

The Role of Organizational Culture in Improving Employee Performance through Human Resource Development

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Abstract

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Partial Least Squares

The impact of organizational culture on employee performance is crucial in enhancing productivity and work environment within companies. This study explores the influence of organizational culture on employee performance, with human resource development acting as a mediating factor. The research employs a quantitative approach using Partial Least Squares (PLS) analysis, based on survey data collected from 32 employees at CV. Pangan Makmur Irtja Sorong. The findings reveal that organizational culture has a positive influence on both employee performance and human resource development. However, despite the positive influence of human resource development on employee performance, this effect was found to be statistically insignificant. Additionally, human resource development was not a significant mediator between organizational culture and employee performance. This research contributes to existing literature by providing insights into the mediating role of human resource development in the context of organizational culture and employee performance in SMEs in Sorong. The practical implication of this study suggests that managers should focus on reinforcing organizational culture and aligning human resource development programs with organizational goals to improve employee performance. Targeted HR development initiatives can be a key factor in supporting overall business objectives and improving company performance.

INTRODUCTION

In today's rapidly evolving global business environment, organizations face complex challenges that require them to not only sustain operations but also compete effectively in a crowded market. One of the crucial factors influencing the success of a company is employee performance, which reflects how well an organization manages its human resources to achieve its objectives. Employee performance is not solely measured by output quantity but also by the quality of the work produced. While optimal performance drives organizational success, poor performance can result in stagnation and long-term losses, making employee performance improvement a critical focus in human resource management. Employee performance is influenced by multiple factors, both internal and external, with discipline, organizational culture, and human resource development (HRD) playing pivotal roles. Discipline ensures that employees comply with company rules, leading to structured and efficient work. Organizational culture, encompassing shared values, norms, and behaviors, shapes the work environment, impacting morale and productivity. HRD enhances employees' competencies, preparing them to meet job challenges and contribute more effectively to company goals. These factors collectively contribute to improved employee performance.

Previous studies have underscored the importance of discipline, organizational culture, and HRD in shaping employee performance. Research by (Ibrahim, 2022) emphasizes the positive impact of discipline on performance, while (Woo, 2021) suggest that strong organizational culture drives performance. HRD programs, according to (Lou, 2024), enhance technical and soft skills, which are vital for optimal employee performance. However, the literature lacks a comprehensive understanding of how these factors interact and the mediating role of HRD in the context of small and medium-sized enterprises (SMEs), especially in regions like Sorong. The gap in existing literature lies in the limited exploration of how organizational culture and HRD influence employee performance, particularly in SMEs. This study aims to fill this gap by examining the relationship between organizational culture, employee discipline, and HRD in improving employee performance at CV. Pangan Makmur Irja in Sorong. The research seeks to explore the role of HRD as a mediator in enhancing the impact of organizational culture on employee performance.

A qualitative approach was employed for this study, using interviews with company supervisors to assess the current state of employee discipline, organizational culture, and HRD programs. Data gathered were analyzed to understand how these factors contribute to employee performance. The study's findings suggest that both discipline and organizational culture have a significant impact on employee performance, while HRD was found to have an indirect influence. These results emphasize the need for companies to strengthen employee discipline, improve organizational culture, and optimize HRD programs to enhance overall performance. This article is organized as follows: the next section reviews the literature on employee performance, discipline, organizational culture, and HRD. The methodology section follows, detailing the research design and data collection methods. The results are presented in the subsequent section, followed by a discussion of the findings. Finally, the paper concludes with recommendations for improving employee performance and achieving organizational goals.

METHODS

This study aims to analyze the impact of organizational culture on employee performance at CV. Pangan Makmur Irja, with human resource development as a mediating variable. Using a quantitative approach and explanatory design, the research explores the relationships between predefined variables. The subjects are 32 employees at CV. Pangan Makmur Irja, a distributor of PT. Nestle Indonesia in Sorong, and a census sampling method is used due to the small population size.

Four main variables are measured: organizational culture, employee performance, human resource development, and discipline. Organizational culture is assessed based on company values like results orientation, teamwork, and communication. Employee performance is measured by the quality, quantity, and achievement of set targets. Human resource development focuses on activities such as training and improving competencies. Data is collected via questionnaires, with Likert scale items assessing respondents' agreement on organizational culture, human resource development, discipline, and performance.

For data analysis, SmartPLS software is used to process the data and test hypotheses. Descriptive analysis is applied to describe respondent characteristics and data distribution, while inferential analysis examines the relationships between variables. Partial Least Squares Structural Equation Modeling (PLS-SEM) is employed due to its ability to handle complex models with multiple latent variables. Path Analysis within the PLS-SEM framework will be used to assess the effect of organizational culture on performance and whether human resource development mediates this relationship, measuring the strength and significance of these links.

RESULTS AND DISCUSSION

Results

Outer Model

There are three criteria in the use of data analysis techniques with Smart PLS 4.0 to assess the outer model, namely (1) Convergent validity. The output shows that the loading factor provides a value above the recommended value of 0.7. So that the indicators used in this study have met validity. (2) Discriminant validity is carried out to ensure that each concept of each latent variable is different from other variables. Based on the results of the cross loading table, all indicators have a value greater than 0.5 and the value of the variable indicators against their indicators has the largest value, compared to the value of the indicator with other variables. Thus, all indicators have met the requirements of discriminant validity. (3) Composite reliability are composite reliability values above 0.7 indicating high construct reliabilities or reliability as a measuring tool. The following are the results of the composite reliability analysis in this study:

Table 1. Results of Composite Reliability Analysis

Variables	Reliability
Organizational culture	0.960
Employee performance	0.938
Human Resources Development	0.857

Based on table 1 above, it shows that the composite reliability values for all constructs are above 0.7, which indicates that all constructs in the estimated model meet the criteria or are reliable.

Inner Model

There are three criteria in the use of data analysis techniques with Smart PLS 4.0 to assess the inner model. namely R-square and Hypothesis testing. Path coefficient analysis can be seen in Figure 1. Below.

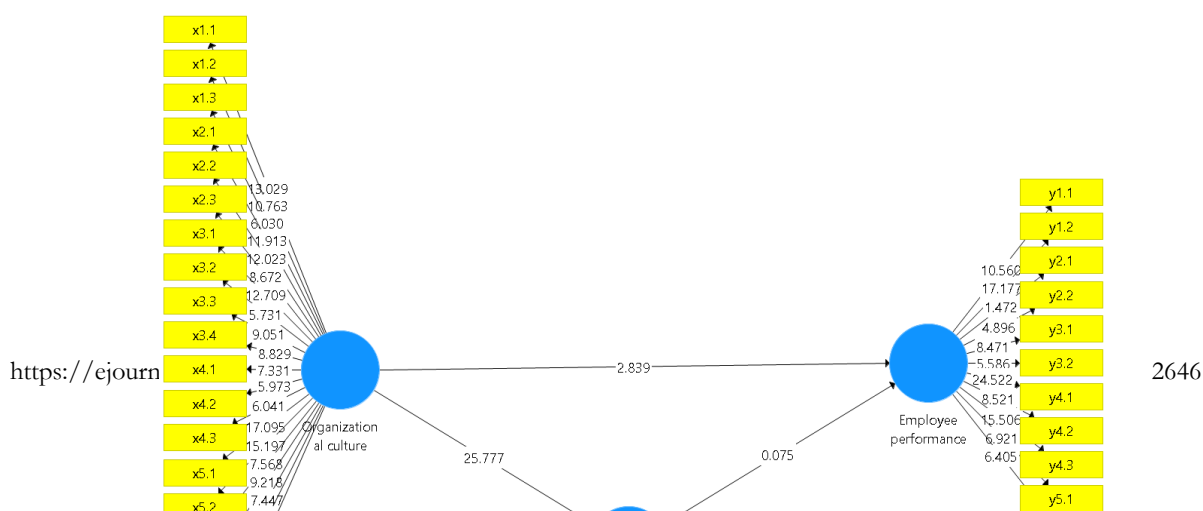


Figure 1. Path Coefficient Analysis
Source : SmartPLS3, 2024

R-square aims to see how much the value of the independent variable (exogenous) affects the dependent variable (endogenous). The following are the results of the r-square value in this study:

Table 2. R-Square

Variables	R-square adjusted
Employee performance	0.777
Human Resources Development	0.820

Source : SmartPLS3, 2024

Based on table 2 above, it shows the adjusted r-square value of employee performance variable obtained by 0.777, this result shows that 77.7% of employee performance variable can be influenced by HR development variable and organizational culture. While 2.23% is influenced by other variables not examined in this study. While HR development variable obtained r-square value of 0.820, this result shows that 82.0% of HR development variable is influenced by organizational culture, while 1.8% is influenced by other variables not examined in this study.

Hypothesis testing in the SEM-PLS model aims to determine the influence of exogenous variables on endogenous variables, which is carried out by carrying out the running process. Bootstrapping on SmartPLS 4.0. Testing with bootstrapping is also intended to minimize the problem of abnormality of research data so that the relationship between the Influence of exogenous variables on endogenous variables is obtained as follows. The direct effect hypothesis test is carried out by looking at the t-statistic and p values produced by the Inner model data processing. The research hypothesis can be accepted if the t-statistic > 1.96 and p values < 0.05. The following Table 3 shows the results of the hypothesis test:

Table 3. Results of Inner Model Analysis

Research Hypothesis	Path Coefficient	Original sample (O)	T-statistic (O/STDEV)	P values
H1	Organizational Culture → Employee Performance	0.868	2,839	0.002
H2	Organizational Culture → Human Resource Development	0.909	25,777	0.000

H3	Human Resource Development → Employee Performance	0.023	0.075	0.470
H4	Organizational Culture → Human Resource Development → Employee Performance	0.021	0.073	0.471

Source : SmartPLS3, 2024

Based on table 3 above, the calculation of data analysis shows that organizational culture has a positive influence of 0.868 on employee performance, this positive influence is accompanied by a t statistic of 2,839 ($t > 1.96$) and p values of 0.002 ($p < 0.05$) which means that this influence is significant. Organizational culture has a positive effect of 0.909 on HR development which is accompanied by a t statistic of 25,777 ($t > 1.96$) and p values of 0.000 ($p < 0.05$) which means that this has a significant effect. HR development has a positive influence of 0.023 on employee performance, this influence is not significant as indicated by a t statistic value of 0.075 ($t < 1.96$) and p values of 0.470 ($p > 0.05$). Human resource development has a positive effect of 0.021 on the influence of organizational culture on employee performance, this effect is not significant accompanied by t statistics of 0.073 ($t < 1.96$) and p values of 0.471 ($p > 0.05$). So it can be concluded that hypotheses 1 & 2 in this study are accepted while hypotheses 3 & 4 are not accepted.

The results of the first hypothesis test show that organizational culture has a positive and significant effect on employee performance at CV. Pangan Makmur Irja Sorong. This means that if the organizational culture is better, employee performance will also be better. It can be concluded that improving employee performance is highly dependent on organizational culture. At CV. Pangan Makmur Irja Sorong already has a majority of employees who have understood and implemented the organizational culture well so that they can improve their performance in the company. The results of this study are in line with the research of (Pujiono, 2020) which states that organizational culture has a positive and significant effect on employee performance. This study is also supported by research conducted by (Bhardwaj, 2025) which states that organizational culture has a positive and significant effect on employee performance in an organization or company.

The results of the second hypothesis test show that organizational culture has a positive and significant effect on HR development at CV. Pangan Makmur Irja Sorong. This means that if the organizational culture is better, HR development will also be better. It can be concluded that improving HR development is highly dependent on organizational culture. The results of this study are in line with the research of (Saini, 2023) which states that organizational culture has a positive and significant effect on HR development. This study is also supported by research conducted by (Mangahas, 2023), which states that organizational culture has a positive and significant effect on HR development.

The results of the third hypothesis test show that HR development has a positive and insignificant effect on employee performance at CV. Pangan Makmur Irja Sorong. This means that if HR development increases, employee performance will also increase, but this increase is not very significant. The results of this study are in line with Lusianita's research, (2021) which states that HR development has a positive and insignificant effect on employee performance. This study is also supported by research conducted by (Chin, 2024), (Ateeq, 2025) which states that HR development has a positive and insignificant effect on employee performance.

The results of the fourth hypothesis test show that HR development has a positive effect on the influence of organizational culture on employee performance at CV. Pangan Makmur Irja Sorong, but the positive effect is not significant. Which means that when employee performance can be influenced by organizational culture directly without having to go through HR development intermediaries first. Because based on the results of research data processing, the influence given by organizational culture on performance directly is much greater than the influence of organizational culture through HR development intermediaries on employee performance. The results of this study prove that HR development cannot be an important part of improving employee performance at CV. Pangan Makmur Irja Sorong which is influenced by organizational culture. These results indicate that poor or not good HR development significantly reduces employee performance along with low HR development. The results of this study are in line with the research of (Mollah, 2024) stating that organizational culture has a positive and insignificant effect on employee performance through HR development.

CONCLUSION

Based on the findings, it can be concluded that organizational culture at CV. Pangan Makmur Irja has a significant positive effect on employee performance, meaning that a good organizational culture can enhance employee performance. Organizational culture also positively influences human resource development, which supports the improvement of employee competencies. Although human resource development has a positive effect on performance, the impact is not significant, indicating that, while important, its effect is not substantial. Additionally, organizational culture does not have a significant impact on employee performance through human resource development, suggesting that human resource development is not yet an effective mediator.

Based on these findings, the company is advised to strengthen its organizational culture by ensuring that managers are more assertive, providing appropriate recognition, and fostering good relationships between employees and managers. The company should also offer relevant training to enhance employees' skills, particularly in technology. This study has limitations in terms of location, as it is focused on a single company, and challenges in data collection. Further research is recommended to use a broader sample or consider additional factors, such as leadership, to gain a more comprehensive understanding.

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