

# Organizational Culture, Leadership, and Performance: Testing Employee Engagement as a Mediation

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## ABSTRACT

The purpose of this study is to analyze the effect of organizational culture and transactional leadership on employee performance with employee engagement as a mediating variable. The research was conducted at PT. Kreasi Hexa Indonesia, an outsourcing service provider located in Bekasi, Indonesia. This study employed a quantitative approach. Data were collected through questionnaires distributed to 150 respondents as the research sample. The data were then analyzed using Structural Equation Modeling Partial Least Squares (SEM-PLS) to examine both direct and indirect causal relationship among the studied variables. The findings reveal that organizational culture and transactional leadership have a positive and significant effect on employee performance. Furthermore, employee engagement was found to serve as a partial mediator, strengthening indirect impact of organizational culture and transactional leadership on performance improvement. These result suggest that managerial practices not only exert a direct influence on performance but also operate through the psychological mechanism of employee engagement with their work and organization. The novelty of this study lies in its empirical evidence from the Indonesian outsourcing sector, demonstrating that employee engagement functions as a strategic psychological mechanism linking organizational culture, leadership practices, and employee engagement strategies in order to achieve sustainable performance improvement.

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## INTRODUCTION

Global competition and economic uncertainty have driven many companies to adopt strategies aimed at enhancing competitiveness, efficiency, and operational flexibility. One widely implemented strategy is outsourcing, which allows firms to focus on their core competencies while reducing operational costs. In Indonesia, outsourcing has grown rapidly, particularly in the industrial and service sectors, in line with the increasing demand for a flexible and adaptive workforce.

Nevertheless, outsourcing practices also create new challenges, especially in managing employee performance. PT Kreasi Hexa Indonesia, as one of the outsourcing service providers, faces several significant issues such as declining employee performance, growing client complaints, and high absenteeism rates among outsourced workers. These phenomena highlight the urgency of examining

managerial factors that contribute to improving the performance of outsourced employees. Theoretically, organizational culture is regarded as a set of shared values, norms, and beliefs that guide employee behavior and foster work commitment. Transactional leadership, on the other hand, emphasizes supervision, structured tasks, and a system of contingent rewards and punishments to ensure compliance. Meanwhile, employee engagement reflects employees' emotional and psychological attachment to their work, which has been proven to enhance both individual and organizational performance (Schaufeli & Bakker, 2010). Previous studies have confirmed the positive relationships between organizational culture, transactional leadership, employee engagement, and performance. However, most of these studies focus on the manufacturing or public sectors, leaving empirical research on outsourced employees in Indonesia relatively limited. This situation creates a research gap, particularly concerning the role of employee engagement as a psychological mechanism that bridges managerial practices and performance outcomes in the outsourcing sector. Accordingly, this study addresses two main problems. Theoretically, there is a need for stronger empirical evidence regarding the mediating role of employee engagement in the relationship between organizational culture, transactional leadership, and employee performance. Practically, outsourcing service providers require a better understanding of managerial factors that can strengthen engagement and improve employee performance in meeting client demands and navigating business competition. Therefore, the purpose of this study is to examine the direct and indirect effects of organizational culture and transactional leadership on employee performance with employee engagement as a mediating variable. The novelty of this study lies in its focus on outsourced employees in Indonesia, providing empirical contributions to the human resource management literature as well as practical recommendations for outsourcing companies in designing strategies to strengthen organizational culture, leadership, and employee engagement to achieve sustainable performance.

## **LITERATURE REVIEW**

### **Organizational Culture and Employee Performance**

#### **H1: Organizational culture has a positive and significant effect on employee performance.**

Organizational culture refers to a system of shared values, norms, and meanings embraced by members of an organization that shape employees work behavior (Robbins & Judge, 2020). A strong organizational culture can encourage employee motivation, discipline, and responsibility in performing their tasks, thereby contributing to improved performance. Employee performance itself refers to the quantitative and qualitative results achieved by individuals in carrying out their responsibilities (Mangkunegara, 2022). Several previous studies have shown that organizational culture has a positive and significant influence on employee performance (Setiawati, 2023; Zhang & Liu, 2023; Wahyuni & Putra, 2023; Rizky & Lestari, 2024). This indicates that the stronger the organizational culture implemented within a company, the higher the employee performance achieved.

### **Transactional Leadership and Employee Performance**

#### **H2: Transactional leadership has a positive and significant effect on employee performance.**

Transactional leadership is a leadership style that emphasizes performance achievement through clear task structures, work supervision, and the implementation of rewards and sanctions based on employees' performance. Through a well-defined work structure, employees are able to understand their roles, responsibilities, and performance targets, which encourages greater discipline and work focus. Employee performance refers to the extent to which individuals successfully complete their tasks in accordance with established standards (Robbins & Judge, 2020). Several studies have shown that transactional leadership has a positive and significant effect on employee performance (Hartini, 2023;

Fira et al., 2023; Zhang & Liu, 2023; Sigit & Nur, 2023; Nugraha & Elsandra, 2024). This indicates that the effective implementation of transactional leadership can improve employee performance.

### **Organizational Culture and Employee Engagement**

#### **H3: Organizational culture has a positive and significant effect on employee engagement.**

Organizational culture refers to a system of shared values, norms, and beliefs that shape how employees think, behave, and interact within the workplace. A positive organizational culture characterized by openness, collaboration, and recognition of employee contributions can create psychological safety and role clarity for employees. Such conditions encourage employees to become more emotionally, cognitively, and physically engaged in their work (Noe et al., 2022). Previous studies have shown that organizational culture has a positive and significant influence on employee engagement (Wicaksono & Lestari, 2021; Santosa & Dewi, 2022; Ratri & Susilo, 2023). These findings indicate that a strong organizational culture can enhance employee engagement within the organization.

### **Transactional Leadership and Employee Engagement**

#### **H4: Transactional leadership has a positive and significant effect on employee engagement.**

Transactional leadership is a leadership style that emphasizes role clarity, performance supervision, and the implementation of reward and punishment systems to ensure the achievement of work targets. This approach creates a structured and disciplined work environment in which employees clearly understand their responsibilities and the performance standards they must achieve. When leaders provide clear guidance and appropriate rewards for work achievements, employees tend to feel valued and become more motivated to increase their involvement in their work. Employee engagement refers to the level of employees' emotional and intellectual involvement in their work as well as their contribution to achieving organizational goals (Schaufeli et al., 2002 in Aji, 2023). Several empirical studies indicate that transactional leadership has a positive and significant effect on employee engagement (Febriansyah & Ginting, 2020; Simanjuntak & Sari, 2021; Farid & Kurniawan, 2022; Wahyuni & Prasetya, 2023; Jain & Sharma, 2023). Therefore, transactional leadership has a positive and significant influence on employee engagement.

### **Employee Engagement and Employee Performance**

#### **H5: Employee engagement has a positive and significant effect on employee performance.**

Employee engagement refers to the level of employees' emotional, cognitive, and physical involvement in their work, which is reflected in work enthusiasm, a sense of belonging, and a commitment to contributing optimally to organizational goals. Employees with a high level of engagement tend to demonstrate greater responsibility, initiative, and higher work quality, which ultimately leads to improved performance. Several studies have shown that employee engagement has a positive and significant effect on employee performance (Riyanti & Sudibia, 2020; Sucahyowati & Hendrawan, 2020; Pratiwi & Amalia, 2022; Nicky & Hermin, 2023). This indicates that the higher the level of employee involvement in their work, the more optimal the resulting employee performance.

### **Organizational Culture, Employee Engagement, and Employee Performance**

#### **H6: Employee engagement mediates the relationship between organizational culture and employee performance.**

Organizational culture provides direction and meaning to employees' work through shared values, norms, and work practices adopted within the organization. A strong organizational culture can create a supportive work environment in which employees feel valued, comfortable, and more involved in

their work (Judge, 2020). Employee engagement acts as a mechanism that links organizational culture to employee performance, as a positive work culture can enhance employees' emotional and professional attachment to their work. Several studies indicate that employee engagement mediates the relationship between organizational culture and employee performance (Wicaksono & Lestari, 2021; Handayani, 2022; Sigit & Nur, 2023; Kiswoyo, 2024). These findings suggest that a strong organizational culture can increase employee engagement, which ultimately leads to improved employee performance.

### **Transactional Leadership, Employee Engagement, and Employee Performance.**

#### **Hypothesis 7: Employee engagement mediates the relationship between transactional leadership and employee performance.**

Transactional leadership emphasizes an exchange relationship between leaders and subordinates through the provision of rewards for good performance and sanctions for work violations. The implementation of this leadership style can create a clear and structured work environment that encourages discipline and the achievement of performance targets. However, the effectiveness of transactional leadership in improving employee performance is also influenced by the level of employee involvement in their work (employee engagement). Several studies have shown that employee engagement mediates the relationship between transactional leadership and employee performance (Yuliana & Hartanto, 2023; Dewi & Lestari, 2023; Hasanah & Widodo, 2024). These findings indicate that transactional leadership can enhance employee performance through increased employee engagement.

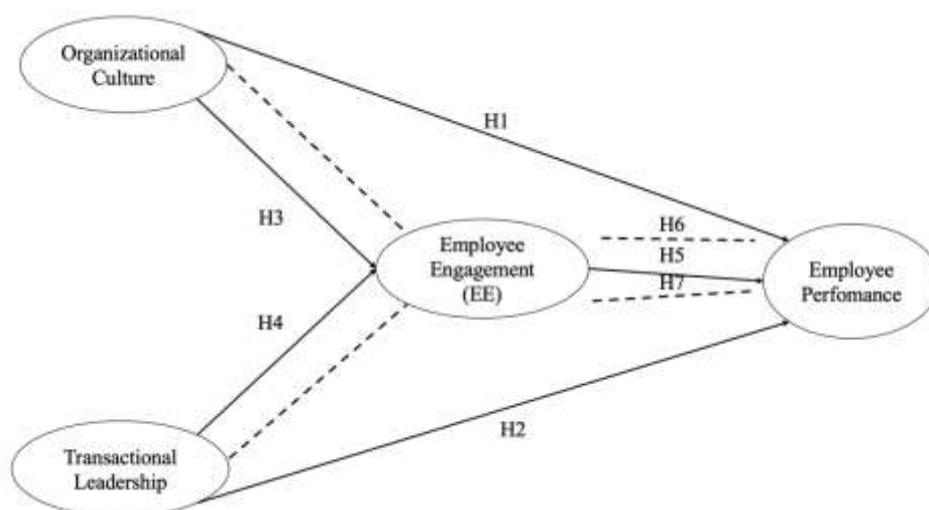


Figure 1. Research Framework

### **METHOD**

This study employed a quantitative approach with a causal research design to examine the influence of organizational culture and transactional leadership on employee performance with employee engagement as a mediating variable. A causal design was chosen to analyze the directional and explanatory relationships among the research variables. The research framework was developed to understand how managerial factors influence employee engagement and ultimately affect employee performance within an organizational context.

The population of this study consisted of outsourced employees working in the quality inspection division in Bekasi Regency, Indonesia, with a minimum work tenure of more than one year. The total population in this study was 150 employees. This research applied a non-probability sampling technique using a saturated sampling method, where all members of the population were included as research respondents. Therefore, the total sample used in this study was 150 respondents.

Primary data were collected through a questionnaire using a five-point Likert scale, ranging from strongly disagree to strongly agree, to measure respondents' perceptions. The questionnaire items represented four main constructs: organizational culture, transactional leadership, employee engagement, and employee performance. To ensure the reliability and validity of the research instrument, the data were analyzed using SmartPLS 4 through tests of convergent validity, discriminant validity, and construct reliability using Composite Reliability and Cronbach's Alpha. All constructs demonstrated acceptable reliability levels. Hypothesis testing was conducted using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach through SmartPLS 4.0 software. This method was selected due to its ability to analyze complex relationships and its robustness in handling data that do not fully meet normality assumptions.

## RESULT AND DISCUSSION

### RESULTS

#### *Model Measurement*

The initial stage in PLS SEM analysis involves evaluating the measurement model to ensure that all constructs demonstrate adequate levels of validity and reliability before proceeding to structural model testing. This evaluation includes assessing convergent validity, discriminant validity, and internal reliability for the constructs of organizational culture, transactional leadership, employee engagement, and employee performance. Convergent validity was assessed using outer loading values and Average Variance Extracted (AVE). The results indicate that all indicators associated with the variables organizational culture, transactional leadership, employee engagement, and employee performance have outer loading values above 0.70 and AVE values exceeding the recommended threshold of 0.50. These findings confirm that the indicators adequately represent their respective latent constructs and meet the criteria for convergent validity (Hair et al., 2019). Furthermore, discriminant validity was examined using the Heterotrait Monotrait Ratio (HTMT) approach, which is considered a more sensitive method for detecting potential overlap between constructs. The analysis shows that all HTMT values in the model are below the recommended maximum threshold of 0.90, indicating that each construct is empirically distinct and that no significant conceptual overlap exists among the variables. In addition, internal reliability was evaluated using Composite Reliability (CR) and Cronbach's Alpha. The results reveal that all constructs in this study, namely organizational culture, transactional leadership, employee engagement, and employee performance, have Composite Reliability and Cronbach's Alpha values greater than 0.70. This indicates that the indicators within each construct demonstrate strong internal consistency in measuring the intended variables. Overall, the results of the measurement model evaluation confirm that all constructs meet the required standards of validity and reliability, allowing the analysis to proceed to the structural model testing stage.

Table 1. Respondent Profile

Description	Item	Presentase (%)
<b>Gender</b>	Male	40%
	Female	60%
<b>Age</b>	18 - 20 Years Old	27%
	21 - 30 Years Old	67%
	31 - 40 Years Old	5%
	41 - 50 Years Old	1%
<b>Last Education Level</b>	Senior High School (SMA/SMK)	97%
	Diploma 3 (D3)	1%
	Bachelor's Degree (S1)	2%
	Master's Degree (S2)	0%
<b>Work Period</b>	1 - 2 Tahun	75%
	2 - 3 Tahun	5%
	3 - 4 Tahun	10%
	> 4 Tahun	11%

Outer model evaluation

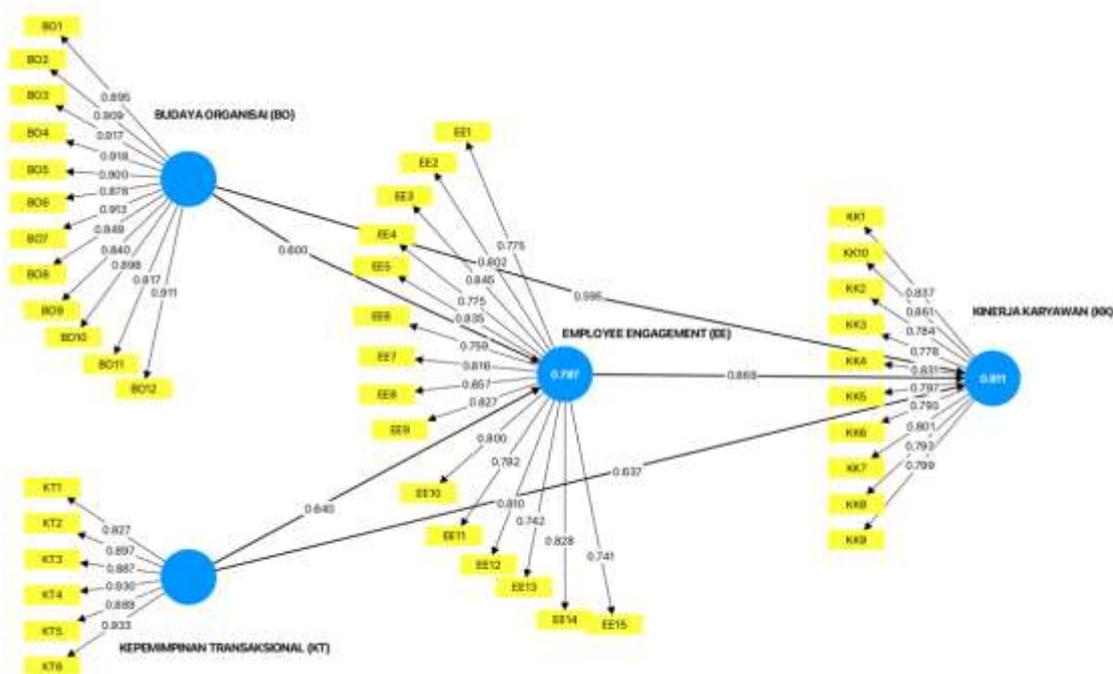


Figure 2. Outer Model

Based on Figure 2, the analysis of the external model was conducted to evaluate the measurement model, particularly to assess the validity and reliability of the constructs and indicators used in this study. The reflective measurement model was examined through validity and reliability testing. Figure 2 presents the results of the factor loadings, Cronbach's alpha, composite reliability, and Average Variance Extracted (AVE) obtained from the analysis.

Table 2. Test Outer Model

Variabel	Indicator	Outer Loadings	Cronbach's Alfa	Composite Reliability	AVE
<i>Organizational Culture</i>	BO1	0.895	0.975	0.977	0.788
	BO2	0.909			
	BO3	0.917			
	BO4	0.918			
	BO5	0.900			
	BO6	0.878			
	BO7	0.913			
	BO8	0.849			
	BO9	0.840			
	BO10	0.898			
	BO11	0.817			
	BO12	0.911			
<i>Transactional Leadership</i>	KT1	0.827	0.950	0.953	0.800
	KT2	0.897			
	KT3	0.887			
	KT4	0.930			
	KT5	0.889			
	KT6	0.933			
<i>Employee Engagement</i>	EE1	0.775	0.960	0.961	0.641
	EE2	0.802			
	EE3	0.845			
	EE4	0.775			
	EE5	0.835			
	EE6	0.759			
	EE7	0.816			
	EE8	0.857			
	EE9	0.827			
	EE10	0.800			
	EE11	0.782			
	EE12	0.810			
	EE13	0.742			
	EE14	0.828			
	EE15	0.741			
<i>Employee Performance</i>	KK1	0.837	0.941	0.942	0.652
	KK2	0.784			
	KK3	0.778			
	KK4	0.831			

KK5	0.797
KK6	0.793
KK7	0.801
KK8	0.793
KK9	0.799
KK10	0.799

Based on Table 2, it can be observed that each indicator statement is considered valid because the factor loading values are greater than or equal to 0.70. Therefore, the evaluation of the measurement model can proceed to the next stage. The following step involves assessing the Average Variance Extracted (AVE), where the recommended threshold is greater than 0.50. The AVE values for each research variable are presented in the table above. Since all AVE values exceed the minimum requirement of 0.50, it can be concluded that each construct adequately explains the variance of its indicators.

Discriminant validity is used to determine the extent to which one construct differs from other constructs in the model. In this study, discriminant validity was evaluated using the Fornell Larcker criterion. The requirement for this test is that the square root of the AVE value for each construct must be higher than its correlation with other constructs. The results indicate that these criteria have been satisfied, confirming that each construct is empirically distinct.

Furthermore, reliability testing was conducted to assess the consistency of the research instrument. Reliability was evaluated using Composite Reliability and Cronbach’s Alpha. Both indicators must exceed the threshold value of 0.70 to indicate acceptable reliability. Based on Table 2, it can be seen that the Composite Reliability and Cronbach’s Alpha values for all constructs are above 0.70. Therefore, it can be concluded that the research variables demonstrate a high level of accuracy in determining their status as research variables because they are proven to be reliable or highly trustworthy. The next test is to test discriminant validity using the factor loading, where the criteria that must be met are that the indicator values for each variable have a higher number than the row correlation or collinearity with other variables. The following are the results of the Fornell-Lacker validity test:

Table 3. Fornell-Lacker Validity Test

<i>Variable</i>	<i>Organizational Culture</i>	<i>Employee Engagement</i>	<i>Transactional Leadership</i>	<i>Employee Performance</i>
<i>Organizational Culture</i>	<b>0.888</b>			
<i>Employee Engagement</i>	0.600	<b>0.800</b>		
<i>Transactional Leadership</i>	0.540	0.640	<b>0.894</b>	
<i>Employee Performance</i>	0.535	0.868	0.637	<b>0.808</b>

Based on Table 3, it can be seen that the Fornell-Larcker values for each variable indicator are greater than the row correlation or correlation with other variables. Therefore, it can be concluded that the constructs of each variable have good discriminant validity or can be considered valid based on the Fornell-Larcker validity.

The next step is to perform a cross-loading test. The cross-loading value also indicates the results of the discriminant validity test. The requirement is met when the cross-loading value of a statement for a

particular variable is greater than the correlation value of a statement for another variable. The results of taking the square root of AVE are as follows:

Table 4. Cross Loading – Validity Test

<b>Indikator</b>	<b><i>Organizational Culture</i></b>	<b><i>Employee Engagement</i></b>	<b><i>Transactional Leadership</i></b>	<b><i>Employee Performance</i></b>
BO1	0,895	0,614	0,469	0,569
BO2	0,909	0,534	0,469	0,535
BO3	0,917	0,597	0,478	0,579
BO4	0,918	0,546	0,469	0,556
BO5	0,900	0,515	0,478	0,541
BO6	0,878	0,507	0,469	0,482
BO7	0,913	0,544	0,478	0,558
BO8	0,849	0,486	0,042	0,529
BO9	0,840	0,481	0,478	0,451
BO10	0,898	0,491	0,478	0,499
BO11	0,817	0,520	0,404	0,496
BO12	0,911	0,532	0,478	0,519
KT1	0,337	0,827	0,530	0,482
KT2	0,440	0,897	0,515	0,525
KT3	0,420	0,887	0,571	0,575
KT4	0,226	0,930	0,583	0,585
KT5	0,462	0,889	0,617	0,613
KT6	0,412	0,933	0,609	0,624
EE1	0,476	0,492	0,775	0,694
EE2	0,449	0,515	0,802	0,717
EE3	0,498	0,597	0,845	0,710
EE4	0,495	0,487	0,775	0,661
EE5	0,525	0,497	0,835	0,709
EE6	0,457	0,461	0,759	0,635
EE7	0,489	0,537	0,816	0,717
EE8	0,529	0,535	0,857	0,776
EE9	0,487	0,575	0,827	0,727
EE10	0,533	0,405	0,800	0,680
EE11	0,438	0,479	0,782	0,649
EE12	0,443	0,564	0,810	0,686
EE13	0,441	0,495	0,742	0,627
EE14	0,523	0,567	0,828	0,763
EE15	0,410	0,457	0,741	0,644
KK1	0,451	0,731	0,562	0,837
KK2	0,500	0,624	0,447	0,784
KK3	0,450	0,641	0,444	0,778
KK4	0,525	0,752	0,569	0,831

KK5	0,463	0,662	0,502	0,797
KK6	0,479	0,685	0,532	0,793
KK7	0,505	0,722	0,483	0,801
KK8	0,484	0,665	0,488	0,793
KK9	0,415	0,715	0,526	0,799
KK10	0,526	0,791	0,576	0,861

Based on Table 4, it can be concluded that the cross-loading validity test has met the specified criteria. This can be seen from the cross-loading value for each statement of a variable being higher than the correlation value of the statement with other variables. Therefore, the reliability testing of the research variables can be continued.

The next step is to conduct an HTMT validity test. The Heterotrait–Monotrait Ratio (HTMT) value also indicates the results of the discriminant validity test. The requirement is fulfilled when the values in the table do not exceed 0.90. The results of the HTMT test are as follows:

Table 5. HTMT Validity Test

<i>Variable</i>	<i>Organization al Culture</i>	<i>Employee Engagement</i>	<i>Transactional Leadership</i>	<i>Employee Performance</i>
<b><i>Organizational Culture</i></b>				
<b><i>Employee Engagement</i></b>	<b>0.618</b>			
<b><i>Transactional Leadership</i></b>	<b>0.675</b>	<b>0.667</b>		
<b><i>Employee Performance</i></b>	<b>0.619</b>	<b>0.610</b>	<b>0.669</b>	

Based on Table 5, it can be concluded that the HTMT validity test meets the required criteria. This is indicated by the fact that all values presented in the table are below the threshold of 0.90.

***Inner Model Evaluation***

The structural model (inner model) is evaluated by examining the coefficient of determination, Q-square, F-square, and significance testing. In SEM analysis, the coefficient of determination is used to assess the extent to which exogenous variables contribute to explaining the endogenous variables. The R-squared value represents the coefficient of determination (R<sup>2</sup>), which indicates how well the model explains the variation in the endogenous variable. The results of the R-squared test in this study are presented as follows

Table 6. R-Square Test

<i>Variabel</i>	<i>R-square</i>	<i>R-square adjusted</i>
<b><i>Employee Engagement (EE)</i></b>	0,787	0,784
<b><i>Employee Performance</i></b>	0,811	0,807

The R-square value for the Employee Engagement construct is 0.787 (adjusted R-square = 0.784), indicating that 78.7% of the variance in Employee Engagement is explained by Organizational Culture and Transactional Leadership, while the remaining variance is influenced by factors outside the model.

Meanwhile, the Employee Performance construct shows an R-square value of 0.811 (adjusted R-square = 0.807), suggesting that 81.1% of the variance in Employee Performance is explained by Organizational Culture, Transactional Leadership, and Employee Engagement. These results indicate that the proposed model demonstrates strong explanatory power.

The next step is to conduct the Q-square test to evaluate the predictive relevance of the model. A Q-square value greater than zero indicates that the model has adequate predictive relevance. The results of the Q-square test are presented in Table 7.

Table 7. Q-Square Test

<i>Variabel</i>	<i>Q<sup>2</sup></i>
<i>Employee Engagement (EE)</i>	0.780
<i>Employee Performance</i>	0.771

Based on Table 7, all Q<sup>2</sup> values are greater than zero, indicating that the model has adequate predictive relevance. This suggests that the model is capable of reconstructing the observed values effectively.

Furthermore, the F-square test is conducted to examine the magnitude of the influence of latent predictor variables on the structural model. The effect size can be categorized as very small, small, moderate, or large. The criteria used are as follows:  $F^2 < 0.02$  indicates a very small effect,  $0.02 \leq F^2 < 0.15$  indicates a small effect,  $0.15 \leq F^2 < 0.35$  indicates a moderate effect, and  $F^2 \geq 0.35$  indicates a large effect. The results of the F-square test are presented as follows.

Table 8. F-Square Test

<i>Variable</i>	<i>Employee Engagement</i>	<i>Employee Performance</i>
<i>Organizational Culture</i>	0.679	0.350
<i>Employee Engagement</i>	0.704	0.383
<i>Transactional Leadership</i>		0.464

The f-square values indicate the effect size of each exogenous variable on the endogenous variables in the model. The results show that organizational culture has an f-square value of 0.679 on employee engagement and 0.350 on employee performance, while transactional leadership has an f-square value of 0.706 on employee engagement and 0.877 on employee performance. These results indicate that organizational culture and transactional leadership exert a large effect on employee engagement and employee performance.

### Hypothesis Test

The coefficient value for each path is used to test the proposed hypotheses. The significance level applied in this study is 0.05 or 5 percent. The results of the hypothesis testing are presented as follows:

Table 9. Hypothesis Test

Variabel	Original sample	T statistics	P values	Result
<i>Organizational Culture &gt; Employee Performance</i>	0,478	8,114	0,000	Significant Positif Impact
<i>Transactional Leadership &gt; Employee Performance</i>	0,390	5,846	0,000	Significant Positif Impact
<i>Organizational Culture &gt; Employee Engagement</i>	0,528	10,280	0,000	Significant Positif Impact
<i>Transactional Leadership &gt; Employee Engagement</i>	0,553	8,626	0,000	Significant Positif Impact
<i>Employee Engagement &gt; Employee Performance</i>	0,270	3,454	0,000	Significant Positif Impact
<i>Organizational Culture &gt; Employee Engagement &gt; Employee Performance</i>	0,143	3,208	0,001	Significant Positif Impact
<i>Transactional Leadership &gt; Employee Engagement &gt; Employee Performance</i>	0,149	3,062	0,002	Significant Positif Impact

This study has several limitations that should be considered when interpreting the findings. First, the research was conducted only among outsourcing employees in the quality inspection division at PT. Kreasi Hexa Indonesia located in Bekasi Regency.

## DISCUSSION

This study examines the influence of organizational culture and transactional leadership on employee performance, with employee engagement acting as a mediating variable at PT. Kreasi Hexa Indonesia. The findings provide empirical evidence that both organizational and leadership factors play a critical role in shaping employee engagement and performance within outsourcing work environments.

First, the results confirm that organizational culture has a positive and significant effect on employee performance. A strong organizational culture characterized by collaboration, discipline, openness, and result orientation can create a supportive work environment that encourages employees to perform effectively. When employees clearly understand and internalize the organizational values that guide their work behavior, they tend to align their efforts with organizational goals. This finding reinforces prior studies that highlight the importance of organizational culture in improving work performance and shaping employee behavior.

Transactional leadership was found to have a positive and significant influence on employee performance. Transactional leadership practices, such as performance-based rewards, clear work instructions, and structured supervision, help employees understand expectations and maintain work discipline. In outsourcing work settings, where operational efficiency and adherence to procedures are essential, transactional leadership can enhance employee productivity and task clarity. This result supports previous research emphasizing that structured leadership approaches can improve performance outcomes by reinforcing accountability and performance standards.

The findings indicate that organizational culture positively affects employee engagement. A positive and supportive work culture that emphasizes teamwork, appreciation, and open communication can strengthen employees' emotional and professional attachment to their work. Even for outsourced employees who are placed within client organizations, the consistent communication of organizational values can help maintain their sense of belonging and identification with the parent organization.

Transactional leadership also demonstrates a positive and significant influence on employee engagement. Leaders who provide clear expectations, constructive feedback, and appropriate rewards can foster a professional working relationship that enhances employees' motivation and commitment. As a result, employees become more engaged in their work and more willing to contribute to organizational goals.

Employee engagement was found to significantly influence employee performance. Employees who demonstrate strong emotional, cognitive, and behavioral engagement tend to show higher dedication, enthusiasm, and responsibility in completing their tasks. This finding confirms that employee engagement plays a crucial role in improving productivity and work quality.

The results reveal that employee engagement mediates the relationship between organizational culture, transactional leadership, and employee performance. This indicates that organizational culture and leadership practices not only directly influence employee performance but also exert indirect effects through employee engagement. In other words, a supportive organizational culture and effective transactional leadership can strengthen employee engagement, which in turn leads to improved employee performance.

Overall, these findings highlight the strategic importance of fostering employee engagement as a mechanism through which organizational culture and leadership practices translate into improved performance outcomes. For organizations operating in outsourcing-based work systems, strengthening organizational culture and implementing effective leadership practices are essential strategies for enhancing employee engagement and achieving sustainable performance improvements.

### **CONCLUSION**

This study examines the influence of organizational culture and transactional leadership on employee performance with employee engagement as a mediating variable at PT. Kreasi Hexa Indonesia. The results indicate that organizational culture has a positive and significant effect on employee performance. A strong organizational culture characterized by collaboration, discipline, openness, and result orientation contributes to the improvement of employee work quality and productivity. In addition, transactional leadership also shows a positive and significant influence on employee performance, suggesting that structured guidance, performance-based rewards, and clear supervision can enhance employee effectiveness, particularly in outsourcing work environments that require compliance and operational efficiency.

The findings also reveal that both organizational culture and transactional leadership positively influence employee engagement. A supportive organizational culture and structured leadership practices strengthen employees' emotional and professional attachment to their work. Furthermore, employee engagement significantly improves employee performance and plays an important mediating role in the relationship between organizational culture, transactional leadership, and employee

performance. These results highlight that improving employee engagement can strengthen the impact of managerial and organizational factors on employee performance.

### **RECOMMENDATIONS**

Based on the findings, companies should strengthen organizational culture through clear communication of organizational values, teamwork, and recognition of employee contributions to enhance engagement and performance. Additionally, supervisors are encouraged to implement more proactive feedback mechanisms and structured coaching to support employee development and maintain effective transactional leadership practices. Future research is recommended to expand the scope of the study by including broader samples and additional variables such as job satisfaction, work stress, or work environment to provide a more comprehensive understanding of factors influencing employee performance.

### **RESEARCH LIMITATIONS**

This study has several limitations that should be considered when interpreting the findings. First, the research was conducted only among outsourcing employees in the quality inspection division at PT. Kreasi Hexa Indonesia located in Bekasi Regency. Therefore, the findings may not fully represent employees in other industries or organizations with different organizational characteristics. Second, the study employed a cross-sectional design that captures data at a single point in time, which limits the ability to observe changes in employee engagement and performance over time. Third, the data were collected through self-reported questionnaires, which may introduce response bias as respondents might provide socially desirable answers rather than reflecting their actual perceptions. Lastly, this study focused only on organizational culture, transactional leadership, and employee engagement in explaining employee performance, while other potential factors influencing employee performance were not included in the research model.

### **FUTURE RESEARCH**

Future research is recommended to expand the scope of the study by involving a broader sample across different organizations or industries to improve the generalizability of the findings. In addition, future studies may consider incorporating additional variables such as job satisfaction, work motivation, work environment, or compensation systems to provide a more comprehensive understanding of factors influencing employee performance. Researchers may also apply longitudinal research designs to observe how employee engagement and performance evolve over time within organizational contexts.

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