

Employee Performance in the Dynamics of Transformational Leadership and Organizational Culture Through the Role of the Work Environment at Bank Muamalat Regional East Java

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Abstract

This study aims to analyze the influence of transformational leadership and organizational culture on employee performance, with the work environment as a mediating variable at Bank Muamalat Regional East Java. This study uses a quantitative approach with a survey method and simple random sampling technique. The sample consisted of 100 respondents from five main branches, and data were collected using a Likert scale questionnaire. Data analysis was conducted using Structural Equation Modeling (SEM) with the AMOS program. Validity was tested using Confirmatory Factor Analysis (CFA), while reliability was measured through construct reliability and variance extracted with cutoff values of >0.70 and >0.50. The research model was deemed valid based on Goodness-of-Fit values such as CMIN/DF, GFI, TLI, RMSEA, and CFI, which were within acceptable criteria. The results indicate that transformational leadership and organizational culture have a significant positive influence on the work environment, while the work environment does not significantly influence employee performance. The work environment mediates the relationship between transformational leadership and employee performance, but does not mediate the relationship between organizational culture and employee performance. These findings confirm that in the context of Islamic banking, particularly at Bank Muamalat, employee performance is more influenced by transformational leadership and organizational culture than by the work environment alone. Therefore, human resource management strategies need to strengthen the integration of values, promote strong culture-based leadership, and create a more conducive work environment to enhance employee performance productivity.

INTRODUCTION

Employee performance issues are crucial in human resource management, especially in the service-oriented banking sector. Low performance can lead to increased turnover, decreased team productivity, and reduced organizational sustainability in achieving long-term strategic goals. In the context of Islamic banking, such as Bank Muamalat, employee performance becomes more complex because it is influenced not only by financial factors but also by leadership, organizational culture, and the Islamic work environment upheld by the institution.

Previous studies have identified various factors that influence employee performance, such as leadership, organizational culture, and work environment. Johnivan (2025) emphasizes the importance of organizational culture and leadership in creating employee performance, while Riyanto, Endri & Herlisha (2021) show that in order to face a dynamic environment and remain successful, companies must create a conducive work situation. However, these studies still focus

on direct influences and have not explored the role of mediating variables such as the work environment, especially in the context of employee performance. In fact, employee performance faces challenges that require emotional, informational, and instrumental support from the work environment.

The research gap is evident in the limited studies that integrate transformational leadership, organizational culture, and work environment variables into a single model to explain employee performance, particularly in Islamic financial institutions. Additionally, few studies have highlighted the role and dynamics of the work environment in shaping performance amid digital transformation and the demands of value-based service delivery rooted in Islamic principles.

Based on this gap, this study aims to analyze the influence of transformational leadership and organizational culture on employee performance with the mediation of the work environment at Bank Muamalat Regional East Java. The novelty of this study lies in its approach, which includes the mediating role of the work environment in the relationship between transformational leadership and organizational culture on employee performance, which has not been widely studied in previous literature, especially in the Islamic banking sector.

METHOD

This study uses a quantitative approach with an explanatory survey method. The research design is intended to test the direct and indirect effects of transformational leadership and organizational culture on employee performance, with the work environment as a mediating variable.

The population in this study consists of all employees of Bank Muamalat Indonesia Regional East Java who work in five main branches, namely Surabaya Darmo, Surabaya Undaan, Malang, Kediri, and Jember. The total population is 278 people. The sample was determined using simple random sampling, and 100 respondents were obtained based on Ferdinand's opinion (2002)

Data collection was conducted by distributing a questionnaire designed based on the research variables' indicators, which had been validated and tested for reliability. The measurement scale used was a 5-point *Likert* scale, ranging from "strongly disagree" to "strongly agree." The questionnaire included statements regarding the variables of transformational leadership (X_1), organizational culture (X_2), work environment (Z), and employee performance (Y).

Data analysis was conducted using Structural Equation Modeling (SEM) based on AMOS as a statistical software tool. SEM was chosen because it can test causal relationships simultaneously between latent and manifest variables. The research model consists of a measurement model and a structural model. The measurement model is used to test the validity and reliability of constructs with their indicators, while the structural model is used to test the relationships between latent constructs.

Validity testing was conducted through Confirmatory Factor Analysis (CFA), by looking at the *standardized loading estimate* value, which must be greater than 0.60 to be considered valid (Ghozali, 2013). Reliability testing was conducted by calculating the *construct reliability* and *average variance extracted* (AVE) values, with a minimum threshold of 0.70 for reliability and 0.50 for AVE (Ghozali I., 2008). Subsequently, *goodness of fit* testing was performed to assess model suitability. The indices used include: *Chi-square* (expected to be small), $CMIN/DF \leq 2.00$, $GFI \geq 0.90$, $RMSEA \leq 0.08$, $AGFI \geq 0.90$, $TLI \geq 0.90$, and *significance probability* ≥ 0.05 (Ghozali I., 2014).

Hypothesis testing was conducted by examining the *Critical Ratio* (CR) and p-value, where a relationship is considered significant if $p < 0.05$.

RESULTS and DISCUSSION

1. Validity Test

Validity testing is used to determine the validity of a questionnaire. A questionnaire is considered valid if the questions in the questionnaire are able to reveal what the questionnaire is intended to measure. To test the validity of SEM, the "*Estimate*" value is used. (Note that validity is tested for variable indicators, so the values of the variables are compared to their indicators, e.g., $Ki2 \leftarrow \text{Quality_of_Information}$). A variable is considered valid if the "*Loading Factor*" or "*Standardized Loading Estimate*" is > 0.06 . (Hair, 1998) The following are the test results:

a. *Standardized Loading Estimate* Results Stage 1

1 Table. Results of the *Standardized Loading Estimate* Validity Test in Stage 1

| Item | | | Estimate | Description |
|-------|-------------|-----|----------|-------------|
| X1.1 | <- -- | KMT | 0.99 | Valid |
| X1.2 | <- -- | KMT | 1.267 | Valid |
| X1.3 | <- -- | KMT | 1.522 | Valid |
| X1.4 | <- -- | KMT | 1,282 | Valid |
| X1.5 | <- -- | KMT | 1.464 | Valid |
| X1.6 | <- -- | KMT | 1.372 | Valid |
| X1.7 | <- -- | KMT | 1.491 | Valid |
| X1.8 | <- -- | KMT | 1,350 | Valid |
| X1.9 | <- -- | KMT | 1.406 | Valid |
| X1.10 | <- -- | KMT | 1.186 | Valid |
| X1.11 | <- -- | KMT | 1,183 | Valid |
| X1.12 | <- -- | KMT | 1.364 | Valid |
| X2.1 | <- -- | BO | 0.99 | Valid |
| X2.2 | <- -- | BO | 1.054 | Valid |
| X2.3 | <- -- | BO | 0.937 | Valid |
| X2.4 | <- -- | BO | 0.855 | Valid |
| X2.5 | <- -- | BO | 1.30 | Valid |
| X2.6 | <- -- | BO | 1.386 | Valid |

| | | | | |
|------|-------------|-------------------------|-------|--------------|
| X2.7 | <- -- | BO | 1.481 | Valid |
| Z1.1 | <- -- | LK | 0.99 | Valid |
| Z1.2 | <- -- | LK | 0.892 | Valid |
| Z1.3 | <- -- | LK | 0.731 | Valid |
| Z1.4 | <- -- | LK | 1.275 | Valid |
| Z1.5 | <- -- | LK | 1.039 | Valid |
| Z1.6 | <- -- | LK | 1,146 | Valid |
| Y1.1 | <- -- | Employee Performance | 0.99 | Valid |
| Y1.2 | <- -- | Employee Performance | 1.285 | Valid |
| Y1.3 | <- -- | Employee Performance | 1.053 | Valid |
| Y1.4 | <- -- | Employee Performance | 1.033 | Valid |
| Y1.5 | <- -- | Employee Performance | 1.155 | Valid |
| Y1.6 | <- -- | Employee Performance | 1,134 | Valid |

Source: AMOS Output 26

Based on Table 1, the Standardized Loading Estimate values of this test show that all statements of employee performance, work environment (LK), transformational leadership (KMT), and organizational culture (BO) variables are valid.

2. Reliability and Extracted Variance Tests

Reliability measures the internal consistency of indicators in representing a construct (Ghozali I. 2008) . Two main methods used are construct reliability (CR) and variance extracted (VE).

Table 2. Results of CR and AVE Tests for Performance

| VARIABLE | | | Employee Performance | | |
|--------------------------------------|-------------|-------------------------|-------------------------------|------------------|-----------|
| Indicator | | Variable | (\square SLF) ² | SLF ² | \square |
| Y1.1 | <- -- | Employee Performance | 0.908 | 1 | 0 |
| Y1.2 | <- -- | Employee Performance | 1,651 | 1,650 | -0.650 |
| Y1.3 | <- -- | Employee Performance | 1,108 | 1.108 | -0.108 |
| Y1.4 | <- -- | Employee Performance | 1,067 | 1.068 | -0.06 |
| Y1.5 | <- -- | Employee Performance | 1,334 | 1.333 | -0.333 |
| Y1.6 | <- -- | Employee Performance | 1,285 | 1.287 | -0.28 |
| Sum of (\square SLF) ² | | | 7.353 | | |

| | | | | | |
|-------------------------------|--|--|--|-------|--------|
| <i>Sum of SLF²</i> | | | | 7,446 | |
| <i>Sum of □</i> | | | | | -1.446 |

Source: AMOS Output 26

$$CR = \frac{(\sum SLF)^2}{(\sum SLF)^2 + \sum \varepsilon} = \frac{7,353}{7,353 - 1,446} = 1.244 \text{ (Reliable)}$$

$$AVE = \frac{\sum SLF^2}{\sum SLF^2 + \sum \varepsilon} = \frac{7,446}{7,446 - 1,446} = 1.241 \text{ (Valid)}$$

Based on Table 2, the Average Variance Extracted (AVE) value for employee performance variables is 1.244, indicating convergent validity because it exceeds the minimum limit of 0.50 for the . In addition, the Construct Reliability (CR) value of 1.241 indicates excellent reliability because it meets the threshold of ≥ 0.70 . Thus, the performance indicators are declared valid and reliable.

Table 3. Results of CR and AVE Tests for the Work Environment

| VARIABLE | | | Work Environment (WE) | | |
|-----------------------------------|----|----------|-----------------------|------------------|--------|
| Indicator | | Variable | (□ SLF) ² | SLF ² | □ |
| Z1.1 | <- | LK | 0.908 | 1 | 0 |
| Z1.2 | <- | LK | 0.795 | 0.795 | 0.204 |
| Z1.3 | <- | LK | 0.534 | 0.535 | 0.464 |
| Z1.4 | <- | LK | 1.625 | 1.626 | -0.626 |
| Z1.5 | <- | LK | 1,079 | 1.080 | -0.080 |
| Z1.6 | <- | LK | 1.31 | 1.315 | -0.315 |
| <i>Sum of (□ SLF)²</i> | | | 6,251 | | |
| <i>Sum of SLF²</i> | | | | 6,351 | |
| <i>Sum of □</i> | | | | | -0.353 |

Source: AMOS Output 26

$$CR = \frac{(\sum SLF)^2}{(\sum SLF)^2 + \sum \varepsilon} = \frac{6,251}{6,251 - 0,353} = 1.06 \text{ (Reliable)}$$

$$AVE = \frac{\sum SLF^2}{\sum SLF^2 + \sum \varepsilon} = \frac{6,351}{6,351 - 0,353} = 1.058 \text{ (Valid)}$$

Based on Table 3, the work environment variable has an AVE value of 1.058, indicating convergent validity ($AVE > 0.50$), and a *construct reliability* value of 1.06, which meets the reliability criteria ($CR > 0.70$). Thus, the work environment variable is declared valid and reliable.

Table 4. Results of CR and AVE Tests for Transformational Leadership

| VARIABLE | | | Transformational Leadership (KMT) | | |
|-----------|--|----------|-----------------------------------|------------------|---|
| Indicator | | Variable | (□ SLF) ² | SLF ² | □ |

| | | | | |
|-------------------------|--------|-------|-------|--------|
| X1.1 | <- KMT | 0.908 | 1.000 | 0.000 |
| X1.2 | <- KMT | 1,605 | 1,604 | -0.604 |
| X1.3 | <- KMT | 2,316 | 2.315 | -1.315 |
| X1.4 | <- KMT | 1,643 | 1,644 | -0.644 |
| X1.5 | <- KMT | 2.143 | 2.145 | -1.144 |
| X1.6 | <- KMT | 1.882 | 1.881 | -0.881 |
| X1.7 | <- KMT | 2,223 | 2.225 | -1.224 |
| X1.8 | <- KMT | 1,823 | 1.822 | -0.822 |
| X1.9 | <- KMT | 1,976 | 1.978 | -0.978 |
| X1.10 | <- KMT | 1.406 | 1.407 | -0.406 |
| X1.11 | <- KMT | 1.399 | 1.400 | -0.400 |
| X1.12 | <- KMT | 1,860 | 1.861 | -0.861 |
| Sum of ($\sum SLF^2$) | | 21.21 | | |
| Sum of SLF^2 | | | 21.28 | |
| Sum of ϵ | | | | -9.28 |

Source: AMOS Output 26

$$CR = \frac{(\sum SLF)^2}{(\sum SLF)^2 + \sum \epsilon} = \frac{21,21}{21,21 - 9,28} = 1.77 \text{ (Reliable)}$$

$$AVE = \frac{\sum SLF^2}{\sum SLF^2 + \sum \epsilon} = \frac{21,28}{21,28 - 9,28} = 1.773 \text{ (Valid)}$$

Based on Table 4, the AVE value of the transformational leadership variable is 1.773, indicating convergent validity as it exceeds the minimum value of 0.50. The *Construct Reliability* value of 1.77 also indicates that the transformational leadership indicators meet the reliability criteria ($CR > 0.70$). Thus, the transformational leadership variable is declared valid and reliable.

Table 5. Results of CR and AVE Tests for Organizational Culture

| VARIABLE | | | Organizational Culture (OC) | | |
|-----------|----------|--|-----------------------------|---------|------------|
| Indicator | Variable | | ($\sum SLF$) ² | SLF^2 | ϵ |
| X2.1 | <- BO | | 0.908 | 1 | 0 |
| X2.2 | <- BO | | 1.1 | 1.11 | -0.111 |
| X2.3 | <- BO | | 0.877 | 0.879 | 0.120 |
| X2.4 | <- BO | | 0.731 | 0.731 | 0.268 |
| X2.5 | <- BO | | 1.69 | 1.695 | -0.695 |
| X2.6 | <- BO | | 1.92 | 1.92 | -0.923 |

| | | | | | |
|--------------------------------------|-------|--|-------|-------|--------|
| X2.7 | <- BO | | 2.193 | 2.194 | -1.194 |
| Sum of (\square SLF) ² | | | 9,432 | | |
| Sum of SLF ² | | | | 9,532 | |
| Sum of \square | | | | | -2,535 |

Source: AMOS Output 26

$$CR = \frac{(\sum SLF)^2}{(\sum SLF)^2 + \sum \varepsilon} = \frac{9,432}{9,432 - 2,535} = 1.368 \text{ (Reliable)}$$

$$AVE = \frac{\sum SLF^2}{\sum SLF^2 + \sum \varepsilon} = \frac{9,532}{9,532 - 2,535} = 1.362 \text{ (Valid)}$$

Based on Table 5, the organizational culture variable has an AVE value of 1.362 (valid because ≥ 0.50) and *construct reliability* of 1.368 (reliable because ≥ 0.70). Thus, this variable is declared valid and reliable.

3. Normality Test

Table 6. Results of Normality Test

| Variable | min | max | skew | c.r | kurtosis | c.r |
|----------|-----|-----|--------|--------|----------|--------|
| X1.1 | 1 | 5 | -1.06 | -4.327 | 0.879 | 1.794 |
| X1.2 | 1 | 5 | -1.23 | -5.021 | 1.744 | 3,559 |
| X1.3 | 1 | 5 | -1.01 | -4.123 | 0.314 | 0.640 |
| X1.4 | 1 | 5 | -0.96 | -3.919 | 0.750 | 1.530 |
| X1.5 | 1 | 5 | -1.18 | -4.817 | 1.342 | 2,739 |
| X1.6 | 1 | 5 | -1.19 | -4.858 | 1.401 | 2.859 |
| X1.7 | 2 | 5 | -1.15 | -4.694 | 1.620 | 3,307 |
| X1.8 | 1 | 5 | -0.81 | -3.306 | 0.258 | 0.526 |
| X1.9 | 1 | 5 | -0.91 | -3.715 | 0.257 | 0.524 |
| X1.10 | 1 | 5 | -0.96 | -3.919 | 0.454 | 0.926 |
| X1.11 | 1 | 5 | -0.79 | -3.225 | -0.007 | -0.014 |
| X1.12 | 1 | 5 | -1.01 | -4.123 | 0.638 | 1.302 |
| X2.1 | 1 | 5 | -0.631 | -2.576 | -0.811 | -1.655 |
| X2.2 | 1 | 5 | -0.481 | -1.963 | -0.729 | -1.488 |
| X2.3 | 1 | 5 | -0.725 | -2.959 | -0.930 | -1.898 |
| X2.4 | 1 | 5 | -0.228 | -0.930 | -1.147 | -2.341 |
| X2.5 | 1 | 5 | -0.884 | -3.608 | 0.376 | 0.767 |
| X2.6 | 1 | 5 | -0.795 | -3.245 | 0.252 | 0.514 |
| X2.7 | 1 | 5 | -1.059 | -4.323 | 1.102 | 2,249 |
| Z1.1 | 1 | 5 | -0.813 | -3.319 | 0.105 | 0.214 |
| Z1.2 | 1 | 5 | -0.410 | -1.673 | -0.787 | -1.606 |
| Z1.3 | 1 | 5 | -0.561 | -2.290 | -0.748 | -1.526 |
| Z1.4 | 1 | 5 | -1.137 | -4.641 | 1,349 | 2,753 |
| Z1.5 | 1 | 5 | -0.954 | -3.894 | 0.918 | 1.873 |
| Z1.6 | 1 | 5 | -0.771 | -3.147 | 0.295 | 0.602 |
| Y1.1 | 1 | 5 | -0.497 | -2.028 | 0.685 | 1.398 |

| | | | | | | |
|--------------|---|---|--------|--------|---------|--------|
| Y1.2 | 1 | 5 | -0.314 | -1.281 | -0.649 | -1.324 |
| Y1.3 | 1 | 5 | -0.371 | -1.514 | -0.789 | -1.61 |
| Y1.4 | 1 | 5 | -0.305 | -1.245 | -1.116 | -2.278 |
| Y1.5 | 1 | 5 | -0.545 | -2.224 | -0.616 | -1.257 |
| Y1.6 | 1 | 5 | -0.397 | -1.620 | -0.714 | -1.457 |
| Multivariate | | | | | 159,021 | 37,565 |

Source: AMOS Output 26

Based on Table 7 above, the multivariate normality result is 37,565, which is above 2.58, indicating that the normality assumption of the model is not met. Therefore, it needs to be rechecked using *Bollen Stine Bootstrap*. The *Bollen Stine Bootstrap* results can be seen in the following table:

2 . *Bollen Stine Bootstrap* Results

The model fits better in 197 bootstrap samples.

It fits about equally well in 0 bootstrap samples.

It fits worse or fails to fit in 3 bootstrap samples.

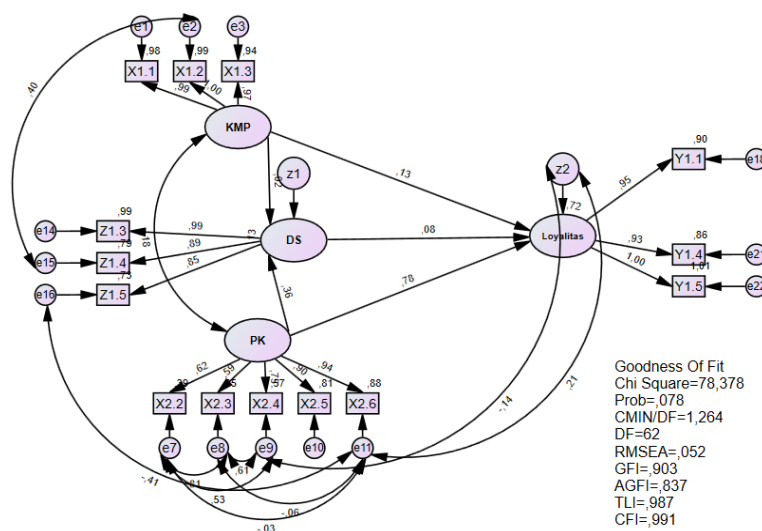
Testing the null hypothesis that the model is correct, Bollen-Stine bootstrap $p = 0.031$

Source: AMOS Output 26

Based on Table 7 above, the *Bollen-Stine bootstrap* p -value of 0.31 is above 0.05, indicating that the normality assumption is still met and the data fits the model, so the analysis can proceed.

4. Model Fit Test Results

1 . Path Diagram



Source: AMOS Output 26

Table 8. *Goodness-of-fit* Results

| Index | Cut-off Value | Results | Model Evaluation |
|-------|---------------|---------|------------------|
|-------|---------------|---------|------------------|

| | | | |
|---------------------------------------|----------------------|-------|--------------|
| χ^2 Chi-Square | Expected to be small | 78.3 | Fit |
| Significant probability | ≥ 0 | 0.07 | Fit |
| RMSEA | ≤ 0.08 | 0.052 | Fit |
| GFI (Goodness Of Fit Index) | ≥ 0.9 | 0.90 | Fit |
| AGFI (Adjusted Goodness Of Fit Index) | ≥ 0.90 | 0.83 | Marginal Fit |
| CMIN/DF | ≤ 2 | 1.264 | Fit |
| TLI (Tucker Lewis Index) | ≥ 0.95 | 0.987 | Fit |
| CFI (Comparative Fit Index) | ≥ 0.94 | 0.991 | Fit |

Source: AMOS Output 26

Based on Table 8, the results of the model fit test indicate that the model in this study is suitable for analyzing the relationship between variables because it meets most of the model fit indicators. The *Chi-Square* value = 78.378, *significance probability* = 0.078, RMSEA = 0.052, GFI = 0.903, CMIN/DF = 1.264, TLI = 0.987, and CFI = 0.991 are all within the fit category. Although the AGFI value = 0.837 is classified as *marginal fit*, the model is still acceptable and deemed fit for use in the analysis.

5. Hypothesis Testing

Hypothesis testing in this study used the *Structural Equation Modeling* (SEM) approach with the help of AMOS to test the direct influence between latent variables: transformational leadership (KMT), organizational culture (BO), work environment (LK), and employee performance. The evaluation was conducted based on the *Critical Ratio* (CR) and *P-value*, with the following criteria: a relationship is considered significant if $CR \geq 1.96$ and $P \leq 0.05$. Conversely, if $CR < 1.96$ and $P > 0.05$, the relationship is considered insignificant. The complete test results are presented in the following table:

a. Direct Influence

Table 9. Results of Direct Influence Hypothesis Testing

| Hypothesis | Item | Estimate | S.E | C.R | P | Label | Terms | Description |
|------------|----------------------------|----------|-------|-------|-------|--------|------------|------------------------------|
| H1 | LK <- KMT | 0.782 | 0.145 | 5.378 | 0 | par_14 | $P < 0.05$ | <i>Significant, positive</i> |
| H2 | LK <- BO | 0.426 | 0.098 | 4.345 | 0 | par_12 | $P < 0.05$ | <i>Significant, positive</i> |
| H3 | Employee Performance <- LK | 0.414 | 0.461 | 0.89 | 0.370 | par_11 | $P > 0.05$ | <i>Not significant</i> |

Source: AMOS Output 26

Based on the results of the path analysis in Table 13, five interrelationships between the variables tested using SEM with AMOS were obtained. The results indicate that:

- Transformational leadership (TL) has a positive and significant effect on the Work Environment (WE) ($CR = 5.378$; $P = 0.000$).
- Organizational culture (OC) has a positive and significant effect on Work Environment (WE) ($CR = 4.3$; $P = 0.000$).
- Work Environment (WE) has a positive but insignificant effect on Performance ($CR = 0.89$; $P = 0.370$).

Thus, only two significant pathways exist: $KMT \rightarrow LK$ and $BO \rightarrow LK$. Meanwhile, the influence of the work environment (LK) on employee performance is positive but does not show statistical significance.

b. Mediation Effect

Table 10. Results of the *Standardized Indirect Effect Test*

| Item | BO | KMT | Description |
|----------------------|-------|-------|-----------------|
| LK | 0 | 0 | Not significant |
| Employee Performance | 0.004 | 0.331 | Not significant |

Source: AMOS Output 26

| PATH | B | SE | B |
|------|--------|-------|-------|
| c | 1,32 | 0,112 | 0 |
| a | 0,006 | 0,113 | 0 |
| b | -0,007 | 0,043 | 0,871 |
| c' | -0,005 | 0,03 | 0,871 |

| Result | |
|---|-------|
| Indirect Effect ($a \cdot b$) = | 0,000 |
| Sobel's SE = $\sqrt{[(a \cdot SEb)^2 + (b \cdot SEa)^2]}$ = | 0,177 |
| Z = Indirect Effect + Sobel's SE = | 2,481 |
| P = | 0,013 |
| Standardized Indirect Effect = $(\beta_a \cdot \beta_b)$ = | 0,000 |
| Portion of (X → Y) due to M = $(c - c')/c$ = | 0,0% |

Figure 2. Sobel Test Results KMT → LK → Employee Performance

| PATH | B | SE | β |
|------|----------|----------|---------|
| c | 1,326416 | 0,114244 | 0,989 |
| a | 0,696 | 0,162 | 0,428 |
| b | -0,007 | 0,043 | -0,010 |
| c' | 0,842 | 0,088 | 0,806 |

| Result | |
|---|---------|
| Indirect Effect ($a \cdot b$) = | -0,157 |
| Sobel's SE = $\sqrt{[(a \cdot SEb)^2 + (b \cdot SEa)^2]}$ = | 0,776 |
| Z = Indirect Effect + Sobel's SE = | -0,202 |
| P = | 0,840 |
| Standardized Indirect Effect = $(\beta_a \cdot \beta_b)$ = | 0,041 |
| Portion of (X → Y) due to M = $(c - c')/c$ = | -17,62% |

Figure 3. Sobel Test Results for BO → LK → Employee Performance

Based on the analysis results, there are two indirect influence pathways:

- **Transformational leadership → Work environment → Employee performance**

The Z-value = 2.481 > 1.96 and p = 0.013 < 0.05, indicating that the indirect influence of transformational leadership on employee performance through the work environment **is statistically significant**. The direct path from transformational leadership to employee performance shows a positive effect ($\beta = 0.871$), while the indirect path through the work environment is statistically significant.

Thus, the work environment mediates the relationship between transformational leadership and employee performance. The mediating path from transformational leadership to employee performance through the work environment is statistically significant because both of its constituent paths (TL → WE and WE → employee performance) are significant and the direction of their influence is positive.

- **Organizational culture → Work environment → Employee performance**

Z-value = -0.157 < 1.96 and p = 0.840 > 0.05, indicating that the indirect effect is not statistically significant. *The standardized indirect effect* is also very small (0.041), indicating that the mediating contribution of the work environment to the relationship between organizational culture and employee performance is

not substantial. *The mediated portion* is recorded at -17.62%, thus proving the absence of statistical mediation.

Thus, the Sobel test results indicate that the work environment does not significantly mediate the influence of organizational culture on employee performance. The proportion of the indirect effect is mathematically small, and the influence is not statistically significant ($p = 0.841$). Therefore, it can be concluded that the influence of organizational culture on employee performance is not significant in a direct effect, and the work environment is not an effective mediator in this relationship.

Overall, the work environment acts as an effective mediator for the variable of transformational leadership on employee performance; however, for the variable of organizational culture on employee performance, the work environment does not mediate significantly because the direct relationship to performance is also not significant.

DISCUSSION

The Influence of Transformational Leadership on the Work Environment at Bank Muamalat Regional East Java

Transformational leadership (TL) has a positive and significant influence on the work environment (WE) at Bank Muamalat Regional East Java, with a CR value of 5.378 and $P = 0.000$. This means that there is a positive direction of influence and statistically, this relationship is strong enough to be considered significant. This indicates that transformational leadership, which is formed from *Idealized Influence*, *Inspirational Motivation*, *Intellectual Stimulation*, and *Individual Consideration* at Bank Muamalat Regional East Java, has contributed to creating a positive and significant work environment among employees.

This is also in line with the findings of Mardiana and Sudiarditha (2019), that transformational leadership has a direct positive and significant effect on the work environment. Good leaders greatly determine the performance of their employees and facilitate the achievement of desired organizational goals. Hafidhuddin and Tanjung (2003) state that there are at least four key characteristics of a leader : (1) The ability to motivate employees, (2) The ability to assign tasks according to employees' skills, (3) Providing *rewards* to employees, and (4) The ability to set a good example for employees.

The Influence of Organizational Culture on the Work Environment at Bank Muamalat Regional East Java

Organizational culture (OC) has a positive and significant influence on the work environment (WE) with a *Critical Ratio* (CR) value of 4.3 and a P-value of 0.000 (<0.05). This confirms that the better the organizational culture accepted by employees, the higher the level of conducive conditions formed in the work environment.

This indicates that the organizational culture formed from habits, values, and regulations at Bank Muamalat Regional East Java has contributed to creating a positive work environment among employees. This aligns with Pranitasari (2018), who stated that there is a positive influence between organizational culture and the work environment. In other words, the better the organizational culture, the more conducive the work environment, and vice versa. In the context of Islamic banking, a structured and fair organizational culture also strengthens work solidarity and values of togetherness among employees.

The Influence of the Work Environment on Employee Performance at Bank Muamalat Regional East Java

The work environment (WE) does not have a significant influence on employee performance, with a CR value of 0.89 and $P = 0.370$ (> 0.05). Although theoretically the work environment is expected to strengthen emotional attachment and improve performance, in the context of this study, this was not statistically proven. These findings indicate that the work environment, comprising both physical and non-physical aspects, has not yet become a dominant factor in shaping employee performance at Bank Muamalat Regional East Java.

These findings are in line with the research conducted by Hanafi, Dwilaksono, and Yohana (2017), which found that the work environment does not have a significant effect on employee performance. This contrasts with the findings of Januar and Chaidir (2019), who found that the work environment has a significant positive effect on employee performance. In the context of Islamic banking, the work environment may not be sufficient in the form of formalities alone, but must be built on an authentic collaborative work culture infused with Islamic values.

The Influence of Transformational Leadership on Employee Performance at Bank Muamalat Regional East Java through the Work Environment

Based on the results of the Sobel test, the Z value was $2.481 > 1.96$ and $p = 0.013 < 0.05$, indicating that the indirect influence of transformational leadership on employee performance through the work environment **is statistically significant**. The direct path from transformational leadership to employee performance shows a positive influence ($\beta = 0.871$), thus concluding that the work environment acts as a mediating variable in the influence of transformational leadership on employee performance.

The field research results support the findings of Mardiana and Sudiarditha (2019). The SEM (*Structural Equation Model*) test results indicate that the transformational leadership variable has a positive influence on employee commitment to the work environment, with the work environment as a mediating variable. Field findings support the research of Mahmood *et al* (2019), that transformational leadership has a significant impact on employees' creative process involvement. The results of Mariam's (2009) study indicate that leadership style has a positive influence on job satisfaction and positively impacts employee performance. Thus, the research findings accept the hypothesis stating that the work environment acts as a mediating variable in the relationship between transformational leadership and employee performance.

The Influence of Organizational Culture on Employee Performance at Bank Muamalat Regional East Java through the Work Environment

Organizational culture on employee performance through the work environment of innovative employees. Based on the test results, the Z value = $-0.157 < 1.96$ and $p = 0.840 > 0.05$, indicating that the indirect effect is not statistically significant. *The standardized indirect effect* is also very small (0.041), indicating that the mediating contribution of the work environment on the relationship between organizational culture and employee performance is not substantial. *The mediated portion* is recorded at -17.62%, thus proving that there is no statistical mediation. Based on the above tests, it can be concluded that the work environment is not a mediating variable in the influence of organizational culture on employee performance.

The field research results are inconsistent with the findings of Widiyanto and Supriyono (2018), who found that organizational culture has a positive and significant effect on employee performance, while through job satisfaction as *an intervening variable*, organizational culture has a

positive but insignificant effect on employee performance. Meanwhile, the field findings support the results of Wahyuniardi and Nababan (2018), that organizational culture cannot play a role in influencing employee performance. This is followed by the findings of Lutfi and Siswanto (2019), that the contribution of organizational culture is still unable to improve employee performance. Thus, the research results reject the hypothesis stating that the work environment is a mediating variable in the relationship between organizational culture and employee performance. This difference reinforces the view that the effectiveness of organizational culture strategies is highly dependent on the organizational context and employees' perceptions of fairness and involvement in the development process.

CONCLUSION

This study shows that in the context of Bank Muamalat Regional East Java, employee performance is more influenced by transformational leadership and work environment than by organizational culture. Transformational leadership has a significant effect on performance, both directly and indirectly through the work environment. Meanwhile, organizational culture has a significant direct impact on performance, but not through the work environment. The work environment itself does not have a significant impact on performance, indicating that this factor has not yet become a primary enabler in shaping employee productivity.

This study has several limitations. Data was collected through *self-reporting*, which may introduce perception bias. The scope of the study is limited to the East Java region, so the results cannot be generalized broadly. Additionally, external variables such as leadership style and workloads were not considered. The study also only tested one mediation pathway (work environment) without considering other mediators that may be more relevant.

For practitioners, it is recommended that management strengthen transparent and equitable organizational culture programs and review transformational leadership systems to ensure they are more aligned with *non-financial* values (.). Workplace culture should also be strengthened through open communication and employee collaboration.

For academics, it is recommended to use a *mixed-methods* approach, expand research locations to other institutions, and add mediation or moderation variables such as motivation, job satisfaction, or compensation to enrich understanding of employee performance.

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