

The Influence of Organizational Culture on Employee Performance Moderated by Work Environment At The Cooperative, SMEs, Industry, and Trade Office of Bungo Regency

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ABSTRACT

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The purpose of this study is to determine the influence of Organizational Culture on Employee Performance, moderated by the Work Environment, at the Bungo District Cooperative, Small and Medium Enterprises, Industry, and Trade Office. Using an Associative research method and Quantitative analysis with Smart PLS 4.0 statistics on 34 research respondents. The research results directly show that Organizational Culture (X) and Work Environment (Z) significantly influence Employee Performance (Y). However, indirectly, the Work Environment (Z) is unable to moderate or weaken the influence of Organizational Culture (X) on Employee Performance (Y). The conclusion of the study is that paying attention to a conducive work environment will impact maximum work performance.

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1. INTRODUCTION

Human resources, or individuals within the organization, will continue to operate effectively. Performance is the result produced by workers while they perform their tasks. Performance is the work output of an employe or the actual behavior (Mahyuddin, 2021). Thus, companies must have the ability to create a positive work culture, which impacts employee performance. How employes create organizational culture, not whether they like it or not. Culture is actually a descriptive term. Organizational culture reflects the shared perceptions of everyone within the organization (Firman et al., 2024).

The work environment must meet the needs of employes so that they can perform their best work (Dina Dwi Juliawati et al., 2024). Nitisemito states that the work environment is everything around the worker that can influence how they perform the tasks assigned to them. In terms of the work environment, internal and external conditions in the workplace can affect work morale, allowing tasks to be completed faster and better (Febri Silviana & Yudhi Novriansyah, 2023).

Based on the pre-survey, at the Department of Cooperatives, SMEs, Industry, and Trade of Bungo Regency, it shows that Employes have not yet understood the organization's vision and mission and understanding of organizational culture is low, which impacts their sense of belonging and, consequently, their seriousness in working. Some studies show that organizational culture has a strong and positive on work performance. This inconsistency suggests that other variables likely

moderate the relationship the work results are not yet optimal due to a lack of thoroughness (Sidik, Muhammad & Sumardin, 2023).

Regarding the work environment variable, several facts were found, employees complain about the lack of modern work facilities and adequate technological support to assist with their work, such as computers with the latest systems the office workspace is still inadequate, lacking facilities such as desks, chairs, and office equipment. The work environment is one of the supporting factors in increasing employee performance. The work environment is considered good if employees can carry out activities safely, comfortably, and optimally, resulting in a good work environment, according to the research (Hakim & dkk, 2023).

In fact, organizational behavior theory states that organizational culture does not operate in a vacuum, but is influenced by both the physical and psychological environment. Meanwhile, observation finding out fact, that employee performance is generally still not optimal, as evidenced by low work quality—particularly a lack of thoroughness and delays in report preparation. Productivity is also considered low due to frequent delays in completing daily tasks. Research (Aprilia & Fadli, 2025) was found that the overall service quality is quite good, and effort to improvement to enhance overall performance. While the research gap of this study, performance of employees at the local level is influenced by bureaucratic factors, coordination patterns, and different local regulations.

Research Astuti et al., 2022) results, policy makers should try to improve work programs related to organizational commitment and culture because it has been proven to improve employee performance. From a number of existing facts and research gaps. The objectives of the research are, To find the influence of organizational culture and work environment on the performance of employees at the Cooperative, SMEs, and Trade Office of Bungo Regency, then To determine the influence of work environment strengthens the influence of organizational culture on the performance of employees at the Cooperative, SMEs, and Trade Office of Bungo Regency.

2. METHOD

This study uses associative method. Associative method is used to examine the relationship between two or more variables, which can serve to explain, predict, or control a specific phenomenon, According B. Soedibjo in (Asoka & Purnomo, 2020). The research population consists of all Civil Servants (PNS) at the Cooperative, SME, Industry, and Trade Office of Bungo Regency, with a sample size of 34 people. The sampling method is Purposive Sampling, which is a method of collecting illustrations without relying on randomness, region, or strata (Sugiyono, 2015). Based on the Likert scale, The range is determined by the fact that the highest score for each question is 5 (strongly agree) and the lowest score is 1 (strongly disagree). Data is collected through several methods such as questionnaires, interviews, observations, and literature reviews In the research, the analysis uses Structural Equation Model (SEM), with the help of PLS (Partial Least Square) which offers flexibility because it can be used with small samples and does not require normal data distribution. In PLS Analysis, two sub-models are usually used: the measurement model (outer model) is used for validity and reliability tests, while the structural model (inner model) is used for causality tests and hypothesis testing for the mediation effect prediction model According to Ghazali in (Arya Pering, 2021).

3. RESULT AND DISCUSSION

Result Of Partial Least Square

Evaluation of the Measurement Model (Outer Model)

Convergent Validity

The measurement model above shows how the manifest variable or observed variable represents the latent variable to be measured. In this test, it is measured using the outer loading parameter. A loading factor value > 0.7 is considered ideal, indicating that the indicator is valid in measuring the constructed variable. In empirical research, a loading factor value > 0.6 is considered moderate, while a loading factor value > 0.5 is still acceptable (Reggyananda & Roostika, 2023). Below is the table of the Loading Factor Convergent Validity assessment results for each construct: the exogenous variable of organizational culture (X), the moderating variable of Work Environment (Z), and the endogenous variable of employee performance (Y).

Table 1. Convergent Validity Loading Factor Value

Code	Parameter	Loading Factor Value	Criteria
X.1	0.6	0.808	Valid
X.2	0.6	0.836	Valid
X.3	0.6	0.814	Valid
X.4	0.6	0.850	Valid
X.5	0.6	0.750	Valid
X.6	0.6	0.782	Valid
X.7	0.6	0.698	Valid
Y.1	0.6	0.855	Valid
Y.2	0.6	0.826	Valid
Y.3	0.6	0.739	Valid
Y.4	0.6	0.831	Valid
Y.5	0.6	0.784	Valid
Y.6	0.6	0.755	Valid
Y.7	0.6	0.796	Valid
Y.8	0.6	0.785	Valid
Z.1	0.6	0.822	Valid
Z.2	0.6	0.900	Valid
Z.3	0.6	0.709	Valid
Z.4	0.6	0.881	Valid
Z.5	0.6	0.715	Valid
Z.6	0.6	0.881	Valid
Z.7	0.6	0.684	Valid

Source: Data processed by SmartPLS 4.0, 2025

Based on data processing, it shows that all statements received a score of $>0,6$. Therefore, no statements need to be removed from the table.

Discriminant Validity

The way to measure the outer model using Discriminant Validity is by looking at the Average Variance Extracted (AVE) value. A good model is required if the AVE value for each construct is > 0.5 . The results of the AVE values can be shown in the table below:

Table 2. AVE Value

Variable	Parameter	AVE Value	Criteria
Organizational Culture (X)	0,5	0.628	Good
Employee Performance (Y)	0,5	0.646	Good
Work Environment (Z)	0,5	0.636	Good

Source: Data processed by SmartPLS 4.0, 2025

Based on the data processing in Table 2, the results obtained show that the AVE value for each construct is > 0.5 , indicating a good model for each construct.

Composite Reliability

Reliability testing is conducted to prove the accuracy, consistency, and precision of the instrument in measuring a construct. The interpretation of Composite Reliability is the same as Cronbach's Alpha, with a threshold value of > 0.7 being acceptable. The results of the analysis using smartPLS can be seen in the table below:

Table 2. Composite Reliability and Cronbach's Alpha Value

Variable	Parameter	Cronbach's Alpha	Composite Reliability	Criteria
Organizational Culture (X)	0.7	0.901	0.904	Accepted
Employee Performance (Y)	0.7	0.918	0.922	Accepted
Work Environment (Z)	0.7	0.910	0.964	Accepted

Source: Data processed by SmartPLS 4.0, 2025

Composite Reliability and Cronbach Alpha for each construct or latent variable obtained results > 0.7. This indicates that the constructs have met the measurement criteria for Composite Reliability and Cronbach Alpha, demonstrating good reliability.

Structural Model Evaluation (Inner Model)

The Inner Model describes the relationships between latent variables based on Substantive Theory. The R-square value for the construct, the path coefficient values, or the t-values for each path to test the significance of the construct in the structural model.

R Square Value (R²)

Changes in R-squared values can be used to explain the influence of certain exogenous latent variables on endogenous latent variables that have a substantial impact.

Table 3. R-Square value (Goodness of Fit Test Results)

Variable	R Square	Level of influence
Employee Performance (Y)	0,786	Strong

Source: Data processed by SmartPLS 4.0, 2025

Tables show the Goodness Of Fit R-Square analysis is: R-Square: 0,786. This means that the ability of the Organizational Culture variable (X) to explain Employee Performance (Y) is 78.6% (large/strong), while the remaining 21.4% is influenced by other variables not included in the study.

F Square Value

The F-Square test is conducted to determine the goodness of the model. The F-Square value if < 0.02 means there is no influence at all. Then if ≥ 0.02 the influence is (Small), the value ≥ 0.15 the influence is (Medium), and ≥ 0.35 the influence is (Strong/Large). It can be interpreted whether the predictor of the latent variable has a small, medium, or large influence at the structural level. The F Square value can be seen in the table below:

Table 4. F Square Value

No	Variable	f-square	Level of influence
1	Organizational Culture (X)>> Employee Performance (Y)	2.971	Strong/Large
2	Work Environment(Z)>>Employee Performance (Y)	0.020	Small
3.	Work Environment (Z)—Organizational Culture (X)>> Employee Performance (Y)	0.003	No Influence

Source: Data processed by SmartPLS 4.0, 2024

Organizational Culture Variable (X) on Employee Performance (Y) is: $2.971 > 0.35$ influence (Strong/Large). Work Environment (Z) on Employee Performance (Y) is: $0.020 \geq 0.15$ influence is (Small). Organizational Culture (X) on Employee Performance (Y) Moderated By Work Environment (Z) is: $0.003 < 0.02$ (No Influence).

Hypothesis Test Result (SEM Analysis with Moderated Regression Analysis)

Direct Effect (Path Coefficient)

Direct effect analysis is useful for hypotheses regarding the direct influence of an exogenous variable on the affected variable (Endogen).

Table 5. Significance Test Results (Direct)

Construct	Original Sample(O)	Sample Average (M)	Standard Deviation (STDEV)	T-Statistic (O/STDEV)	P-Values
Organizational Culture (X)- ---Employee Performance (Y)	0.869	0.864	0.064	13.494	0.000
Work Environment (Z) – Employee Performance(Y)	0.070	0.114	0.101	0.688	0.246

- a) P-Values (0.00 < 0.05) indicate a significant influence of Organizational Culture on Employee Performance, where the T-Statistic value (13.494 > 1.96) confirms that Hypothesis 1 (H1) is accepted, thus Organizational Culture (X) affects Employee Performance (Y). Organizational culture in the form of teamwork habits, work innovation, attention to detail, and results orientation also contributes to improved employee performance.
- b) P-Values (0.246 > 0.05) indicate there is no significant influence of Work Environment on Employee Performance, where the T-Statistic value (0.688 < 1.96) confirms that Hypothesis 2 (H2) is rejected, thus Work Environment (Z) not affects Employee Performance (Y). A conducive work environment can certainly affect comfort, but it doesn't necessarily improve performance if there are other factors that employees find far more influential.

Indirect Effect

Indirect Effect Analysis is useful for testing the hypothesis of the indirect influence of an exogenous variable on an endogenous variable, Moderated by an Moderating variable (Moderator).

Table 6. Significance Test Results (Indirect)

Construct	Original Sample(O)	Sample Average (M)	Standard Deviation (STDEV)	T-Statistic (O/STDEV)	P-Values
Work Environment (Z)-- Organizational Culture(X)---Employee Performance (Y)	0.027	0.050	0.076	0.351	0.363

P-Values (0.363 > 0.05) indicate No significant influence of Organizational Culture on Employee Performance Moderated by Work Environment, where the T-Statistic value (0.351 < 1.96) confirms that Hypothesis 3 (H3) is rejected. Therefore, it can be explained that Work Environment (Z) weakens the influence of Organizational Culture (X) on Employee Performance (Y). Everyone in an organization understands the culture that prevails within it, in order to be accepted in the work environment, he tries to learn what is forbidden and allowed, and what is good and bad.

Goodnes Of Fit Test

Measuring how well the observed values are generated by the model and also its parameter estimates. The goodness-of-fit (GoF) criteria are 0.10 (small GoF), 0.25 (medium GoF), and 0.36 (large GoF) According to Hair in (Suhayat et al., 2023), with following result:

$$\text{GoF} = \sqrt{\text{Com} \times R^2}$$

$$\text{Nilai GoF} = \sqrt{\text{Rata} - \text{rata nilai AVE} \times \text{Rata} - \text{rata nilai } R^2}$$

$$\text{Nilai GoF} = \sqrt{0.636 \times 0,786}$$

$$\text{Nilai GoF} = 0,707$$

Based on the calculation, a GoF value of 0.707 was obtained, indicating that the combined performance of the inner and outer models in this study can be classified as a large GoF category.

DISCUSSION

The Influence of Organizational Culture On Employee Performance

From the analysis results, a T-Statistic value of ($13.494 > 1.96$) and a P-Value of ($0.000 < 0.05$) were obtained, meaning that Organizational Culture (X) has a significant influence on Employee Performance (Y). Therefore, there is a one-way relationship between Organizational Culture and Employee Performance, as employees have commitment and responsibility in their work, allowing them to achieve the targets set by their superiors. From these factors, organizational culture is able to support improved employee performance at the 0Cooperative, Micro, Small, and Medium Enterprises, Industry, and Trade Office of Bungo Regency. This is in line with the research (Puspita & Warsindah, 2021) results which explain that organizational culture in the form of teamwork habits, work innovation, attention to detail, and results orientation contributes to improved employee performance, including increased work quantity, work quality, work efficiency, timeliness, interpersonal impact, and work results.

The influence of Work Environment on Employee Performance

From the analysis results, a T-Statistic value of ($0.688 < 1.96$) and a P-Value of ($0.246 > 0.05$), This indicates that there is no significant influence between the Work Environment (Z) and Employee Performance (Y). This condition aligns with (Shiamia Narendra Destariza Ibiadi, 2023) study, which states that the work environment is a condition that can affect employees' work spirit in completing tasks assigned by the organization. Performance is evaluated based on work quality, work quantity, and timeliness. However, in practice, there are still obstacles that organizations must overcome to maintain and maximize employee performance.

The influence of Organizational Culture on Employee Performance is Moderated By Work Environment

From the analysis results, a T-Statistic value of ($0.351 < 1.96$) and a P-Value of ($0.363 > 0,05$) This indicates that the Work Environment (Z) weakens the influence of Organizational Culture (X) on Employee Performance (Y). According to the study results (Badri & Irawan, 2025), one important factor influencing performance is organizational culture. Organizational culture is an important set of insights such as norms, values, attitudes, and beliefs. Indirectly, everyone in an organization understands the culture that prevails within it. specially if he is a new employee, in order to be accepted in the work environment, he tries to learn what is forbidden and allowed, and what is good and bad. Aspects of the work environment include the physical work environment and the non-physical work environment. The work environment is the most influential factor in supporting maximum work results. When the work environment is not conducive, it will result in decreased employee performance, and vice versa. Therefore, the work environment must be carefully considered because it is the second home for employees after their residence

4. CONCLUSION

Based on the hypothesis test results, it can be explained that Organizational Culture has a significant effect on employee performance and the Work Environment has not a significant effect on Employee Performance. However, indirectly, it indicates that the work environment cannot moderate or weaken influence of organizational culture on employee performance. Meanwhile creating conducive work environment will impact comfort in working, and this condition can strengthen the influence of organizational culture on improving employee performance in the future at the Cooperative, Micro, Small, and Medium Enterprises, Industry, and Trade Office of Bungo Regency.

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