

*Research Article*

# The Effect of Organizational Culture on Employee Performance, with Employee Engagement as a Mediating Factor

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**Abstract:** *The quality of a company's human resources can be assessed through employee performance, which is a key factor in achieving organizational objectives. One of the main influences on employee performance is organizational culture. This study aims to investigate the impact of organisational culture on employee performance, with employee engagement serving as an intervening variable. The research was conducted at PT Pos Indonesia Regional VI, utilizing a census method to collect data from 71 respondents. Data analysis was performed using multiple regression through SPSS version 23. The results indicate that organizational culture has a positive and significant effect on employee engagement, which in turn positively and significantly impacts employee performance. These findings highlight the critical role of organizational culture in fostering employee engagement and in enhancing overall employee performance. By enhancing their organisational culture, companies can foster greater employee engagement, which ultimately drives performance and contributes to achieving their organisational goals. This research underscores the importance of cultivating a supportive organizational culture to boost positive employee behavior.*

**Keywords:** *Employee's Performance, Employee Engagement, Organizational Culture.*

## I. INTRODUCTION

Human resources are an essential pillar in the realization of an organization's goals, particularly its vision and mission. According to Mangkunegara (2004), performance is the outcome of an employee's work, measured both in terms of quality and quantity, as they carry out the tasks assigned to them based on their responsibilities. As such, the performance of employees is central to the success of an organization. Efforts to enhance employee performance represent a significant management challenge, as the ability to achieve organizational goals and ensure the long-term sustainability of the company is closely tied to the quality of its human resources. Therefore, understanding the factors that influence employee performance is vital to the effective functioning of any organization.

In recent decades, employee engagement has become one of the most important issues discussed by organizations seeking to retain their workforce. High levels of employee engagement not only increase the likelihood of employees going beyond the minimum expectations of their roles but also create an environment conducive to productivity, job satisfaction, and overall well-being. Engagement is seen as a crucial driver for fostering commitment and motivation among employees and has been identified as one of the key factors influencing whether employees choose to stay with or leave an organization.

Organisational culture plays a pivotal role in employee engagement, serving as the connecting link between the organisation and its members. According to Siddhanta et al. (2010), organisational culture can significantly impact various aspects of the workplace, including communication, decision-making processes, and the overall work environment. A strong, cohesive organizational culture is known to support employee engagement by promoting shared values, a sense of belonging, and alignment with organizational goals. Furthermore, a positive organizational culture can contribute to higher levels of commitment and a greater sense of purpose among employees.

The relationship between organizational culture and employee engagement is well-documented in the literature. Kotter and Heskett (1997) conducted extensive research and found that companies with a culture that emphasizes key managerial components and leadership practices at all organizational levels consistently outperform those that lack such cultural foundations. This research further supports the notion that an organization's cultural framework plays a crucial role in influencing employee behavior, engagement, and, ultimately, performance.

Given the growing recognition of the importance of employee engagement, as well as the varying results from previous studies, this research seeks to explore the relationship between organizational culture, employee engagement, and employee



performance in greater depth. It aims to examine how organisational culture influences the level of employee engagement and how this engagement, in turn, impacts employee performance, thereby contributing to the overall success and competitiveness of the organisation. By understanding these dynamics, organizations can implement more effective strategies to foster a culture that encourages engagement, improves performance, and ensures sustained organizational growth.

**II. LITERATURE REVIEW**

**A) The Influence of Organizational Culture on Employee Engagement**

Suharti and Suliyanto (2012) emphasized that it is essential for organizations to cultivate a positive and conducive organizational culture to foster employee engagement. In addition to the role of leadership, employee engagement can also be nurtured through organisational approaches, as the organisation itself plays a crucial part in shaping employee engagement. Key elements within an organisation, such as values, vision, mission, organisational image, systems and structures, and the culture itself, all contribute to the formation of employee engagement. Suharti and Suliyanto’s findings are supported by Giovanni and Hendrika (2013), who found that organizational culture significantly influences employee engagement in a simultaneous and meaningful manner. Moreover, Leung and Wijaya (2015) also found a significant positive relationship between organizational culture and employee engagement.

A supportive organisational culture, one that encourages employee development and fosters a collaborative and friendly work environment, plays a key role in enhancing employee engagement. Furthermore, organisational factors such as a clear vision and mission, employee treatment, work policies, and work-life balance significantly influence the development of employee engagement. These cultural aspects create an environment where employees are more likely to feel emotionally attached to their work and motivated to contribute their best efforts.

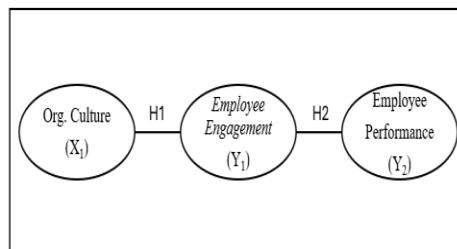
H1: Organizational culture has a positive impact on employee engagement.

**B) The Influence of Employee Engagement on Employee Performance**

Indayanti et al. (2011) indicated that the higher the level of employee engagement, the greater the employee's performance will be. Anitha (2013) also asserted that employee engagement has a positive and significant impact on employee performance, meaning that increasing employee engagement leads to enhanced performance within the organization. Ramadhan and Sembiring (2014) further supported this claim, stating that improvements in employee engagement within a company will also result in a boost in employee performance.

Employee engagement fosters emotional attachment, which translates into increased creativity, higher work enthusiasm, and improved work activities. As employees become more engaged with the organization, their performance naturally improves. This positive relationship between employee engagement and performance is crucial, as it not only elevates individual productivity but also contributes to the overall success and growth of the organization. Engaged employees tend to go above and beyond expectations, which significantly enhances organizational performance. Based on the above discussions, the following hypothesis is proposed:

H2: Employee engagement has a positive impact on employee performance.



**Fig. 1 Conceptual Framework**

**C) Research Variables**

In this study, the variables consist of dependent, intervening, and independent variables. The dependent variable used is employee performance, the intervening variable is employee engagement, and the independent variables include organizational culture. These variables are selected based on their relevance to the research objectives and their potential influence on employee performance within the organization. The dependent variable, employee performance, serves as the outcome of interest, while employee engagement acts as a mediator between organizational culture and employee performance. The organizational culture is considered a key factor that may shape employee engagement, thereby influencing overall performance outcomes.

This approach allows for a comprehensive understanding of how these variables interconnect and impact one another, providing valuable insights into the dynamics of employee behavior and organizational effectiveness.

**Table 1. Variable and Indicator**

Variable Name	Operational Definition	Indicators
<b>Employee Performance (Y2)</b>  <i>Source: Janseen, Onne (2001), in Mas'ud (2004)</i>	Performance refers to the outcomes achieved by employees in terms of both quality and quantity in executing assigned duties and responsibilities.	1. Work quantity exceeds the average compared to other employees 2. Work quality is significantly better than that of peers 3. Completes tasks on time. Adheres to company procedures and policies 5. Works harder than required
<b>Employee Engagement (Y1)</b>  <i>Source: Schaufeli et al. (2002)</i>	Employee engagement is the level of commitment and attachment employees have, consisting of energy and emotional investment in the organization, which influences their performance.	1. Excited to go to work 2. Does not give up easily 3. Willing to work longer hours 4. Sees work as a challenge 5. Finds work inspiring 6. Feels proud of the work performed 7. Considers work to be meaningful and purposeful 8. Feels attached to their job 9. Time passes quickly while working 10. Feels happy when working with full dedication
<b>Organizational Culture (X1)</b>	Organizational culture is the set of shared values that serve as rules or guidelines for behavior within the organization.	1. Results-oriented 2. Process-oriented 3. Focused on work-related issues rather than personal matters 4. Prioritizes work over personal interests 5. Dedicates full ability to work 6. Separates personal life from professional matters 7. Friendly attitude 8. Open to new employees 9. Does not tolerate minor mistakes 10. Discusses work matters seriously 11. Uphold's norms and applicable regulations 12. Follows rules and procedures to achieve targeted outcomes

*Source: Author(s) own processed (2024)*

### III. RESULTS AND DISCUSSION

#### A) Population and Sample

According to Sugiyono (2004, pp. 72-73), the population refers to the generalisation area, which includes objects or subjects with specific qualities and characteristics defined by the researcher for the study, from which conclusions will be drawn. Meanwhile, the sample refers to a portion of the population, either in terms of characteristics or quantity, and the conclusions drawn from this sample will be generalized to the population. In this study, the entire workforce at PT Pos Indonesia Regional VI was selected as respondents, so a saturated sampling or census method was applied. Therefore, this study involved all 123 employees at PT Pos Indonesia Regional VI as respondents.

#### B) Data Analysis Method

In this study, data collection was carried out using questionnaires. The data analysis method employed was multiple regression analysis, performed using the Statistical Package for Social Sciences (SPSS) version 23.

The respondents in this study were all employees in the management of PT Pos Indonesia Regional VI, with a total of 71 respondents participating in the research. The following provides general information about the respondents:

**Table 2. Demographic Characteristics of Respondents**

No.	Demographic Characteristic	Category	Frequency (Persons)
1	Gender	a. Male	41
		b. Female	30
2	Age	a. 28–37 years	6
		b. 38–47 years	21
		c. >47 years	44
3	Last Educational Attainment	a. Master's Degree	4
		b. Bachelor's Degree	35

		c. Associate Degree	23
		d. Senior High School/Vocational High School	9
4	Length of Service	a. <5 years	3
		b. 5–10 years	3
		c. 10–15 years	2
		d. 15–20 years	11
		e. >20 years	52

Source: Author(s) own processed (2024)

The data analysis process involved examining the data assumptions to ensure that the research data followed a normal distribution. Based on the analysis, all variables were found to be normally distributed. It was also determined that the questionnaire model was both valid and reliable. A variable is considered valid if the calculated correlation value ( $r_{hi}$ ) exceeds the table value ( $r_{hi(b)}$ ) of 0.197. Furthermore, according to Nunnally, as cited in Ghozali (2013), a variable is considered reliable if its Cronbach's Alpha value exceeds 0.70. This approach ensures that the measurement tools used in the study are both accurate and consistent, which is crucial for the reliability and validity of the research findings.

**Table 3. Results of Reliability and Validity Test**

Variable	Standard Alpha	Cronbach's Alpha	$r_{hi}$ (Calculated Correlation)	Conclusion
<b>Organizational Culture (X1)</b>	0.700	0.766		Reliable
X2.1 Focused on Results		0.228	Valid	
X2.2 Focused on Processes		0.296	Valid	
X2.3 Concerned with Work Issues Over Personal Issues		0.401	Valid	
X2.4 Prioritize Work Over Personal Interests		0.573	Valid	
X2.5 Dedicate Full Effort to Work		0.629	Valid	
X2.6 Separate Personal Life from Work		0.531	Valid	
X2.7 Friendly Attitude		0.403	Valid	
X2.8 Open to New Employees		0.331	Valid	
X2.9 Small Mistakes Cannot Be Tolerated		0.285	Valid	
X2.10 Talk Seriously About Work		0.331	Valid	
X2.11 Follow Rules and Procedures to Achieve Targets		0.566	Valid	
<b>Employee Engagement (Y1)</b>	0.700	0.860		Reliable
Y1.1 Enthusiastic to Go to Work		0.410	Valid	
Y1.2 Not Easily Discouraged		0.641	Valid	
Y1.3 Willing to Work Longer Hours		0.603	Valid	
Y1.4 Work is a Challenge		0.801	Valid	
Y1.5 Work is Inspiring		0.810	Valid	
Y1.6 Proud of the Work Done		0.754	Valid	
Y1.7 Work is Meaningful and Purposeful		0.773	Valid	
Y1.8 Attached to the Work		0.214	Valid	
Y1.9 Time Passes Quickly at Work		0.636	Valid	
Y1.10 Happy When Working Diligently		0.736	Valid	
<b>Employee Performance (Y2)</b>	0.700	0.738		Reliable
Y2.1 Work Quantity Exceeds the Average		0.597	Valid	
Y2.2 Work Quality Far Exceeds Peers		0.635	Valid	
Y2.3 Completes Tasks on Time		0.486	Valid	
Y2.4 Performs Work According to Company Procedures and Policies		0.554	Valid	
Y2.5 Works Harder Than Required		0.287	Valid	

Source: Author(s) own processed (2024)

**C) Multiple Regression Analysis**

The analysis conducted utilized two models. The first model examines the impact of organizational culture on employee engagement. The second model evaluates the effect of employee engagement on employee performance. The results of the analysis are as follows:

**Table 4. Multiple Regression Analysis Results Model I**

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error		
(Constant)	27.566	8.049	3.425	0.001
Organizational Culture (X1)	0.241	0.109	0.252	2.215

Source: Author(s) own processed (2024)

Based on the results, the following regression equation is derived:

$$Y_1 = 0.252X_1$$

From the analysis, it is evident that both independent variables (organisational culture) have a positive and statistically significant impact on employee engagement ( $p < 0.05$ ).

Furthermore, the model’s goodness-of-fit test (F-test) yields a significance value of less than 0.05, indicating that all independent variables are suitable for explaining employee engagement. Additionally, the adjusted R<sup>2</sup> value for Model I is 0.165. This means that the independent variable in this study, organizational culture, can explain 16.5% of the variation in employee engagement, with the remaining variance explained by factors outside the model

**Table 5. Multiple Regression Analysis Results Model II**

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error		
(Constant)	17.205	3.330	5.165	0.000
Employee Engagement (Y1)	0.163	0.056	0.331	2.911

Source: Author(s) own processed (2024)

Dependent Variable: Employee Performance (Y2)

Based on the results, the following regression equation is derived:

$$Y_2 = 0.331Y_1$$

From the analysis, it is clear that employee engagement has a positive and significant impact on employee performance, with a coefficient of 0.331 ( $\text{sig} < 0.05$ ). Additionally, the adjusted R<sup>2</sup> value for Model II is 0.096, indicating that employee engagement can explain 9.6% of the variation in employee performance. The remaining variation is explained by factors outside the model.

**D) Sobel Test (Mediation Test)**

According to Baron, as cited in Ghozali (2013), a mediator variable is one that influences the relationship between the independent variable (predictor) and the dependent variable (criterion). The Sobel test was conducted using the Sobel Test Online ([www.danielshoper.com](http://www.danielshoper.com)) to evaluate whether the tested variable serves as an intervening variable. For the Sobel test, the one-tailed probability column in the results table should have a value below 0.05, and the test-statistic column should have a value above 1.667.

The mediating role of employee engagement (Y<sub>1</sub>) in the relationship between organizational culture (X<sub>1</sub>) and employee performance (Y<sub>2</sub>) was tested using the Sobel test. This test aims to verify whether employee engagement mediates the impact of these independent variables on employee performance.

**Table 6. Sobel Test Results**

Indirect Effect	Sobel Test Statistic	P-Value
Organizational Culture → Employee Engagement → Employee Performance	2.15308	0.03131

Source: Author(s) own processed (2024)

**IV. CONCLUSION**

This study was conducted to investigate the impact of organization culture on employee performance, with employee engagement serving as an intervening variable at PT Pos Indonesia Regional VI Semarang. The research findings revealed several key insights. The first hypothesis, which examined the relationship between organisational culture and employee engagement, revealed that organisational culture has a positive and statistically significant effect on employee engagement ( $p < 0.05$ ). This indicates that a strong organizational culture contributes to higher employee engagement, whereas a better organizational culture leads to better engagement within the company.

The second hypothesis examined the relationship between employee engagement and employee performance, and the analysis confirmed that employee engagement has a significant influence on employee performance ( $p < 0.05$ ). The findings suggest that as employee engagement increases, so does employee performance. Engaged employees are more productive, creative, and dedicated to their work, directly contributing to improved organizational performance.

Furthermore, the Sobel test results demonstrated that employee engagement mediates the relationship between organizational culture and employee performance. The Sobel test statistic of 2.15308, with a p-value of 0.03131, confirmed that employee engagement significantly mediates the relationship between organisational culture and employee performance. These results underscore the importance of fostering employee engagement as a key mechanism in enhancing employee performance.

### Limitations and Recommendation

Despite its valuable contributions, this study has several limitations. Many open-ended questionnaire responses were left unanswered, resulting in limited qualitative data. While quantitative analysis revealed important relationships, the lack of qualitative input limited the depth of understanding regarding participants' experiences. Additionally, the adjusted  $R^2$  for organisational culture and employee engagement was only 0.165, suggesting that other unexamined factors may also influence engagement. Although the adjusted  $R^2$  for employee engagement and performance was high at 0.96, this still suggests that other factors may also influence performance.

For future research, structured interviews are recommended to gather richer qualitative data and address the limitations of unanswered open-ended questions. Increasing the sample size would also improve the generalizability of results. Future studies should explore additional variables, such as communication, job satisfaction, organisational support, environmental influences, and individual differences, including personality and motivation. Longitudinal studies are also suggested to track changes over time and better understand causal relationships among organizational culture, employee engagement, and performance.

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