t-statistic value > t-table, then H0 is rejected and H1 is accepted.
2. If the t-statistic value < t-table, then H0 is accepted and H1 is rejected.

From the results of calculations using SmartPLS, the t-statistic significance value is obtained in the image below which states the significance value between the variables tested, which is presented in the form of an arrow. The t-value in the picture states the magnitude of the significance value between variables. The magnitude of the significance value between the variables being tested is presented in the form of a value contained in the arrow that connects one of the variables to the variable of interest.

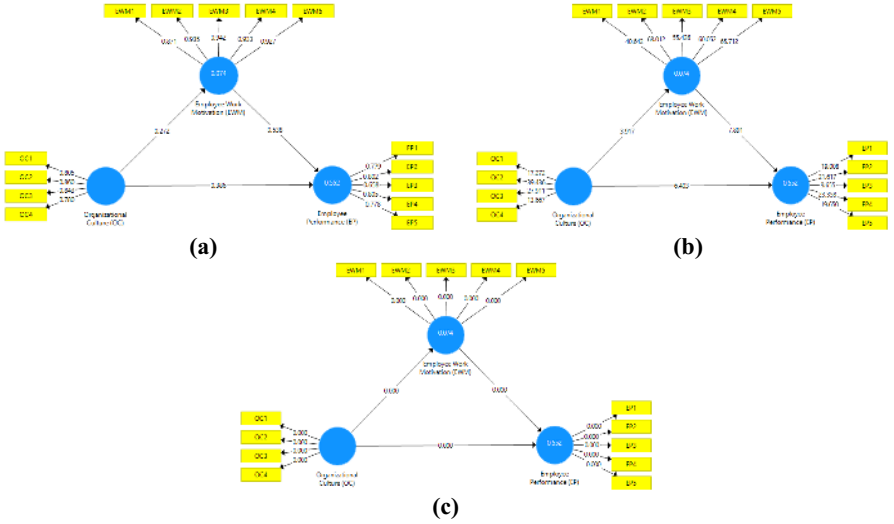

Fig 3. a) Structural Model (Path Coefficient, Beta); b) Significance Value (t-statistics), c) Significance Value (p-value)

The images of the calculation results above, if summarized in table form, can be displayed as follows:

Table 9. Results of Path Coefficient and T-Statistics

Influence	Original Sample	T Statistics	P Values
OC -> EWM	0,272	3,917	0,000
OC -> EP	0,386	6,403	0,000
EWM -> EP	0,538	7,891	0,000
OC -> EWM -> EP	0,147	4,314	0,000

The influence of Organizational Culture (OC) on Employee Work Motivation (EWM)

The statistical hypothesis:

1. H0: Organizational Culture (OC) does not have positive and significantly influence on Employee Work Motivation (EWM)
2. H1: Organizational Culture (OC) positively and significantly influences Employee Work Motivation (EWM)

Next, based on the hypothesis above, a hypothesis test was carried out using the bootstrapping method using SmartPLS software, and the following values were obtained:

Table 10. Path Coefficient, T-Value, and P-Value of Organizational Culture (OC) -> Employee Work Motivation (EWM)

Influence	Path Coefficient (beta)	t-statistics	P-value	Conclusion
Organizational Culture (OC)-> *Employee Work Motivation* (EWM)	0,272	3,917	0,000	H1 is supported

From the results of the table above, the path coefficient value of the original sample estimate (beta) is positive, namely 0.272, indicating that the direction of the relationship between Organizational Culture (OC) and Employee Work Motivation (EWM) is positive or in the same direction, meaning that Organizational Culture (OC) increases, Employee Work Motivation (EWM) will increase, and vice versa. The influence between Organizational Culture (OC) and Employee Work Motivation (EWM) is significant in the 1-tailed test (t table = 1.64) with a T-statistic value of 3.917 which is greater than the t table, and the p value is smaller than alpha 5% (0.000 < 0.05). Thus, H1 is supported, meaning that Organizational Culture (OC) has a positive and significant effect on Employee Work Motivation (EWM).

The influence of Organizational Culture (OC) on Employee Performance (EP)

The statistical hypothesis:

1. H0: Organizational Culture (OC) does not have positive and significantly influence on Employee Performance (EP)

2. H1: Organizational Culture (OC) positively and significantly influences Employee Performance (EP)

Next, based on the hypothesis above, a hypothesis test was carried out using the bootstrapping method using SmartPLS software, and the following values were obtained:

Table 11. Path Coefficient, T-Value, and P-Value of Organizational Culture (OC) -> Employee Performance (EP)

Influence	Path Coefficient (beta)	t-statistics	P-value	Conclusion
Organizational Culture (OC)-> *Employee Work Motivation* (EWM)	0,386	6,403	0,000	H1 is supported

From the results of the table above, the path coefficient value of the original sample estimate (beta) is positive, namely 0.386, indicating that the direction of the relationship between Organizational Culture (OC) and Employee Performance (EP) is positive or in the same direction, meaning that if Organizational Culture (OC) increases, Employee Performance (EP) will increase, and vice versa. The influence between Organizational Culture (OC) and Employee Performance (EP) is significant in the 1-tailed test (t table = 1.64) with a T-statistic value of 6.403 which is greater than the t table, and the p value is smaller than alpha 5 % (0.000 < 0.05). Thus, H1 is accepted, meaning that Organizational Culture (OC) has a positive and significant effect on Employee Performance (EP).

The influence of Employee Work Motivation (EWM) on Employee Performance (EP)

The statistical hypothesis:

1. H0: Employee Work Motivation (EWM) does not have positive and significantly influence on Employee Performance (EP)
2. H1: Employee Work Motivation (EWM) positively and significantly influences Employee Performance (EP)

Next, based on the hypothesis above, a hypothesis test was carried out using the bootstrapping method using SmartPLS software, and the following values were obtained:

Table 12. Path Coefficient, T-Value, and P-Value of Employee Work Motivation (EWM) -> Employee Performance (EP)

Influence	Path Coefficient (beta)	t-statistics	P-value	Conclusion
Employee Work Motivation (EWM) -> *Employee Performance* (EP)	0,538	7,891	0,000	H1 is supported

From the results of the table above, the path coefficient value of the original sample estimate (beta) is positive, namely 0.538, indicating that the direction of the relationship

between Employee Work Motivation (EWM) and Employee Performance (EP) is positive or in the same direction, meaning that if Employee Work Motivation (EWM) increases, Employee Performance (EP) will increase, and vice versa. The influence between Employee Work Motivation (EWM) and Employee Performance (EP) is significant in the 1-tailed test (t table = 1.64) with a T-statistic value of 7.891 which is greater than the t table, and the p value is smaller than alpha 5% (0.000 < 0.05). Thus, H1 is accepted, meaning that Employee Work Motivation (EWM) has a positive and significant effect on Employee Performance (EP).

The influence of Organizational Culture (OC) on Employee Performance (EP) through Employee Work Motivation (EWM)

The statistical hypothesis:

1. H0: Organizational Culture (OC) does not have positive and significantly influence on Employee Performance (EP) through Employee Work Motivation (EWM)
2. H1: Organizational Culture (OC) positively and significantly influences Employee Performance (EP) through Employee Work Motivation (EWM)

Next, based on the hypothesis above, a hypothesis test was carried out using the bootstrapping method using SmartPLS software, and the following values were obtained:

Table 12. Path Coefficient, T-Value, and P-Value of Organizational Culture (OC) -> Employee Work Motivation (EWM) -> Employee Performance (EP)

Influence	Path Coefficient (beta)	t-statistics	P-value	Conclusion
Organizational Culture (OC)-> *Employee Work Motivation* (EWM) -> *Employee Performance* (EP)	0,147	4,314	0,000	H1 is accepted

From the results of the table above, the path coefficient value of the original sample estimate (beta) is positive, namely 0.147, indicating that the direction of the relationship between Organizational Culture (OC) and Employee Performance (EP) through Employee Work Motivation (EWM) is positive or in the same direction, This means that if Organizational Culture (OC) increases, Employee Performance (EP) through Employee Work Motivation (EWM) will increase, and vice versa. The influence between Organizational Culture (OC) and Employee Performance (EP) through Employee Work Motivation (EWM) is significant in the 1-tailed test (t table = 1.64) with a T-statistic value of 4.314 which is greater than the t table, and the value p value is smaller than alpha 5% (0.000 < 0.05). Thus, H1 is accepted, meaning that **Organizational Culture (OC) has a positive and significant effect on Employee Performance (EP) through Employee Work Motivation (EWM).**

4 Discussion

The results of the analysis show that organizational culture has a positive and significant influence on employee performance. A strong organizational culture creates a conducive and harmonious work environment, thereby encouraging employees to be more productive and committed to their work. This is consistent with research by Wijethilake, that a good organizational culture can form norms, values and beliefs that can influence employee behavior so that it has an impact on their performance [10]. Then, the results show that organizational culture has a positive effect on employee work motivation. When organizational culture reflects values that align with employee expectations and needs, such as fairness, respect, and participation in decision making, employees feel more motivated to work harder and demonstrate greater loyalty to the organization. Conversely, a weak or unsupportive culture can cause demotivation, which leads to decreased performance.

Then the research results also found that work motivation plays a significant role in improving employee performance. When employees have high motivation, both in terms of intrinsic motivation (personal satisfaction from work) and extrinsic (rewards and incentives), they tend to show greater effort in completing tasks and achieving predetermined targets. Kaur Bagga, motivated employees tend to be more innovative, proactive, and have a high level of discipline in completing work. These results support motivation theories such as Self-Determination theory which states that individuals will perform better when they have strong motivation [11].

Finally, this research finds that work motivation acts as a mediator in the relationship between organizational culture and employee performance. This means that organizational culture not only directly influences performance, but also influences performance through increasing employee work motivation. A positive organizational culture increases employee motivation, which in turn results in better performance. Thus, the mediating role of work motivation strengthens the relationship between organizational culture and employee performance. These findings emphasize the importance of companies not only focusing on creating a strong organizational culture, but also ensuring that this culture encourages employee motivation to achieve maximum performance.

5 Conclusion

This study discusses the relationship between organizational culture and employee performance, emphasizing work motivation as a mediating factor. The study, conducted with 150 MSME employees in Bandung, shows that a strong organizational culture significantly enhances employee performance, both directly and indirectly, through increased motivation. Motivation plays a critical role, with highly motivated employees demonstrating greater effort, innovation, and discipline. This research uses a quantitative approach with SEM-PLS to analyze the data, confirming that organizational culture influences performance not only by creating a conducive environment but also by aligning with employee needs, thereby fostering their intrinsic and extrinsic motivation.

These findings highlight the importance for organizations to cultivate a positive culture in order to optimize employee motivation and performance.

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