Al-Kharaj: Journal of Islamic Economic and Business
Volume 8 (2), 2026
P-ISSN: 2686-262X; E-ISSN: 2685-9300

Organizational Culture as a Mediating Variable in the Effect of Digital Competency and Work Environment on Employee Performance at the Regional Revenue Agency of West Lombok Regency

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Keywords: *Digital Competency; Work Environment; Organizational Culture; Employee Performance; Public Sector.*

Abstract

This study examines the role of organizational culture as a mediating variable in the relationship between digital competency, work environment, and employee performance at the Regional Revenue Agency (Badan Pendapatan Daerah/Bapenda) of West Lombok Regency, Indonesia. Employing a quantitative causal design, a census method was applied involving all 95 civil servants (Aparatur Sipil Negara/ASN) as respondents. Data were analyzed using Partial Least Squares-based Structural Equation Modeling (PLS-SEM) via SmartPLS. The results demonstrate that digital competency positively and significantly affects both employee performance and organizational culture. Work environment does not directly affect employee performance, but significantly predicts organizational culture. Organizational culture positively and significantly affects employee performance, acting as a partial mediator between digital competency and performance, and as a full mediator between work environment and performance. These findings confirm that in bureaucratic organizations, work environment can only enhance employee performance by first strengthening organizational culture. Practically, this study emphasizes the importance of integrating digital competency development and conducive work environment creation as strategies to strengthen organizational culture for improving ASN performance.

INTRODUCTION

The rapid advancement of information and communication technology has fundamentally transformed organizational work systems in both private and public sectors. Entering the era of Industry 4.0 and the transition toward Society 5.0, organizations are compelled to adapt to digital acceleration, including in the delivery of public services (Alam et al., 2023). The Indonesian government has responded through the implementation of the Electronic Based Government System (Sistem Pemerintahan Berbasis Elektronik/SPBE) as stipulated in Presidential Regulation No. 95 of 2018, which mandates effective, efficient, transparent, and accountable bureaucracy through digital technology utilization (Imania & Haryani, 2021). In this context, employee performance constitutes the primary foundation of organizational success, particularly in public sector institutions whose mandate is to serve society while maintaining compliance with increasingly complex regulatory frameworks.

Empirical evidence regarding the antecedents of employee performance reveals significant inconsistencies. Digital competency, defined as the employees' ability to access, manage, evaluate, and utilize digital technology effectively and responsibly (Gilster, 1997; Carretero et al., 2017), has been shown to positively predict performance in several studies (Gruden & Stare, 2018; Liu, 2024; Dangmei & Singh, 2024). However, Salman et al. (2020) and Hutasoit et al. (2025) found no significant relationship between competency and organizational performance. Similarly, work environment defined as the physical and psychosocial conditions surrounding employees that affect their

comfort and effectiveness (Sedarmayanti, 2017; Robbins & Judge, 2019) has yielded conflicting findings: Sultan et al. (2023), Amalia (2021), and Yuliarahmawati et al. (2023) reported significant positive effects of work environment on employee performance, while Mustafa et al. (2023) and Pawirosumarto et al. (2017) found no significant direct impact.

These inconsistencies collectively signal the presence of an unaccounted intervening variable that mediates the relationships between organizational capabilities and performance outcomes.

The theoretical gap in the existing literature lies in the predominant use of direct effect models that fail to incorporate organizational culture as a mediating mechanism. Resource-Based View (RBV) theory (Barney, 1991) asserts that organizational competitive advantage derives from internal, intangible resources such as shared values and norms precisely what constitutes organizational culture. AMO Theory (Appelbaum et al., 2000) further clarifies that performance emerges from the interaction of ability (digital competency), opportunity (work environment), and motivation (organizational culture). Social Exchange Theory (Blau, 1964) provides the relational mechanism: when organizations invest in developing competencies and providing supportive environments, employees reciprocate through internalizing organizational values, which ultimately drives collective performance. Without examining this mediating pathway, empirical findings remain inherently unstable across contexts.

This study is situated at the Regional Revenue Agency (Badan Pendapatan Daerah/Bapenda) of West Lombok Regency, Indonesia an institution responsible for managing and optimizing locally-generated revenue (Pendapatan Asli Daerah/PAD). The selection of this context is not incidental: Bapenda presents a compelling empirical puzzle. Despite digital competency not being uniformly distributed across its workforce (the majority aged 41 years and above face adaptive challenges with new technology), and despite work environment investments not always being fully utilized by all employees, the agency exceeded its PAD target in both 2024 (100.96%) and 2025 (103.90%), after several years of underperformance (2020–2023: 65–78%). This paradox suggests an internal organizational mechanism that bridges competency gaps and environmental conditions toward consistent performance a mechanism this study identifies as organizational culture. Therefore, this study aims to empirically examine the mediating role of organizational culture in the relationships between digital competency and work environment with employee performance at Bapenda West Lombok Regency, thereby offering a mechanistic explanation for the empirical inconsistencies prevalent in the existing literature.

METHODS

This study employs a quantitative causal design aimed at testing hypothetical relationships among constructs and explaining mechanisms of mediation. A census method was applied as the research population was finite and accessible, consisting of all 95 Aparatur Sipil Negara (ASN) comprising 88 Permanent Civil Servants (PNS) and 7 Government Employees with Work Agreements (PPPK) at Bapenda Kabupaten Lombok Barat. The use of a census eliminates sampling error and ensures that findings represent the actual population parameters of this specific institution. Data collection was conducted through an electronic questionnaire (Google Forms) distributed via WhatsApp during the period of January to March 2026, achieving a 100% response rate with all 95 questionnaires declared valid for analysis.

The research instrument comprised four reflective constructs. Digital Competency (X1) was measured using 15 items across five dimensions of the DigComp 2.1 framework (Carretero et al., 2017):

information and data literacy, digital communication and collaboration, digital content creation, digital safety, and problem-solving. Work Environment (X2) was measured using 19 items across seven indicators following Robbins and Judge (2019): temperature and air circulation, lighting, noise, workspace layout, peer relations, supervisory support, and workplace fairness and

safety. Organizational Culture (Z) was measured using 18 items across six indicators adapted from Sedarmayanti (2017), Siagian (2016), and Handayaningrat (2014): accountability, coordination, regulatory compliance, professionalism, evaluative culture, and transparency. Employee Performance (Y) was measured using 16 items across six indicators from Bernardin and Russell (2013): work quality, work quantity, timeliness, cost effectiveness, work independence, and interpersonal impact. All items employed a five-point Likert scale (1 = strongly disagree; 5 = strongly agree).

Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS software in two stages. The first stage evaluated the measurement model (outer model) through outer loadings (≥ 0.60), Average Variance Extracted (AVE ≥ 0.50), Composite Reliability (CR ≥ 0.70), Cronbach's alpha (≥ 0.70), and the Heterotrait-Monotrait ratio (HTMT < 0.90), following Hair et al. (2017). The second stage evaluated the structural model (inner model) through coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and model fit (SRMR < 0.08). Hypothesis testing was conducted using bootstrapping with 5,000 resamples at a significance level of $p < 0.05$. Mediation type was classified following Baron and Kenny (1986) and Hair et al. (2019): full mediation when the direct effect is non-significant but the indirect effect is significant; partial mediation when both are significant. Additionally, Common Method Bias (CMB) was assessed using Harman's Single Factor Test, with a threshold of < 50% variance explained by a single factor (Podsakoff et al., 2003).

RESULTS AND DISCUSSION

Respondent Profile

This study involved all 95 civil servants (Aparatur Sipil Negara/ASN) of Bapenda West Lombok Regency as respondents through a census method, achieving a 100% response rate. The demographic profile of respondents is presented in Table 1 below.

Table 1. Respondent Demographic Profile

Variable	Category	Frequency	Percentage
Gender	Male	61	64.21%
	Female	34	35.79%
Age	20–30 years	10	10.53%
	31–40 years	15	15.79%
	41–50 years	47	49.47%
	> 50 years	23	24.21%
Tenure	< 1 year	10	10.53%
	4–6 years	2	2.11%
	> 6 years	83	87.37%
Education	SMA/Vocational	40	42.11%

	Diploma (D3)	3	3.16%
	Bachelor (S1)	47	49.47%
	Master (S2)	5	5.26%
Status	PNS	88	92.63%
	PPPK	7	7.37%

Source: Primary data processed (2026)

A total of 95 valid responses were analyzed in this study. The majority of respondents were male (64.21%), aged 41–50 years (49.47%), with service tenures exceeding 6 years (87.37%). This demographic reflects the mature career phase characteristic of the Indonesian civil service. Educational profiles were dominated by S1/Bachelor's degree holders (49.47%), followed by SMA/vocational graduates (42.11%), and the remainder holding postgraduate qualifications. Employment status was predominantly Permanent Civil Servants/PNS (92.63%). The dominance of experienced, long-tenured employees suggests a workforce with deep institutional knowledge but also potential adaptation challenges toward digital transformation, rendering digital competency development particularly relevant in this context.

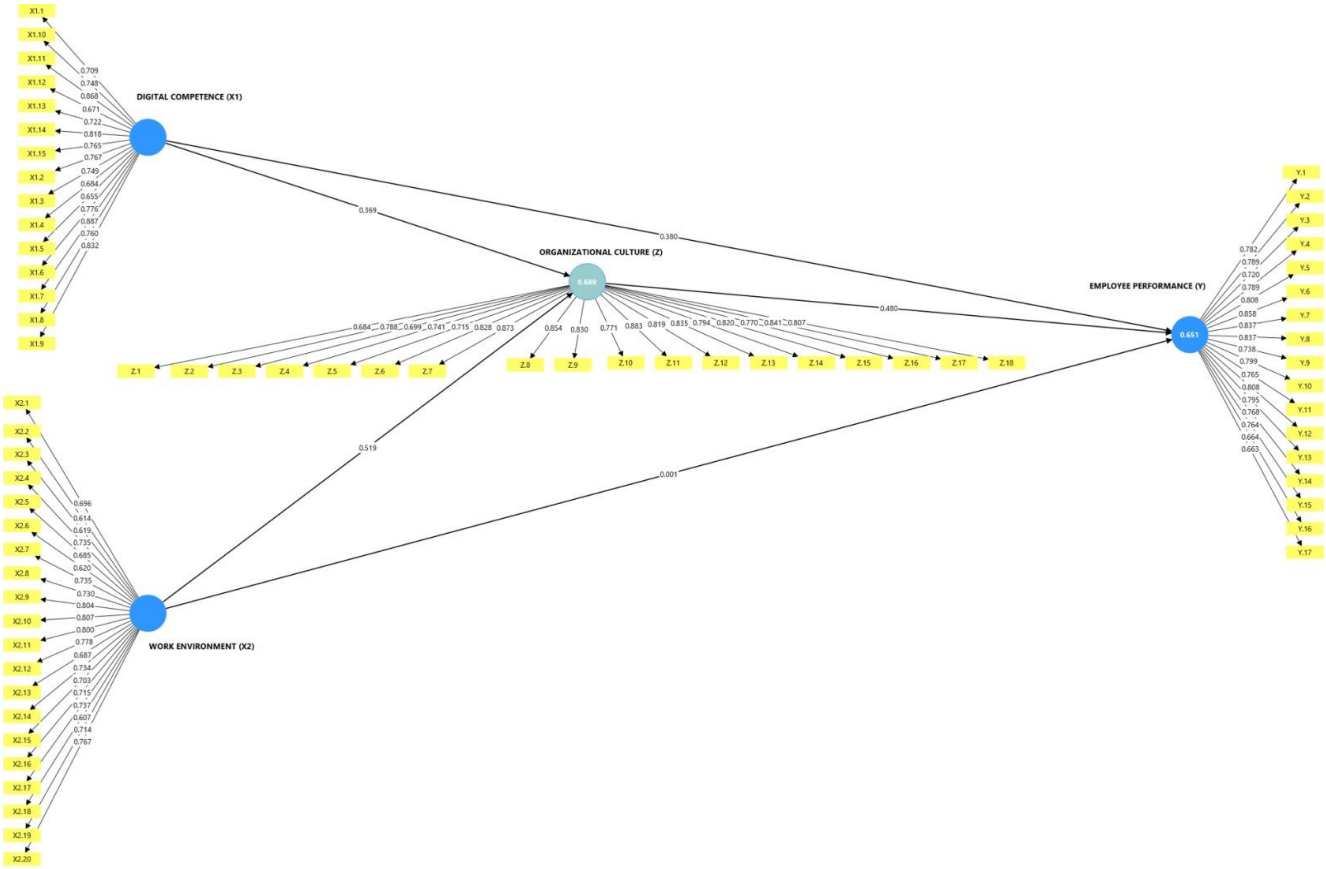
Descriptive Variable Analysis

Descriptive analysis of all research variables indicates consistently high perceptions among respondents. Digital Competency (X1) obtained an overall mean of 4.356 (Very High category), with the highest score on item X1.15 ("Digital technology helps me improve work efficiency and speed"; mean 4.547) and the lowest on X1.13 ("I can resolve technical work problems without requesting assistance"; mean 3.989, High category). Work Environment (X2) obtained an overall mean of 4.318 (Very Comfortable), with the highest scores on supervisory support indicators X2.16 and X2.17 (both mean 4.589), and the lowest on physical comfort indicators. Organizational Culture (Z) obtained an overall mean of 4.375 (Very Strong), dominated by accountability and professionalism dimensions; the lowest score was on Z.18 (public transparency; mean 4.189, Strong category). Employee Performance (Y) obtained the highest overall mean of 4.437 (Very Good), with organizational image and reputation (Y.18; mean 4.621), professional attitude in interactions (Y.16; mean 4.537), and full responsibility for work (Y.14; mean 4.537) as the most prominent dimensions. These descriptive profiles confirm that all variables are perceived favorably by respondents, with organizational culture and performance values already internalized at a high level across the workforce.

Measurement Model (Outer Model)

Evaluation of the measurement model was conducted through convergent validity, discriminant validity, and internal consistency reliability, following the two-stage assessment procedure recommended by Hair et al. (2017). Convergent validity was evaluated through outer loadings, with a minimum threshold of ≥ 0.60 required for each indicator to be retained in the model (Hair et al., 2017). All indicators achieved outer loadings ≥ 0.607, confirming that each indicator adequately represents its respective construct. The complete outer loading results for all indicators in the final model are presented in Figure 1 Measurement Model.

Figure 1. Measurement Model



Source: SmartPLS Output processed (2026)

Convergent validity is further evaluated through the Average Variance Extracted (AVE), which measures the proportion of variance captured by each construct relative to measurement error. A construct is considered to have adequate convergent validity when its AVE value meets the minimum threshold of ≥ 0.50, meaning the construct explains more than half of the variance in its indicators (Hair et al., 2017). The AVE values for all constructs in this study are presented in Table 3 below.

Table 2. Average Variance Extracted (AVE)

Variable	AVE	Threshold	Result
Digital Competency (X1)	0.583	≥ 0.50	Valid
Work Environment (X2)	0.514	≥ 0.50	Valid
Organizational Culture (Z)	0.639	≥ 0.50	Valid
Employee Performance (Y)	0.604	≥ 0.50	Valid

Source: SmartPLS Output (2026)

Figure 1 and Table 2 confirm that convergent validity is fully satisfied across the model. All outer loadings in the final model range from 0.607 to 0.887, well above the 0.60 threshold. All AVE values exceed 0.50, confirming that each construct captures more variance from its indicators than from measurement error. Organizational Culture records the highest AVE (0.639), consistent with the explicit and institutionalized nature of bureaucratic values that are uniformly communicated and enforced across Bapenda.

Internal consistency reliability is assessed using two complementary indicators: Cronbach's alpha (α) and Composite Reliability (CR). Cronbach's alpha evaluates the average correlation among all indicators within a construct, while Composite Reliability accounts for the differential outer loadings of each indicator. Both indicators are required to exceed the minimum threshold of ≥ 0.70 to confirm

that the indicators consistently measure the same underlying construct (Hair et al., 2017). The reliability assessment results for all constructs are presented in Table 3 below.

Table 3. Internal Consistency Reliability

Construct	Cronbach's α	Composite Reliability (CR)	Result
Digital Competency (X1)	0.948	0.954	Reliable
Work Environment (X2)	0.950	0.955	Reliable
Organizational Culture (Z)	0.966	0.969	Reliable
Employee Performance (Y)	0.959	0.963	Reliable

Source: SmartPLS Output (2026)

Table 3 demonstrates that all constructs achieve Cronbach's alpha between 0.948–0.966 and Composite Reliability between 0.954–0.969, far exceeding the 0.70 threshold. The consistently higher CR values compared to alpha confirm that no indicator contributes negatively to construct reliability, validating the instruments for subsequent structural testing.

Discriminant validity is assessed using the Heterotrait-Monotrait (HTMT) ratio, which compares the average correlations between indicators of different constructs (heterotrait correlations) to the average correlations between indicators of the same construct (monotrait correlations). An HTMT value below 0.90 indicates that two constructs are empirically distinct and possess adequate discriminant validity (Henseler et al., 2015; Hair et al., 2017). The HTMT ratio results for all construct pairs in this study are presented in Table 5 below.

Table 4. Discriminant Validity – HTMT Ratio

Construct	X1	X2	Z	Y
Digital Competency (X1)	—			
Work Environment (X2)	0.774	—		
Organizational Culture (Z)	0.782	0.810	—	
Employee Performance (Y)	0.773	0.676	0.795	—

Source: SmartPLS Output (2026)

All HTMT values fall below the 0.90 threshold, confirming adequate discriminant validity. The highest inter-construct value is found between Work Environment and Organizational Culture (0.810), which is theoretically consistent given the theorized strong relationship between these constructs, yet remains below the conservative cut-off.

Structural Model (Inner Model)

Evaluation of the structural model was conducted through examination of the coefficient of determination (R^2) and predictive relevance (Q^2). The R^2 value indicates the proportion of variance in endogenous constructs explained by the exogenous constructs, categorized as weak (< 0.25), moderate (0.25–0.50), and substantial (> 0.50) (Hair et al., 2017). Q^2 values exceeding zero indicate that the model possesses adequate predictive relevance (Hair et al., 2017). Table 6 presents the R^2 and Q^2 values for each endogenous construct in this study.

Table 5. Coefficient of Determination (R^2) and Predictive Relevance (Q^2)

Endogenous Construct	R^2	R^2 Adjusted	Q^2	Category
Organizational Culture (Z)	0.689	0.683	0.652	Strong
Employee Performance (Y)	0.651	0.639	0.518	Strong

Source: SmartPLS Output (2026)

Table 5 shows that Digital Competency and Work Environment collectively explain 68.9% of

the variance in Organizational Culture (R^2 = 0.689, Strong), while the three constructs Digital Competency, Work Environment, and Organizational Culture collectively explain 65.1% of the variance in Employee Performance (R^2 = 0.651, Strong). Both values surpass the 0.50 threshold, confirming that the model possesses substantial predictive power. Q^2 values of 0.652 and 0.518 respectively, both substantially above zero, further confirm adequate predictive relevance, indicating that the model is capable of predicting actual variance in both endogenous constructs with meaningful accuracy beyond the data used in estimation.

Beyond the coefficient of determination, the practical significance of each path relationship is evaluated through Cohen's effect size (f^2), which measures the relative contribution of each exogenous variable to the R^2 of the endogenous variable when that predictor is excluded from the model. Effect size magnitude is categorized as small (f^2 = 0.02–0.15), medium (f^2 = 0.15–0.35), and large (f^2 > 0.35), while values approaching zero indicate a negligible contribution (Cohen, 1988; Hair et al., 2017). The effect size results for all path relationships in the structural model are presented in Table 7 below.

Table 6. Effect Size (f^2)

Path Relationship	f^2	Category
Work Environment → Organizational Culture	0.389	Large
Organizational Culture → Employee Performance	0.205	Medium
Digital Competency → Organizational Culture	0.197	Medium
Digital Competency → Employee Performance	0.155	Medium
Work Environment → Employee Performance	0.000	Negligible

Source: SmartPLS Output (2026)

Based on table 6 the largest effect size is found on the path Work Environment → Organizational Culture (f^2 = 0.389, large effect), identifying Work Environment as the most powerful predictor of Organizational Culture in this model. The near-zero effect size of Work Environment on Employee Performance (f^2 = 0.000) is not an anomaly but an empirically precise confirmation of Herzberg's Two-Factor Theory: once the hygiene threshold is satisfied (mean X2 = 4.318, Very Comfortable), incremental investments in physical comfort no longer generate proportional performance improvements. The influence of Work Environment operates through a deeper mechanism the formation of organizational culture.

Model fit is evaluated using the Standardized Root Mean Square Residual (SRMR), which quantifies the average discrepancy between the observed and model-implied correlation matrix. An SRMR value below 0.08 indicates that the model adequately reproduces the empirical correlation matrix without substantial misspecification (Hu & Bentler, 1999; Hair et al., 2017). In addition, Common Method Bias (CMB) is examined through Harman's Single Factor Test to detect whether the data are unduly influenced by a single latent source of variance. A single factor accounting for less than 50% of total variance is considered indicative of negligible common method bias (Podsakoff et al., 2003). The model fit and CMB assessment results are presented in Table 8 below.

Table 7. Model Fit (SRMR) and Common Method Bias

Index	Value	Threshold	Result
SRMR	0.067	< 0.08	Good Fit
Harman's Single Factor (CMB)	46.7%	< 50%	No CMB Detected

Source: SmartPLS Output (2026)

The SRMR value of 0.067 (< 0.08) confirms good model fit, indicating that the model adequately reproduces the empirical correlation matrix without serious misspecification. Harman's

Single Factor Test reveals that a single factor explains only 46.7% of total variance below the 50% threshold confirming that Common Method Bias does not constitute a significant threat to the Validity of the findings.

Hypothesis Testing – Direct Effects

Hypothesis testing for direct effects (H1–H5) was conducted using the bootstrapping procedure with 5,000 resamples in SmartPLS. A hypothesis is accepted when the t-statistic exceeds 1.96 and the p-value falls below 0.05 at the 5% significance level (Hair et al., 2017). The test evaluates the original sample coefficient (β) to determine the direction and magnitude of each path relationship, alongside the t-statistic and p-value to establish statistical significance. The complete results of direct effect hypothesis testing are presented in Table 9 below.

Table 8. Structural Path Coefficients – Direct Effects

Path Relationship	Original Sample	t-Statistic	p-Value	Decision
Digital Competency → Employee Performance	0.380	2.810	0.005	Accepted
Digital Competency → Organizational Culture	0.369	2.566	0.010	Accepted
Work Environment → Employee Performance	0.001	0.009	0.993	Rejected
Work Environment → Organizational Culture	0.519	3.605	0.000	Accepted
Organizational Culture → Employee Performance	0.519	3.600	0.000	Accepted

Source: SmartPLS Output (2026)

H1: Effect of Digital Competency on Employee Performance. Digital competency exerts a positive and significant effect on employee performance (original sample = 0.380; t = 2.810; p = 0.005); therefore, H1 is accepted.

H2: Effect of Digital Competency on Organizational Culture. Digital competency exerts a positive and significant effect on organizational culture (original sample = 0.369; t = 2.566; p = 0.010); therefore, H2 is accepted.

H3: Effect of Work Environment on Employee Performance. Work environment does not exert a significant direct effect on employee performance (original sample = 0.001; t = 0.009; p = 0.993); therefore, H3 is rejected.

H4: Effect of Work Environment on Organizational Culture. Work environment exerts a positive and significant effect on organizational culture (original sample = 0.519; t = 3.605; p = 0.000); therefore, H4 is accepted.

H5: Effect of Organizational Culture on Employee Performance. Organizational culture exerts a positive and significant effect on employee performance (original sample = 0.480; t = 3.600; p = 0.000); therefore, H5 is accepted.

Hypothesis Testing – Mediation (Indirect Effects)

Hypothesis testing for the mediating role of organizational culture (H6–H7) was conducted by examining the specific indirect effect of each exogenous variable on the endogenous variable through the mediator, using the bootstrapping procedure with 5,000 resamples. Mediation is considered significant when the indirect path yields a t-statistic greater than 1.96 and a p-value below 0.05. The type of mediation is determined following Baron and Kenny (1986) and Hair et al. (2019): full mediation occurs when the direct effect is non-significant but the indirect effect is significant; partial mediation occurs when both direct and indirect effects are significant. The results of mediation hypothesis testing are presented in Table 10 below.

Table 9. Specific Indirect Effects – Mediation Analysis

Path Relationship	Indirect Sample	t-Statistic	p-Value	Mediation Type
Digital Competency → Org. Culture → Employee Performance	0.177	2.175	0.030	Partial Mediation
Work Environment → Org. Culture → Employee Performance	0.249	2.348	0.019	Full Mediation

Source: SmartPLS Output (2026)

H6: Mediating Role of Organizational Culture in the Digital Competency → Employee Performance Relationship. Organizational culture is confirmed to partially mediate the effect of digital competency on employee performance (original sample indirect = 0.177; t = 2.175; p = 0.030). Given that the direct effect of digital competency on employee performance is also significant (H1 accepted), organizational culture functions as a partial mediator; therefore, H6 is accepted.

H7: Mediating Role of Organizational Culture in the Work Environment → Employee Performance Relationship. Organizational culture is confirmed to fully mediate the effect of work environment on employee performance (original sample indirect = 0.249; t = 2.348; p = 0.019). Given that the direct effect of work environment on employee performance is non-significant (H3 rejected), organizational culture is the sole pathway through which work environment influences employee performance; therefore, H7 is accepted.

DISCUSSION

Effect of Digital Competency on Employee Performance

Digital competency exerts a positive and significant direct effect on employee performance (β = 0.380; t = 2.810; p = 0.005), supporting H1. This finding affirms that employees' capacity to navigate information systems, produce accurate digital content, maintain digital security, and solve technology-based problems translates directly into measurable performance improvements encompassing work quality, timeliness, and cost effectiveness. AMO Theory (Appelbaum et al., 2000) provides the theoretical anchor: digital competency operationalizes the ability (A) dimension, without which neither environmental opportunity nor cultural motivation can produce optimal output. The Iceberg Model of Competence (Spencer & Spencer, 1993) further explains the depth of this relationship digital competency encompasses not only the visible layers of technical skill and knowledge but also the less visible layers of initiative and self-efficacy that drive independent, high-quality work. This is empirically reflected in the high overall mean of digital competency (4.356) and the strong performance dimension of work independence (mean 4.495).

The finding is consistent with Gruden and Stare (2018), Liu (2024), and Dangmei and Singh (2024) who confirmed the positive influence of competency on organizational effectiveness. Discrepancies with Salman et al. (2020) and Hutasoit et al. (2025) are attributable to the use of broader, less contextualized competency constructs in those studies, which dilute the specificity of the causal pathway. The DigComp 2.1 framework used in this study captures domain-specific digital competencies relevant to the Indonesian public revenue sector, enhancing construct validity

and the precision of causal detection. This finding is further supported by Sari et al. (2023) who demonstrated that individual-level antecedents specifically leadership style mediated by work motivation positively and significantly affect employee performance among vocational school teachers in the NTB province, reinforcing the broader argument that individual capabilities and behavioral orientations, when effectively channeled, directly translate into measurable performance outcomes in Indonesian public sector contexts.

Effect of Digital Competency on Organizational Culture

Digital competency also significantly shapes organizational culture ($\beta = 0.369$; $t = 2.566$; $p = 0.010$), supporting H2. The medium effect size ($f^2 = 0.197$) indicates a substantive but not dominant contribution, consistent with the understanding that culture formation is a multi-causal process. Organizational Learning Theory (Argyris & Schön, 1978) provides the mechanism: repeated, standardized digital behaviors such as data-driven reporting, coordinated use of official digital platforms, and systematic document management gradually accumulate into collective norms and values that redefine organizational culture toward professionalism, accountability, and digital orientation. When digitally competent employees consistently apply practices such as evaluating data accuracy before use (X1.2) or producing accurate digital reports (X1.7), these behaviors become institutionalized standards that evolve into cultural artifacts. This finding is consistent with Kocak and Pawlowski (2022), Sierralta Pinedo et al. (2023), and Barjaktarović (2023), who documented the culture-transforming effects of digital capabilities within organizations. The apparent inconsistency with Espina-Romero et al. (2024), who found no significant relationship in Peruvian SMEs, is likely attributable to structural differences: bureaucratic organizations with formal value systems provide clearer channels through which individual competency changes manifest as collective cultural shifts compared to informal SME environments.

Effect of Work Environment on Employee Performance

Work environment does not directly affect employee performance ($\beta = 0.001$; $t = 0.009$; $p = 0.993$), leading to the rejection of H3. The negligible effect size ($f^2 = 0.000$) confirms that in this context, work environment makes no independent, direct contribution to performance. This finding, while counterintuitive from a conventional management perspective, receives precise theoretical justification from Herzberg's Two-Factor Theory (Herzberg et al., 1959): work environment constitutes a hygiene factor whose adequacy prevents dissatisfaction but does not actively motivate superior performance. With respondents perceiving their work environment in the Very Comfortable range (mean 4.318), the hygiene threshold has been satisfied, rendering marginal improvements in physical comfort incapable of generating proportional performance returns a manifestation of diminishing marginal returns. Within the AMO Theory framework, work environment provides opportunity (O), which is enabling rather than determining: it opens the space for performance but does not mechanistically produce it. The conversion of opportunity into performance requires the normative and motivational mechanism of organizational culture. This finding is supported by Mustafa et al. (2023) and Pawirosumarto et al. (2017) who similarly found non-significant direct effects in public sector contexts, a pattern also observed by Fatihin et al. (2022) in the context of Perum Bulog NTB, where workload did not directly affect job satisfaction but operated through the mediating mechanism of work stress, and is coherent with the profile of long-tenured PNS employees (87.37% with tenure > 6 years) who exhibit high tolerance for

environmental conditions and are less responsive to physical workspace variations.

Effect of Work Environment on Organizational Culture

In sharp contrast to its non-significant direct effect on performance, work environment has the strongest positive and significant effect on organizational culture in the entire model (β = 0.519; t = 3.605; p = 0.000; f^2 = 0.389, large effect), supporting H4. Social Exchange Theory (Blau, 1964) provides the most compelling explanation: when the organization provides a conducive physical and psychosocial environment, employees respond by internalizing organizational norms and values as a form of normative reciprocity. The exceptional supervisory support scores (X2.16– X2.17; mean 4.589) are particularly diagnostic: supervisors who provide clear guidance and active support during difficulties are perceived as organizational investment in employees, prompting reciprocal commitment to professional and accountability values that constitute the core of Bapenda's organizational culture. Schein (2010) reinforces this through his cultural embedding mechanisms: the physical design of workspace (X2.10–X2.12) communicates coordination values, while supportive hierarchical relations (X2.16–X2.17) reinforce professionalism norms both directly mapping onto the highest-scoring cultural indicators in this study. The large effect size positions work environment as the foundational trigger of organizational culture formation, aligning with studies by Listiana (2023), Mubintaj et al. (2024), and Trisninawati et al. (2025). Similarly, Fauzi et al. (2022) found that internal communication and organizational culture positively and significantly influence OCB in the West Lombok regional government, confirming that a conducive work environment fosters the cultural values that drive proactive employee behavior.

Effect of Organizational Culture on Employee Performance

Organizational culture is the most influential direct determinant of employee performance in this model (β = 0.480; t = 3.600; p = 0.000; f^2 = 0.205), supporting H5. Schein's Organizational Culture Theory (2010) explains the mechanism: a strong culture generates a shared mental model that reduces uncertainty, accelerates decision-making, and aligns individual behavior with organizational expectations without requiring intensive external supervision. Employees who have internalized values of accountability (Z.1–Z.3), professionalism (Z.10–Z.12), and evaluative culture (Z.13–Z.15) self-regulate their work behavior toward high-quality outcomes. The high performance dimension of organizational image and reputation (Y.18; mean 4.621) is the empirical signature of this internalized motivation: employees actively maintain the organization's reputation and image because accountability and professionalism values have been deeply internalized as self-imposed standards. Within AMO Theory, organizational culture operationalizes the motivation (M) dimension it generates the intrinsic drive that converts ability and opportunity into actual, sustained performance. From the RBV perspective (Barney, 1991), the unique bureaucratic culture of Bapenda built on decades of institutionalized values constitutes a VRIN resource (valuable, rare, inimitable, non-substitutable) that cannot be replicated in the short term by competing organizations. This finding is consistent with Muniarti and Pamungka (2022), Oktavia and Fernos (2023), Tamimi et al. (2022), and Nur et al. (2020), all of whom confirmed that organizational culture positively and significantly influences employee performance in public sector institutions

Organizational Culture Mediates the Effect of Digital Competency on Employee Performance

Organizational culture partially mediates the effect of digital competency on employee performance (indirect effect = 0.177; t = 2.175; p = 0.030), supporting H6. This partial mediation pattern indicates that digital competency influences performance through two simultaneous

pathways: a direct path (β = 0.380) through the enhancement of individual technical capability, and an indirect path (β = 0.177) through the gradual transformation of collective organizational values. The AMO Theory explains the direct pathway digitally competent employees immediately produce higher-quality output through speed, accuracy, and autonomous problem-solving. Social Exchange Theory explains the indirect pathway consistent digital practices introduce new norms of data transparency, process efficiency, and digital accountability into the organizational value system, which then motivates collective performance improvement. The coexistence of both pathways signals that Bapenda is in an active phase of digital cultural transition: the ability dimension already directly generates performance, while the internalization of digital values into organizational culture is still progressing. This partial mediation pattern is consistent with findings by Pradana et al. (2022), Kim and Park (2024), and Hastya (2025), and is further supported by Susilowati et al. (2022) who demonstrated that job satisfaction mediates the relationship between organizational commitment and employee performance in the Sumbawa marine and fisheries agency, underscoring the critical role of mediating mechanisms in converting organizational inputs into performance outcomes, all of whom documented organizational culture's mediating role between digital capabilities and performance outcomes.

Organizational Culture Mediates the Effect of Work Environment on Employee Performance

The most theoretically significant finding of this study is the full mediation of organizational culture in the relationship between work environment and employee performance (indirect effect = 0.249; t = 2.348; p = 0.019), supporting H7. Full mediation is confirmed by the non-significant direct effect (H3 rejected) coexisting with a significant indirect effect the entirety of Work Environment's influence on Employee Performance operates exclusively through Organizational Culture. This finding constitutes an elegant empirical resolution of the paradox identified in H3: Work Environment is not irrelevant to performance; rather, its influence is latent and only activated through the formation and reinforcement of organizational culture. The causal sequence is irreversible and sequential: Conducive Work Environment → Formation and Strengthening of Organizational Culture → Employee Performance. Removing either link eliminates the complete causal chain. Social Exchange Theory (Blau, 1964) provides the most precise explanation of the full mediation mechanism: employees at Bapenda do not perceive a comfortable working environment as a transactional obligation to be directly reciprocated with higher performance. Instead, a positive environment deepens their commitment to organizational values the normative reciprocation and it is this value commitment that then drives performance. Organizational culture thus functions as the normative filter through which environmental stimuli are interpreted and converted into productive work behavior (Schein, 2010). This finding is consistent with Chantika et al. (2025), Ngebursian et al. (2024), and Trisninawati et al. (2025), and also aligns with Fitriantini et al. (2020) who found that workload and work stress significantly affect turnover intention among contract health workers in Mataram, implying that the influence of work environment on employee outcomes is largely indirect a pattern of full mediation that mirrors our findings, and provides the strongest evidence that managerial investments in work environment must be deliberately designed to strengthen organizational culture to yield performance returns.

CONCLUSION

This study demonstrates that organizational culture constitutes the critical mediating mechanism through which digital competency and work environment are converted into employee performance at Bapenda West Lombok Regency. Digital competency exerts significant positive

direct effects on both employee performance and organizational culture. Work environment does not directly affect performance but serves as the primary antecedent of organizational culture (largest effect size in the model, $f^2 = 0.389$), which in turn significantly drives employee performance. Organizational culture partially mediates the digital competency–performance relationship and fully mediates the work environment–performance relationship. Theoretically, this study extends AMO Theory, Resource-Based View, Social Exchange Theory, and Organizational Culture Theory into the context of local Indonesian bureaucracy, providing mechanistic explanations for the empirical inconsistencies prevalent in the prior literature. The key theoretical contribution is the empirical proof that in bureaucratic organizations, organizational culture is a necessary and sufficient mediating variable that converts the potential of individual competency and environmental support into measurable collective performance. Practically, the findings establish a core managerial principle: investments in digital competency development and work environment improvement will not yield proportional performance returns unless deliberately designed to strengthen organizational culture as the transformative mechanism. Limitations of this study include its cross-sectional design, single-organization scope, and exclusive reliance on self-report data. Future research is recommended to employ longitudinal or mixed- methods designs, expand to multiple public sector agencies, and incorporate additional variables such as transformational leadership, intrinsic motivation, and organizational commitment to produce more comprehensive explanatory models of public sector performance.

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