



Organizational Culture, Social Environment, Leadership, Rewards, and Employee Performance in a Makassar Manufacturing Firm

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Abstract. This study explores the influence of organizational culture, social environment, leadership, and reward systems on employee performance in a manufacturing company in Makassar, Indonesia. The research employs a quantitative approach using an explanatory survey design, with data collected from 129 employees. The study found that organizational culture, social environment, leadership, and reward systems all significantly impact employee performance. Specifically, organizational culture (p-value = 0.001), social environment (p-value = 0.002), leadership (p-value = 0.000), and reward systems (p-value = 0.000) were found to positively affect performance. Transformational leadership was identified as a key factor in motivating employees, while a supportive social environment and fair reward systems further enhanced employee engagement and productivity. The study emphasizes the importance of a positive organizational culture and leadership style in creating an environment that fosters higher performance. It also highlights the need for a transparent and performance-based reward system to motivate employees. These findings provide valuable insights for managers and HR professionals seeking to improve organizational outcomes by addressing these factors. This study also suggests future research directions, including expanding the sample to include different sectors and regions and exploring the long-term effects of these factors on employee performance.

Keywords: Organizational Culture, Employee Performance, Transformational leadership, Reward Systems, Social environment.

1 Introduction

In today's competitive and rapidly changing business environment, employee performance plays a crucial role in determining an organization's success [1]. High-performing employees are directly responsible for increasing productivity, fostering innovation, and maintaining the competitiveness of an organization, all of which are vital for sustaining a strong market presence and achieving long-term goals [2, 3]. Despite extensive studies on the various factors affecting employee performance, many organizations continue to struggle to effectively utilize these factors to achieve the best possible outcomes [4, 5]. The most significant factors influencing employee

performance are organizational culture, social environment, leadership, and reward systems. Understanding the influence of these factors on employee behavior and performance is critical for organizations striving to optimize their workforce and ensure long-term success.

While much of the previous research has explored these factors individually, there is still a notable gap in the literature regarding how these elements interact and contribute collectively to employee performance. Many studies tend to isolate the impact of each variable, lacking a comprehensive understanding of how organizational culture, social environment, leadership, and reward systems work together to shape employee behavior and performance as a whole [6, 7, 8]. For example, organizational culture has long been known to play a pivotal role in promoting employee engagement, satisfaction, and motivation [9, 10]. However, it remains unclear how its effects might be enhanced or diminished when combined with other factors such as leadership styles or reward systems [11, 12]. Similarly, although leadership is widely acknowledged as a major factor influencing employee motivation and job satisfaction, there is limited insight into how different leadership styles interact with other organizational elements such as a supportive social environment to improve employee performance.

Additionally, reward systems, which include both monetary and non-monetary incentives, are recognized for their roles in motivating employees and enhancing performance [13]. However, existing research often treats rewards as separate from other factors without considering how they integrate with organizational culture or leadership practices to create a more significant impact on employee motivation and performance. This segmented approach overlooks the possibility that the combined effects of these factors may have a far greater impact on performance than the individual contributions.

It is essential to explore the moderating and mediating roles of these factors in influencing employee performance. For example, while flexible reward systems may improve motivation, their effectiveness may depend on the existing organizational culture or leadership quality. Similarly, a positive social environment could amplify the benefits of transformational leadership, but its effects might be weaker if not supported by other organizational factors. These complexities suggest the need for further research on the interactions and interdependencies of these variables to offer a more thorough understanding of how they collectively influence employee performance.

This research is significant as it addresses the challenges faced by organizations today, especially those in sectors that depend heavily on employees as their primary assets. In many modern organizations, human resources are viewed not only as complementary elements but also as central to the organization's competitive advantage [14, 15]. Thus, identifying factors that can enhance employee performance is a critical strategic priority. This study aims to provide empirical evidence that will assist managers and practitioners in designing policies that optimize performance, while also ensuring the long-term well-being and satisfaction of employees.

Furthermore, this study offers a unique perspective on the interaction between these factors in the context of organizations in Indonesia, where challenges and dynamics may differ from those in other regions. By focusing on sectors that have implemented flexible work policies and specific organizational cultures, this research provides

valuable insights that are both contextual and applicable to HR practices in both local and international businesses operating in Indonesia.

This study aims to fill this gap by investigating the separate and combined effects of organizational culture, social environment, leadership, and reward systems on employee performance. By examining how these factors interact with and influence each other, this study aims to provide a more comprehensive understanding of the dynamics that contribute to enhanced employee performance. As such, this study is expected to offer theoretical and practical contributions, providing insights that can be directly applied by human resource managers to foster work environments that optimize employee potential and improve overall organizational outcomes.

2 Literature Review

2.1 Transformational Leadership Theory

Transformational Leadership Theory, initially introduced by James MacGregor Burns in 1978 and later expanded by Bernard Bass, focuses on how leaders can inspire and motivate their followers to achieve higher levels of performance, surpassing their self-interests for the greater good of the organization. Unlike transactional leadership, which is primarily concerned with routine supervision and the exchange of rewards for performance, transformational leadership seeks to create meaningful changes within both individuals and the organization as a whole [16]. Transformational leaders encourage followers to transcend their immediate goals and align their efforts with the broader vision of the organization, fostering an environment of growth, innovation, and high achievement.

At the heart of transformational leadership are four key dimensions, often referred to as the four I's, that drive both individual and organizational development:

- **Idealized Influence:** Transformational leaders serve as role models who are admired and respected by their followers. They exhibit high ethical standards, integrity, and personal charisma, which earn the trust and loyalty of team members.
- **Inspirational Motivation:** Leaders who employ inspirational motivation communicate a compelling vision of the future, articulate shared goals, and inspire followers to pursue these goals with enthusiasm and confidence. They instilled a sense of purpose and encouraged team members to reach beyond their expectations.
- **Intellectual Stimulation:** This dimension encourages creativity and innovation by challenging followers to think critically, question the status quo, and explore new solutions. Transformational leaders stimulate intellectual curiosity that fosters a culture of learning and continuous improvement.
- **Individualized Consideration:** Transformational leaders provide personalized support and mentorship to each follower, recognizing their unique needs and potential. This approach fosters an environment where individuals feel valued, supported, and empowered to grow, both professionally and personally.

Transformational leadership is particularly relevant to organisations that require innovation, adaptation, and significant change. By motivating employees to go beyond their basic job responsibilities and encouraging them to develop their full potential, transformational leaders can drive sustained organizational success. Research has shown that transformational leaders enhance intrinsic motivation, job satisfaction, and organizational commitment, which, in turn, leads to higher employee performance and organizational outcomes.

Transformational leaders prioritize empowering individuals and nurturing their personal growth, which cultivates a sense of belonging and engagement among employees [17]. This empowerment allows employees to take charge of their tasks, resulting in increased job satisfaction and a heightened sense of responsibility. Consequently, transformational leadership significantly enhances employee performance by aligning personal goals with organizational objectives and promoting ongoing development. The effectiveness of transformational leadership is rooted in its capacity to foster a positive work environment, enhance team unity, and motivate employees to contribute more significantly to the organization's success.

2.2 Employee Performance

Employee performance refers to the outcomes achieved by individuals within an organization based on the tasks and responsibilities assigned to them [18, 19]. This performance is measured not only by quantifiable work results, such as productivity and quality of output, but also by the behavior of employees within the workplace, including attitudes, collaboration, and adherence to organizational values. High employee performance contributes significantly to the advancement of the organization, whereas poor performance can decrease organizational efficiency and overall quality of work.

The factors influencing employee performance can be categorized into internal and external. Internal factors include skill and motivation. Skills encompass the technical competencies required to complete job tasks, whereas motivation refers to the internal or external drivers that encourage employees to perform their work effectively. Employees who are motivated and possess adequate skills tend to be more productive and demonstrate better performance. External factors, on the other hand, include the social environment and organizational culture, which play major roles in fostering or hindering performance. Positive relationships between colleagues, supportive leadership, and fair reward systems can enhance employee performance.

A positive work environment is crucial for enhancing the performance. Effective leadership, for example, can provide a clear direction and support employees in achieving organizational goals. Additionally, a supportive social environment strengthens motivation and work engagement, enabling employees to feel valued and connected with their work. An effective reward system also plays an essential role in encouraging employees to exert greater effort by providing incentives that align with their achievements and contributions to the organization.

Overall, employee performance is the result of a complex interaction between internal factors, such as skills and motivation, and external factors, such as

organizational culture, leadership, and social environment. Organizations that effectively manage and leverage these factors can enhance overall employee performance, create a productive work environment, and more effectively achieve long-term goals.

2.3 Organizational Culture

Organizational culture encompasses the collective values, beliefs, norms, and practices that influence how employees behave and think within a company [20]. It includes the fundamental assumptions and customary methods that direct employee interactions, decision-making, and work approaches. Often seen as the cornerstone of an organization's identity, culture affects nearly every facet of its operations, from interpersonal dynamics to decision-making processes. As a vital component of an organization, culture enhances employee engagement with the organization's objectives, cultivates a sense of belonging, and boosts employees' motivation to excel in their roles.

Organizational culture also serves as a social glue connecting individuals within an organization. This culture is expressed through employee behavior, the language they use, the values they hold, and the rituals or practices they follow in the workplace [20, 12]. A strong and positive organizational culture can nurture a sense of community and a shared purpose, which in turn enhances employee motivation, commitment, and overall performance. Conversely, a weak or misaligned culture can lead to confusion, disengagement, and dissatisfaction, all of which can hinder productivity and performance.

For instance, companies that prioritize a culture of collaboration, innovation, and transparent communication can foster a workplace that encourages creativity and teamwork. This approach can enhance team interactions, boost employee involvement, and ultimately lead to better performance. Conversely, a culture that prioritizes control and stability, with a focus on hierarchy and strict adherence to rules, may help reduce risks and maintain efficiency but could suppress employee initiative and innovation.

Organizational culture is a dynamic entity that changes over time, influenced by both external elements like market dynamics and societal shifts, as well as internal elements such as leadership and employee input. Leaders play a pivotal role in crafting and sustaining this culture. By exemplifying the behaviors, they wish to see, reinforcing common values, and fostering open and inclusive dialogue, leaders can cultivate a culture that aligns with organizational objectives and boosts employee performance. Furthermore, it is crucial for organizations to ensure that employees' personal values are in harmony with those of the organization, as this alignment enhances commitment, motivation, and performance.

Organizational culture plays a crucial role in shaping employee performance by establishing a behavioral framework, setting expectations, and influencing the work environment. A culture that is positive and supportive can enhance job satisfaction, foster better collaboration, and boost productivity. In contrast, a culture that is misaligned or negative can diminish motivation and impede performance. Consequently, effectively understanding and managing organizational culture is

essential for organizations to maximize employee performance and achieve sustained success.

2.4 Social Environment

The social environment within an organization plays a significant role in shaping employee behavior and performance [21]. It refers to the network of relationships, interactions, and general atmosphere that employees experience in the workplace. A positive social environment promotes collaboration, trust, and effective communication among employees, which can lead to higher engagement, job satisfaction, and, ultimately, improved performance. In contrast, a negative social environment characterized by conflict, poor communication, and lack of support can result in disengagement, low morale, and decreased productivity.

The social environment within organizations can be viewed from several perspectives. First, interpersonal relationships between employees are crucial [22]. Strong supportive relationships among coworkers help create a sense of community and foster cooperation. Employees who feel connected to their colleagues are more likely to be motivated, valued, and work effectively as a team, contributing to higher performance levels. Additionally, leader-member relations play a vital role in enhancing employee performance. When employees feel supported and valued by their leaders, they are more likely to exhibit greater commitment to organizational goals and put more effort into work.

Organizational climate, which is often influenced by the social environment, also plays an essential role in employee behavior. A supportive work climate, where employees feel safe, respected, and empowered, encourages them to express ideas, collaborate freely, and take on new challenges. This type of environment not only enhances job satisfaction, but also boosts creativity and innovation, both of which are critical for organizational success. Conversely, a toxic or unsupportive social environment can lead to stress, anxiety, and turnover, which negatively impact individual and organizational performance.

Furthermore, the social environment influences social exchange processes within the organization. Employees engage in social exchange with the organization and their peers, where they provide effort, time, and commitment in exchange for rewards, recognition, and career growth [23, 24]. When employees perceive a fair and supportive social environment, they are more likely to fully engage with the organization, leading to higher levels of job satisfaction and performance. However, perceived inequality or exclusion can lead to feelings of resentment, disengagement, and reduced effort, thereby hindering performance.

In summary, the social environment of the workplace is a crucial determinant of employee performance. A positive social environment enhances interpersonal relationships, fosters trust, promotes collaboration, and encourages employee engagement, all of which contribute to better performance. Organizations that focus on cultivating a supportive social environment can create a more motivated, productive, and loyal workforce, ultimately driving organizational success.

2.5 Leadership

Leadership is a key factor influencing employee performance and the achievement of organizational goals. In general, leadership can be defined as the ability to motivate, direct, and influence others to work towards common objectives [25, 14]. Effective leaders are capable of creating a clear vision, inspiring their followers, and ensuring that resources are optimally utilized to achieve the organization's goals. Good leadership is not only about strategic decision-making, but also about building trustful relationships with employees and providing the necessary support to improve performance.

Various leadership approaches and styles affect employees' performance. Transformational leadership is one of the most widely discussed leadership theories. Transformational leaders focus on positive changes within the organization by inspiring employees to transcend their personal interests and commit to shared goals. This leadership style fosters an environment that supports innovation, enhances employee engagement, and promotes individuals' development. Transformational leaders can provide a clear vision, offer emotional encouragement, and attend to the needs of their followers, which, in turn, drives increased motivation and performance.

Additionally, transactional leadership theory plays an important role in enhancing employee performance, albeit using a different approach. Transactional leaders tend to focus on short-term performance management and achieve goals through systems of rewards and punishments [25]. In this context, employees are guided by clear objectives, with rewards or penalties tied to accomplishing these objectives. Although not as deeply motivating as transformational leadership, transactional leadership remains effective in keeping employees focused on tasks and improving their performance in the short term.

Beyond transformational and transactional leadership styles, situational leadership offers a pertinent approach to managing employee performance. This theory posits that leaders should tailor their leadership style according to the readiness or maturity of their followers. Leaders who can modify their approach to suit the specific situation and the needs of a team or individual are more likely to foster an environment conducive to achieving goals, boosting motivation, and ultimately enhancing performance. Overall, leadership is pivotal in shaping productive work environments and supporting employee performance. Leaders who adapt their style to align with employee needs and organizational circumstances tend to be more successful in motivating, directing, and enhancing employee performance. Through effective leadership, organizations can nurture a positive culture, elevate employee engagement, and achieve optimal outcomes.

2.6 Reward Systems

Reward systems within an organization refer to various forms of incentives and rewards given to employees as compensation for their performance [26, 27]. These systems may include financial rewards, such as salaries, bonuses, and allowances, as well as non-financial rewards, such as recognition, verbal praise, career development opportunities,

and a supportive work environment. An effective reward system plays a crucial role in motivating employees, enhancing their performance, and fostering loyalty and job satisfaction. Well-designed reward systems can reinforce positive behavior, improve productivity, and support the organization's strategic objectives.

An equitable and transparent reward system can enhance both intrinsic and extrinsic motivations among employees. Extrinsic motivation is related to tangible or material rewards received as a result of achieving specific goals such as salary increases or bonuses. On the other hand, intrinsic motivation focuses on satisfaction derived from the work itself, such as recognition or opportunities for personal growth. When employees feel that their efforts and achievements are valued, whether through financial rewards or non-financial recognition, they are more likely to be motivated to work harder and contribute more to the organization's goals.

The type of reward used in the reward system also influences employee performance. Performance-based rewards that link compensation directly to specific achievements can encourage employees to remain focused and committed to their tasks. Conversely, rewards based on loyalty or long-term contributions can strengthen employees' attachment to the organization and enhance their long-term commitment. However, it is essential for organizations to ensure that their reward systems align with organizational values and create a sense of fairness among employees because perceived inequities in reward distribution can lead to dissatisfaction, reduced motivation, and diminished performance.

An effective reward system must consider employees' unique needs. Personalized rewards and recognition of achievements can foster feeling valued and enhance job satisfaction. Rewards beyond material incentives, such as career development and personal growth opportunities, offer employees a sense of accomplishment, enhancing their intrinsic motivation and performance. An effective reward system is crucial for motivating employees and boosting performance. When rewards are distributed fairly, transparently, and based on value, they increase job satisfaction, commitment, and productivity. Organizations that implement the right reward system can build beneficial relationships with employees, create a productive work environment, and achieve long-term success.

2.7 Hypothesis Development

Relationship between Organizational Culture and Employee Performance.

Organizational culture significantly influences how employees perform. It includes the collective values, beliefs, norms, and practices that shape how individuals within a company interact, collaborate, and strive towards shared goals [28]. A robust and positive organizational culture creates an atmosphere that encourages employee engagement, boosts motivation, and improves job satisfaction. In such a setting, employees tend to feel more aligned with the organization's objectives and are driven to deliver their best work. On the other hand, a weak or negative organizational culture can result in dissatisfaction, disengagement, and reduced performance, as employees might feel undervalued or stuck in an environment that does not nurture their growth.

Research shows that organizational cultures that promote collaboration, innovation, and openness are directly linked to higher employee performance. In inclusive and open cultures, where communication flows smoothly and new ideas are valued, employees feel free to innovate and contribute. This results in increased creativity, more efficient problem solving, and better overall performance. However, organizational cultures that overly emphasize strict control or bureaucracy can stifle creativity and diminish employee motivation [29]. In such cultures, employees may feel limited in taking initiative, which ultimately reduces their productivity and performance.

Furthermore, organizational cultures that focus on individual development, the recognition of achievements, and clear goals play a significant role in enhancing employee performance. When employees feel valued and given opportunities to grow, they are more committed and motivated to achieving organizational goals. Conversely, a lack of clarity in goals or the recognition of employee contributions can lower morale and hinder goal achievement.

Overall, a strong and supportive organizational culture has a significantly positive impact on employee performance. When organizational culture creates a positive, supportive, and inspiring environment, employees are more likely to work better, remain committed, and be more productive. Therefore, it is essential for organizations to build and maintain a healthy culture to improve employee performance and achieve long-term success.

Based on the above discussion, the following hypothesis is proposed:

H1: Organizational culture has a positive effect on employee performance.

Relationship between Social Environment and Employee Performance.

The social environment of the workplace plays a crucial role in influencing employee performance. This social environment includes a network of relationships, interactions, and an overall social climate formed between employees, both among peers and supervisors [22]. A positive social environment that supports collaboration, effective communication, and good interpersonal relationships can enhance employee engagement, strengthen employees' sense of ownership, and motivate them to contribute more effectively toward organizational goals. In contrast, a negative social environment characterized by interpersonal tension, lack of support, and poor communication can lead to reduced morale, lower motivation, and ultimately, decreased employee performance.

Research has indicated that good relationships between colleagues and supervisors have a significant impact on employee performance. When employees feel accepted, valued, and supported by their peers, they are more likely to feel secure and comfortable contributing to their ideas and efforts. This increases their intrinsic motivation, which drives them to perform better and achieve more optimal results. Additionally, a supportive social environment fosters teamwork and collaboration, leading to higher productivity and innovation in the workplace.

Supportive leadership and attention to employees' social well-being play a critical role in creating a positive social environment. Leaders who can create an open and inclusive atmosphere, value diversity, and support healthy interpersonal relationships will be more successful in enhancing overall team performance. On the other hand, a

social environment tainted by conflict or injustice can lead to diminished employee morale, which negatively impacts performance.

Overall, a positive social environment is crucial to supporting employee performance. Employees who feel connected to their colleagues and supported by their leaders are more engaged in their work, feel more satisfied, and committed to achieving the organization's goals. Therefore, creating a supportive social environment is an essential step in improving employee performance and organizational success.

Based on the discussion above, the hypothesis generated is as follows:

H2: The social environment has a positive impact on employee performance.

Relationship between Leadership and Employee Performance.

Leadership is a key factor that influences employee performance within an organization [30]. An effective leader can inspire, motivate, and guide employees to work towards established goals. Leaders who can provide a clear vision, set challenging goals, and offer support and constructive feedback can significantly enhance employee performance [31]. Good leadership not only impacts employee motivation, but also shapes a productive work climate conducive to achieving organizational goals.

Research indicates that transformational leadership, which focuses on positive change and employee empowerment, has a strong influence on performance. Transformational leaders can inspire, build confidence, and offer opportunities for employee development. Leadership, which emphasizes open communication, recognition of achievements, and support for individual growth, can increase employee engagement and intrinsic motivation, ultimately leading to better performance. Such leaders create an environment that encourages employees to innovate, take initiatives, and commit to organizational goals.

Additionally, transactional leadership, which focuses on short-term performance management through rewards and punishments, can also influence employee performance, albeit using a different approach. Leaders who provide rewards or sanctions based on achieving specific tasks or goals can improve employee performance in the short term [32]. While not as deeply motivating as transformational leadership, transactional leadership remains effective in keeping employees focused and effectively completing their tasks.

In general, strong leadership directly influences employee motivation, engagement, and performance. Leaders who can adjust their leadership approach to align with the needs of their employees and the organizational context tend to be more successful in reaching objectives and enhancing employee performance. Consequently, it is crucial for organizations to cultivate leadership styles that not only inspire employees but also foster a work environment conducive to productivity and innovation.

Based on the discussion above, the hypothesis generated is as follows:

H3: Leadership has a positive effect on employee performance.

Relationship between Reward Systems and Employee Performance.

Reward systems within an organization play a crucial role in enhancing employee performance [33]. Rewards given in response to employee achievements serve as

incentives that encourage employees to work harder and contribute more. Rewards can take various forms, including financial rewards such as salaries, bonuses, and allowances, as well as non-financial rewards such as recognition, career development opportunities, and verbal praise. When employees feel that their efforts are valued fairly and appropriately, they are more motivated to give their best to their work, which, in turn, can enhance both individual and team performance.

Research has shown that clear and transparent performance-based reward systems are directly linked to improved employee performance. Rewards based on measurable achievements, such as meeting sales targets or completing projects, can increase motivation and employee engagement. This creates a competitive yet constructive environment in which employees feel valued and are driven to continuously improve their performance [34]. Conversely, reward systems that are unclear or perceived as unfair can reduce morale and damage the relationship between employees and management, leading to a decline in the overall performance.

In addition to performance-based rewards, non-financial rewards, such as the recognition of employee contributions or opportunities for skill development, can also have a significant impact on performance. When employees feel personally appreciated and are given opportunities for growth, they are motivated to contribute more to the organization. Non-financial rewards can increase employees' intrinsic motivation, encouraging them to perform better and become more engaged in their work.

A well-designed reward system can boost employee performance by fostering an atmosphere that encourages motivation, engagement, and personal growth. When a reward system is implemented with fairness, transparency, and consistency, it can enhance job satisfaction, lower turnover rates, and cultivate a more positive organizational culture. Consequently, the careful design and execution of an effective reward system are essential for enhancing employee performance and achieving the organization's objectives.

Based on the discussion above, the hypothesis generated is as follows:

H4: Rewards have a positive effect on employee performance.

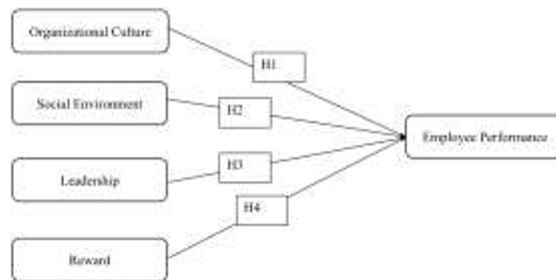


Fig. 1. Conceptual Framework

3 Research Methodology

In this research, a quantitative method with an explanatory survey design was utilized to investigate how organizational culture, the social environment, leadership, and reward systems influence employee performance. Data will be gathered through questionnaires given to employees at a manufacturing firm in Makassar. The questionnaire employs a 5-point Likert scale to assess respondents' views on the studied variables. The sample was chosen using a purposive sampling method, focusing on employees with over a year of experience and pertinent knowledge about the company's organizational culture, social environment, leadership, and reward systems.

Following data collection, the analysis was performed using Partial Least Squares Structural Equation Modeling (PLS). SMART PLS was selected for its capability to simultaneously test relationships between variables and manage complex models with relatively small sample sizes. This study seeks to determine the extent to which organizational culture, social environment, leadership, and reward systems influence employee performance in the manufacturing sector in Makassar.

4 Results

4.1 Data

Data for this study were successfully collected from 129 employees working at a manufacturing company in Makassar, Indonesia. The respondents were selected using a purposive sampling method, focusing on individuals who had experience working in a manufacturing environment and were familiar with the organizational culture that embodies transformational leadership and performance-based reward systems. The survey was distributed through a structured questionnaire using Google Forms, which included questions designed to measure the following key variables: organizational culture, social environment, leadership, reward systems, and employee performance.

With 129 completed questionnaires successfully returned, this sample size was deemed sufficient for performing statistical analysis, specifically using Structural Equation Modeling (SEM) to evaluate the relationships between the variables under study. This sample allowed for diverse representation of the workforce, which helped ensure the reliability and validity of the study findings.

4.2 Instrument Testing Results

Outer Model Analysis.

Table 1. Outer Loading

| | EM | L | OC | R | SE |
|------|-------|---|----|---|----|
| OC_1 | 0.726 | | | | |
| OC_2 | 0.764 | | | | |

| | | | |
|------|-------|-------|-------|
| OC_3 | 0.793 | | |
| OC_4 | 0.818 | | |
| OC_5 | 0.807 | | |
| SE_1 | | 0.803 | |
| SE_2 | | 0.810 | |
| SE_3 | | 0.773 | |
| SE_4 | | 0.759 | |
| SE_5 | | 0.793 | |
| L_1 | | | 0.839 |
| L_2 | | | 0.785 |
| L_3 | | | 0.766 |
| L_4 | | | 0.863 |
| L_5 | | | 0.803 |
| R_1 | | | 0.768 |
| R_2 | | | 0.866 |
| R_3 | | | 0.727 |
| R_4 | | | 0.744 |
| R_5 | | | 0.773 |
| EP_1 | | | 0.856 |
| EP_2 | | | 0.836 |
| EP_3 | | | 0.827 |
| EP_4 | | | 0.893 |
| EP_5 | | | 0.826 |

Source: Authors own estimation (2025)

The table presents the outer loadings of each indicator for the constructs Organizational Culture, Social Environment, Leadership, Reward, and Employee Performance. All loadings are above the recommended threshold of 0.70, indicating that each indicator strongly contributes to its respective construct.

4.3 Construct Reliability and Validity

Table 2. Construct Reliability and Validity

| | Cronbach's alpha | Composite reliability (rho_a) | Composite reliability (rho_c) | Average variance extracted (AVE) |
|----|---------------------|-------------------------------------|-------------------------------------|---|
| EM | 0.841 | 0.842 | 0.887 | 0.612 |
| L | 0.847 | 0.848 | 0.891 | 0.620 |
| OC | 0.871 | 0.874 | 0.906 | 0.660 |
| R | 0.836 | 0.848 | 0.884 | 0.604 |
| SE | 0.902 | 0.904 | 0.927 | 0.719 |

Source: Authors own estimation (2025)

The table above displays the reliability and validity statistics for the constructs utilized in the study, including Cronbach's alpha, Composite reliability (rho_a), Composite reliability (rho_c), and Average Variance Extracted (AVE). All constructs exhibit strong reliability and validity, with Cronbach's alpha values surpassing the recommended threshold of 0.70, indicating good internal consistency. Specifically, Organizational Culture has a Cronbach's alpha of 0.841, Social Environment at 0.847, Leadership at 0.871, Reward at 0.836, and Employee Performance at 0.902, all reflecting excellent consistency. The Composite reliability (rho_a) and Composite reliability (rho_c) values for each construct also exceed 0.80, confirming that the constructs possess high internal consistency. Furthermore, the AVE values range from 0.604 (reward) to 0.719 (social environment), all surpassing the threshold of 0.50, demonstrating that the constructs account for a sufficient amount of variance in their respective indicators. These statistics affirm that the measurement model is both reliable and valid for testing the proposed relationships in the study.

4.4 Hypotheses Test

Direct Test.

Table 3. T-statistics and P-values of Hypotheses

| | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics (O/STDEV) | P values |
|--------------------|----------------------------|------------------------|-----------------------------------|---------------------------------|-----------------|
| OC -> EP | 0.578 | 0.576 | 0.038 | 15.042 | 0.001 |
| SE -> EP | 0.215 | 0.214 | 0.048 | 4.479 | 0.002 |
| L -> EP | 0.426 | 0.429 | 0.048 | 8.897 | 0.000 |
| R -> EP | 0.305 | 0.309 | 0.058 | 5.250 | 0.000 |

Source: Authors own estimation (2025)

The table above illustrates the findings from the structural equation modeling (SEM) analysis, detailing the connections between the independent variables and the dependent variable. Hypothesis 1 (OC -> EP) reveals a robust positive and statistically significant association, with an original sample (O) of 0.578, a T-statistic of 15.042, and a P-value of 0.001. This suggests that Organizational Culture (OC) significantly influences Employee Performance (EP). The outcome underscores the vital importance of a positive organizational culture in boosting employee motivation and overall performance.

Hypothesis 2 (SE -> EP) examines the link between Social Environment (SE) and Employee Performance (EP), revealing a positive correlation. The original sample (O) is 0.215, with a T-statistic of 4.479 and a P-value of 0.002, indicating statistical significance. This suggests that a favorable social environment boosts employee performance, reinforcing the notion that a cooperative and supportive workplace enhances employee engagement.

Hypothesis 3 (L -> EP), which examines the effect of Leadership (L) on Employee Performance (EP), shows a strong positive relationship, with an original sample (O) of

0.426, a T-statistic of 8.897, and a P-value of 0.000. This finding underscores the importance of leadership in motivating employees and driving their performance.

Lastly, Hypothesis 4 (R → EP), which assesses the impact of Reward (R) on Employee Performance (EP), also shows a significant relationship, with an original sample (O) of 0.305, a T-statistic of 5.250, and a P-value of 0.000. This result highlights the role of rewards in motivating employees, indicating that proper recognition and incentives can boost performance.

These findings collectively underscore the importance of Organizational Culture (OC), Social Environment (SE), Leadership (L), and Reward (R) in fostering high Employee Performance (EP), reinforcing the value of a supportive and motivating organizational framework in driving employee engagement and productivity.

5 Discussion

This study examined how organisational culture, the social environment, leadership, and reward systems jointly shape employee performance in a manufacturing company in Makassar. Drawing on the SEM results, all proposed relationships were positive and statistically significant, indicating that performance in this setting is not determined by a single managerial lever but by a mutually reinforcing configuration of cultural, relational, managerial, and motivational conditions. The robustness of these inferences is strengthened by the measurement model quality: all indicators exceeded the recommended outer-loading threshold, and the constructs demonstrated strong internal consistency and convergent validity, with Cronbach's alpha values above 0.70, composite reliabilities above 0.80, and AVE values above 0.50. Taken together, these results suggest that the empirical model is sufficiently reliable for interpreting the relative contribution of each antecedent to employee performance.

Organisational culture emerged as the strongest predictor of employee performance ($\beta = 0.578$; $p = 0.001$), signalling that shared values, behavioural norms, and internal routines are central to performance in a manufacturing context. This finding implies that when employees experience a coherent culture that clarifies "how work is done" and reinforces expectations regarding discipline, quality, and responsibility, they are more likely to translate effort into consistent output and adherence to operational standards. In production environments characterised by interdependence and process discipline, culture can function as an informal control and coordination mechanism that reduces ambiguity and friction, thereby enabling employees to sustain performance even when formal supervision is limited. The magnitude of this coefficient indicates that cultural alignment is likely the most immediate organisational resource for stabilising and improving performance across diverse employee groups.

Leadership also demonstrated a strong and significant relationship with employee performance ($\beta = 0.426$; $p < 0.001$), underscoring the role of leadership as a behavioural activation mechanism that converts organisational expectations into day-to-day execution. This result suggests that leadership practices, such as communicating goals, providing feedback, resolving operational problems, and maintaining morale, are instrumental in shaping employee focus and persistence. Importantly, the strength of

leadership relative to rewards and the social environment indicates that employees in this manufacturing setting respond not only to incentives but also to managerial direction and interpersonal influence. In practical terms, leadership appears to support performance by clarifying priorities, reinforcing accountability, and sustaining engagement, especially under production pressures that require coordination and timely decision-making.

Reward systems were also positively and significantly associated with employee performance ($\beta = 0.305$; $p < 0.001$), highlighting the importance of recognition and performance-based incentives as motivational architecture. This finding supports the proposition that employees adjust effort and persistence when reward structures are perceived as meaningful and aligned with performance expectations. In manufacturing environments where outcomes and behaviours can be observed and measured, rewards can directly reinforce productivity, compliance with procedures, and the pursuit of operational targets. However, the results also imply that rewards are unlikely to function effectively in isolation; their performance impact is best understood as complementary to culture and leadership, because incentives tend to be most influential when organisational norms and managerial signals guide employees toward desired behaviours.

The social environment exhibited a positive and statistically significant effect on performance ($\beta = 0.215$; $p = 0.002$), albeit with a smaller coefficient compared with culture, leadership, and rewards. This suggests that a cooperative and supportive workplace climate contributes to performance by improving coordination, reducing conflict costs, and enabling smoother information exchange. In production settings, where work is frequently interdependent across shifts and functions, social cohesion and peer support can reduce operational bottlenecks and facilitate faster problem-solving. The comparatively smaller coefficient does not diminish its importance; rather, it indicates that social environment may operate as a facilitating condition that helps cultural norms, leadership influence, and reward signals translate into observable performance outcomes.

Considered jointly, the pattern of coefficients suggests a layered explanation of employee performance in this firm. Organisational culture appears to provide the strongest foundation for consistent performance, leadership functions as a key mechanism for directing and sustaining effort, reward systems reinforce desired outcomes and behaviours, and the social environment facilitates collaboration and coordination. The combined significance of these predictors implies that performance management in the manufacturing context should be approached as an integrated system. Interventions that focus only on incentives without strengthening cultural norms and leadership practices may produce short-term improvements but may struggle to sustain performance, while culture initiatives without supportive leadership and credible rewards may not generate sufficient behavioural change. Therefore, the findings point toward bundled managerial actions: reinforcing cultural expectations, strengthening leadership capability and communication routines, maintaining transparent and performance-aligned reward systems, and cultivating a cooperative social climate to support execution.

From a practical perspective, the results indicate that managers aiming to raise employee performance should prioritise cultural reinforcement and leadership development while ensuring that reward systems remain credible and aligned with operational objectives. Parallel efforts to strengthen the social environment, such as team-based routines, peer support mechanisms, and conflict management practices, can further stabilise and amplify the effects of culture, leadership, and rewards. In sum, the evidence supports the view that high performance in this manufacturing firm is best achieved through the alignment of organisational values, managerial behaviour, relational climate, and incentive structures rather than through isolated initiatives.

6 Conclusion

This study successfully highlighted the key factors influencing employee performance, particularly within the context of Indonesian organizations. Through an in-depth analysis of organizational culture, the social environment, leadership, and reward systems, this study provides empirical evidence confirming that these elements are significant drivers of employee performance. The findings show that organizational culture plays a vital role in creating a work environment that supports employee engagement and productivity. Similarly, a supportive social environment characterized by strong relationships and effective communication also enhances employee performance. Additionally, leadership, especially transformational leadership, was found to be a key factor in motivating employees to transcend their personal interests and contribute to broader organizational goals.

However, this study has several limitations. One of the main limitations is that the sample only includes employees from a single industry sector (manufacturing) in Makassar, Indonesia. This limits the generalizability of our findings to other industry sectors or regions. Additionally, this study employed a quantitative approach using questionnaires that measure employee perceptions, which may not fully reflect actual workplace conditions. Other external factors that may influence employee performance, such as government policies and macroeconomic conditions, are not explored in this study.

Future research should broaden the sample scope by including various industrial sectors and locations to strengthen the external validity of the findings. Additionally, future studies could delve deeper into the role of external factors that could impact employee performance, and employ qualitative research methods to gain more profound insights into employees' experiences in the workplace. Research could also consider the long-term interactions between organizational culture and other factors, such as leadership and reward systems, to understand their impacts more holistically.

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