

## Employee engagement mediates the influence of organizational culture and work motivation on employee performance at bank XYZ Main Branch Office, Bali Province

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World Journal of Advanced Research and Reviews, 2025, 27(02), 103-112

Publication history: Received on 24 June 2025; revised on 30 July 2025; accepted on 02 August 2025

Article DOI: <https://doi.org/10.30574/wjarr.2025.27.2.2843>

### Abstract

Employee performance is a crucial aspect in the banking sector, which is influenced by various factors such as organizational culture, work motivation, and employee engagement. This study aims to analyze employee engagement mediating the influence of organizational culture and work motivation on employee performance. This study uses a quantitative approach with the Structural Equation Modeling – Partial Least Square (SEM-PLS) method on 68 employees of Bank XYZ Main Branch Office, Bali Province. The results show that organizational culture, work motivation, and employee engagement have a significant effect on employee performance. Organizational culture and work motivation have a significant effect on employee engagement. In addition, employee engagement is proven to be able to partially mediate the relationship between organizational culture and work motivation with employee performance. Thus, improving employee performance can be achieved through strengthening organizational culture, increasing work motivation, and optimal management of employee engagement.

**Keywords:** Organizational Culture; Work Motivation; Employee Engagement; Employee Performance

### 1. Introduction

The banking sector plays a key role in supporting economic activity in Indonesia. Bank Indonesia (BI) is the central bank of the Republic of Indonesia, established on July 1, 1953, with the primary objective of achieving and maintaining the stability of the Rupiah, Indonesia's currency. Bank Indonesia's monetary policy also focuses on maintaining the stability of the rupiah, sustainably, consistently, and transparently, while taking into account the government's general economic policies. Currency stability is crucial for maintaining public purchasing power and supporting sustainable economic growth. Competition in the Indonesian banking industry is intensifying with the increasing penetration of foreign banks bringing more innovative technology and products. This puts pressure on local banks to improve operational efficiency, reduce costs, and introduce more competitive products to maintain their market share (1).

Bank XYZ is the largest private bank in Indonesia today, and has a solid position in the Indonesian banking industry with a total of 9 subsidiaries. According to the company's website, as of June 30, 2023, Bank XYZ had 1,251 branches, 18,483 ATMs, and over 37 million customer accounts. In 2023, Bank XYZ won dozens of awards at the Global Contact Center World Awards 2023 (GCCWA 2023) both in the Asia Pacific and international levels. In Bali, Bank XYZ has three main branches in Kuta, Denpasar, and Singaraja, employing a total of 604 people. This is due to Bali's economic strength as a tourist destination, which has encouraged the growth of banking businesses in partnership with the tourism industry. The large number of employees will influence the dynamics of the organizational culture within it (2), thus making it increasingly challenging for Bank XYZ management to maintain an organizational culture that remains strong, uniform, and in line with the company's vision and mission.

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Observations and interviews with employees within the Bank's work environment revealed that employees have not demonstrated a strong focus on achieving performance targets, such as being late in meeting sales targets for banking products or being less proactive in offering additional services to customers. This is linked to the organizational culture indicator, namely a results-oriented approach, which tends to be low, particularly in the marketing department, which is tasked with introducing and marketing Bank XYZ products to the public. A strong organizational culture in an organization has the potential to improve performance, and conversely, if the organizational culture is weak, it has the potential to result in decreased performance (3).

To survive in the increasingly competitive banking industry, every employee must be motivated to perform better, encouraging them to be results-oriented in line with established goals (4). The high workload at Bank XYZ remains a persistent employee complaint, forcing them to work even harder to achieve company targets. The high workload also overwhelms them, resulting in their motivation to achieve organizational goals being displaced by the pressure of completing daily tasks quickly. This is one of the problems faced by Bank XYZ, amidst the demands to survive amidst industrial competition, but its employees are burdened with high work targets that employees may not be able to complete.

Good human resource management at Bank XYZ's Main Branch Office in Bali Province will ensure that employees can perform optimally, increase productivity, and provide the best service to customers. Employees make significant contributions to organizational life, one of which is demonstrating excellent performance in all their tasks and jobs(5). To deliver their best performance, employees must feel emotionally connected to the company, consistently enthusiastic about their work, and fully engaged in every activity that supports the company's development. However, the performance demonstrated by Bank XYZ employees is still not optimal, considering that employees do not have a strong orientation towards their work results and their drive to achieve goals is still low. This is certainly a problem for Bank XYZ that requires immediate resolution. Therefore, this research is crucial to provide an overview of the factors influencing Bank XYZ employee performance and to assist management in determining policy direction for addressing these issues.

This study aims to provide an overview of the employee engagement variable mediating the influence of organizational culture and work motivation on employee performance at Bank XYZ main branch office in Bali Province. The results of this study are expected to produce a tested model that can be used as input for Bank XYZ management and for other similar companies in taking the direction of company policy in the future, especially in improving employee performance to maintain the company's existence in competition in the banking industry.

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## **2. Material and methods**

### **2.1. Organizational Culture**

Culture is a variety of interactions of habitual characteristics that influence groups of people in their environment. Organizational culture is defined as a shared perception held by all members of the organization (6). Organizational culture as a set of values, beliefs, assumptions, or norms that have long been in effect, agreed upon and followed by members of the organization as a guideline for behavior and solving organizational problems (7). Organizational culture can make an organization or company has a competitive advantage, if the organizational culture supports the organization's strategy and can overcome or respond to environmental challenges quickly and appropriately.

### **2.2. Work Motivation**

Work motivation is defined as a force that drives someone to do something to achieve a desired result or goal (8). Work motivation is a self-driven effort to perform work and utilize all of one's skills to achieve company goals (9). According to McClelland's motivational theory, employees possess a reserve of potential energy. How that energy is released and used depends on the strength of a person's motivational drive and the available situation and opportunities.

### **2.3. Employee Performance**

Employee performance is the concrete behavior displayed by each individual as a work achievement produced by the employee according to their role in the company or organization (10). Performance refers to the level of effectiveness and efficiency achieved by an individual, group, or organization in achieving predetermined results and objectives. The concept of employee performance is relevant in various contexts, including the business context of a company. In carrying out tasks, for an employee to achieve good work results in terms of quality and quantity, they must be in accordance with the responsibilities assigned to them(11).

## 2.4. Employee Engagement

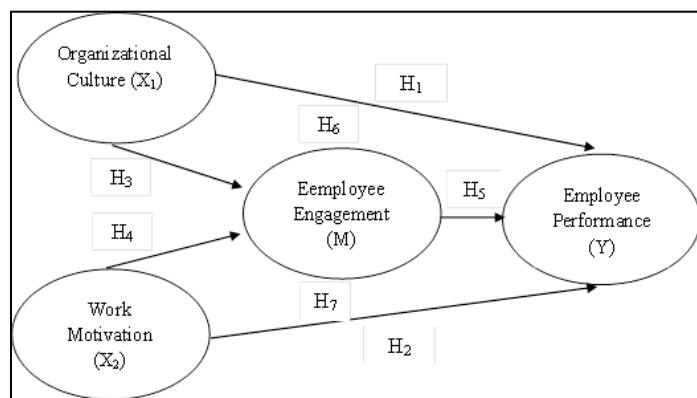
Employee engagement focuses on the level of employee involvement, commitment, and enthusiasm for their work and the organization they work for. Employee engagement is an employee's emotional commitment to the organization and its goals. This emotional commitment means employees truly care about their work and the company. They don't work solely for a paycheck or a promotion, but rather work on behalf of the organization's goals (12).

## 2.5. Research Gap

Several studies have examined employee performance from various factors that influence it, but there are still few studies that specifically focus on banking companies, especially private banks that have a large business scope such as Bank XYZ which is the location of this study. In addition, this study specifically examines the Main Branch Office of Bank XYZ in Bali Province, where Bali as an island has strong cultural and customary elements rooted in the daily lives of the community which will certainly influence the organizational culture created in the company, so that it will have a distinctive difference when compared to the Main Branch Office of Bank XYZ in other provinces, which certainly provides a difference from previous studies that have been conducted.

## 2.6. Conceptual Framework

The conceptual framework of research on employee engagement mediates the influence of organizational culture and work motivation on employee performance at Bank XYZ Main Branch Office, Bali Province, can be presented in the following figure 1.



Source: processed by Author

**Figure 1** Conceptual Framework

## 2.7. Hypothesis of Research

- H1: Organizational culture has a positive effect on employee performance
- H2: Work motivation has a positive effect on employee performance
- H3: Organizational culture has a positive effect on employee engagement
- H4: Work motivation has a positive effect on employee engagement
- H5: Employee engagement has a positive effect on employee performance
- H6: Employee engagement can mediate the influence of organizational culture
- H7: Employee engagement can mediate the influence of work motivation

## 3. Method

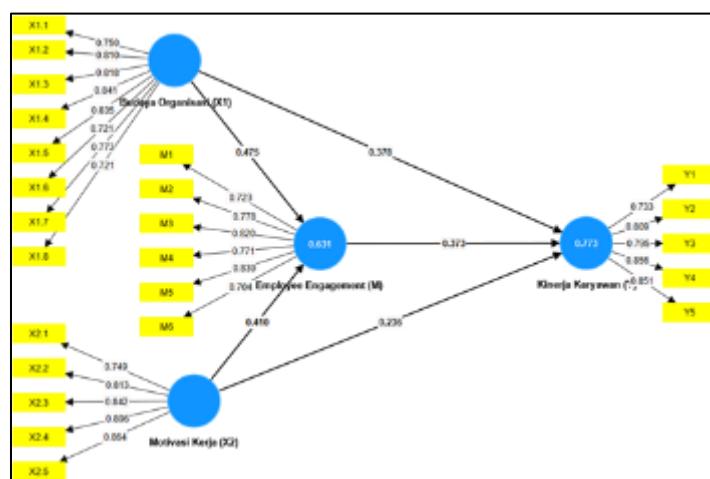
This study uses a quantitative method plan, which was carried out at 3 main branch offices of Bank XYZ in Bali Province, namely the main branch office of Bank XYZ Kuta with 222 employees, the main branch office of Bank XYZ Denpasar with 303 employees, and the main branch office of Bank XYZ Singaraja with 79 employees, so that the total research population is 604 employees of Bank XYZ in Bali Province. Determination of the minimum sample was carried out using G\*Power software with the Linear Multiple Regression test type: Fixed model,  $R^2$  deviation from zero so that a minimum sample of 68 respondents was obtained to detect significant effects with a 95% confidence level and a test power of 80%. The research data uses primary data obtained from distributing questionnaires to respondents and secondary data from books and journals relevant to this study.

Primary data collection was conducted by distributing questionnaires, with data scored using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Data were analyzed using the Partial Least Squares (PLS) statistical method with the help of the SEM program PLS 3.0. Hypothesis testing was conducted by calculating the mediation effect (13) with reference to the following criteria:

- If effects C and D are significant, but effect A is not significant, then mediation is fully proven. This means that full mediation occurs in the model (full mediation).
- If effects C, D, and A are significant, then mediation is partially proven or partial mediation occurs in the model (partial mediation).
- If effects C, D, and A are significant, but the standardized path coefficient for effect A is nearly the same as the path coefficient for effect B, then mediation is not proven in the model (unmediated).
- If either effect C or D is not significant, then mediation is not proven in the model (unmediated).

## 4. Results and discussion

### 4.1. Outer Model Evaluation (Measurement Model)



Source: processed field data

**Figure 2** Path Diagram

**Table 1** The results of the convergent validity test using average variance extracted (AVE)

	Average Variance Extracted (AVE)
Organizational Culture (X1)	0.616
Work Motivation (X2)	0.696
Employee Engagement (M)	0.599
Employee Performance (Y)	0.656

Source: processed field data

The test results show that the average variance extracted (AVE) value is greater than 0.5, so the research data is declared valid.

**Table 2** Uji Discriminant Validity Cross -Loading Validity Test

	Organizational Culture (X1)	Employee Engagement (M)	Employee Performance (Y)	Work Motivation (X2)
M1	0.626	0.723	0.661	0.543
M2	0.603	0.778	0.635	0.558

M3	0.603	0.820	0.628	0.665
M4	0.524	0.771	0.684	0.509
M5	0.542	0.839	0.634	0.520
M6	0.439	0.704	0.504	0.425
X1.1	0.750	0.618	0.589	0.446
X1.2	0.810	0.557	0.706	0.554
X1.3	0.818	0.714	0.696	0.606
X1.4	0.841	0.591	0.622	0.494
X1.5	0.835	0.595	0.630	0.468
X1.6	0.721	0.493	0.602	0.463
X1.7	0.773	0.520	0.600	0.386
X1.8	0.721	0.402	0.491	0.362
X2.1	0.550	0.504	0.607	0.749
X2.2	0.577	0.560	0.572	0.813
X2.3	0.453	0.555	0.621	0.842
X2.4	0.488	0.647	0.643	0.896
X2.5	0.487	0.641	0.590	0.864
Y1	0.611	0.655	0.733	0.604
Y2	0.623	0.659	0.809	0.563
Y3	0.696	0.762	0.795	0.597
Y4	0.626	0.576	0.856	0.578
Y5	0.636	0.611	0.851	0.593

Source: processed field data

The test results showed that all cross-loading values for each indicator in each variable were greater than 0,50. Thus, it can be concluded that the data in the study are valid, meaning that the latent variables have become a good comparison for the research model.

**Table 3** Validity using the Fornell Larscker Validity Test

	Organizational Culture (X1)	Employee Engagement (M)	Employee Performance (Y)	Work Motivation (X2)
Organizational Culture (X1)	0.795			
Employee Engagement (M)	0.725	0.874		
Employee Performance (Y)	0.792	0.812	0.820	
Work Motivation (X2)	0.610	0.700	0.727	0.834

Source: processed field data

The test results show that the square root of AVE printed in bold has a value greater than the correlation between constructs.

**Table 4** Construct Reliability Test Results

	Cronbach's alpha	Composite reliability (rho_c)
Organizational Culture (X1)	0.910	0.928
Employee Engagement (M)	0.865	0.899
Employee Performance (Y)	0.868	0.905
Work Motivation (X2)	0.890	0.919

Source: processed field data

Based on reliability tests using Cronbach's Alpha and composite reliability, the parameter values of all constructs were above 0.7. Thus, the reliability tests using Cronbach's Alpha and composite reliability of all constructs showed good internal consistency for use in testing this model.

#### 4.2. Inner Model Evaluation (Structural Model)

**Table 5** R-Square (R2)

	R Square	R Square Adjusted
Employee Engagement (M)	0.631	0.620
Employee Performance (Y)	0.773	0.763

Source: processed field data

The R-square value for the employee engagement variable is 0.631, meaning that 63.1% of the variation in employee engagement can be explained by exogenous variables in the model, while the remaining 36.9% is explained by other factors outside the research model. This value indicates that the model has sufficient power in explaining employee engagement variables. Meanwhile, the R-square value for the employee performance variable is 0.773, meaning that 77.3% of the variation in employee performance can be explained by exogenous variables (including employee engagement), and the remaining 22.7% is explained by other constructs outside the model. This value indicates that the model is very strong in explaining changes or variability that occur in employee performance variables.

The calculation of the Q-square value can be seen as follows:

$$Q^2 = 1 - (1 - R^2)(1 - R^2)$$

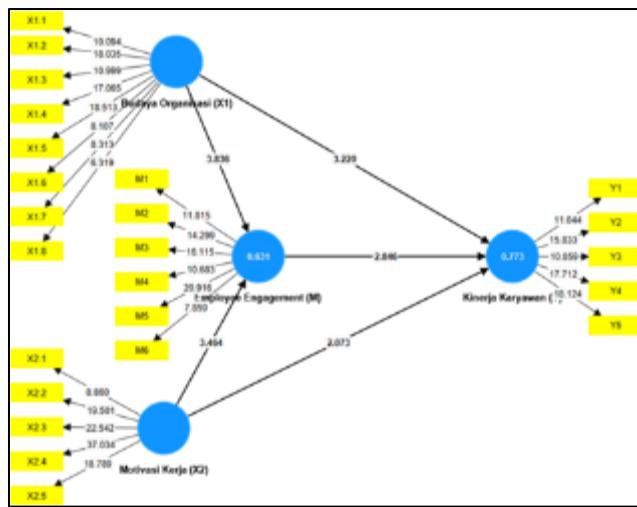
$$Q^2 = 1 - (1 - 0.369)(1 - 0.227)$$

$$Q^2 = 0.916$$

The Q-square value obtained was 0.916, or 91.6%. This indicates that the structural model in this study has excellent predictive ability, as it is able to explain 91.6% of the endogenous variables studied, namely Employee Engagement and Employee Performance. The remaining 8.4% is explained by other factors outside the model.

#### 4.3. Hypothesis Test

Hypothesis testing aims to determine the extent of influence of the independent variable on the dependent variable. Significance values can be obtained using bootstrapping techniques. The statistical test used for hypothesis testing is the t-test for each path of influence between variables. The results of bootstrapping hypothesis testing can be seen in Figure 3 below.



Source: processed field data

**Figure 3** Bootstrapping test results**Table 6** Path Analysis

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Explanation
Organizational Culture (X1) -> Employee Engagement (M)	0.475	0.475	0.124	3.836	0.000	Significant
Organizational Culture (X1) -> Employee Performance (Y)	0.378	0.371	0.117	3.220	0.001	Significant
Work Motivation (X2) -> Employee Engagement (M)	0.410	0.413	0.118	3.464	0.001	Significant
Work Motivation (X2) -> Employee Performance (Y)	0.236	0.234	0.114	2.073	0.038	Significant
Employee Engagement (M) -> Employee Performance (Y)	0.373	0.384	0.131	2.846	0.004	Significant

Source: processed field data

Hypothesis testing on the influence of organizational culture on employee performance produces a correlation coefficient value (Original Sample) of 0.378. The t-Statistics value obtained is 3.220 ( $> t\text{-critical } 1.96$ ) with a p value of  $0.001 < 0.050$ , so the influence of organizational culture on employee performance is significant, thus hypothesis 1 (H1) is accepted.

Hypothesis testing on the influence of work motivation on employee performance produces a correlation coefficient value (Original Sample) of 0.236. The t Statistics value obtained is 2.073 ( $> t\text{-critical } 1.96$ ) with a p value of  $0.038 < 0.050$ , so the influence of work motivation on employee performance is significant, thus hypothesis 2 (H2) is accepted.

Hypothesis testing on the influence of organizational culture on employee engagement yielded a correlation coefficient value (Original Sample) of 0.475. The t-Statistics value obtained was 3.836 ( $> t\text{-critical } 1.96$ ) with a p-value of  $0.000 < 0.050$ , so the influence of organizational culture on employee engagement is significant, thus hypothesis 3 (H3) is accepted.

Hypothesis testing on the influence of work motivation on employee engagement produces a correlation coefficient value (Original Sample) of 0.410. The t-Statistics value obtained is 3.464 ( $> t\text{-critical } 1.96$ ) with a p value of  $0.001 < 0.050$ , so the influence of work motivation on employee engagement is significant, thus hypothesis 4 (H4) is accepted.

Hypothesis testing on the influence of employee engagement on employee performance yielded a correlation coefficient value (Original Sample) of 0.373. The t-Statistics value obtained was 2.846 ( $> t\text{-critical } 1.96$ ) with a p-value of 0.004  $< 0.050$ , so the influence of employee engagement on employee performance is significant, thus hypothesis 5 (H5) is accepted.

**Table 7** Total Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Explanation
Organizational Culture (X1) $\rightarrow$ Employee Engagement (M) $\rightarrow$ Employee Performance (Y)	0.177	0.188	0.090	1.967	0.049	Significant
Work Motivation (X2) $\rightarrow$ Employee Engagement (M) $\rightarrow$ Employee Performance (Y)	0.153	0.155	0.063	2.414	0.016	Significant

Source: processed field data

The mediation analysis test in this study shows that the indirect effect of organizational culture on employee performance through employee engagement has a coefficient value of 0.177, a t-statistic value of 1.967  $> 1.96$ , and a p-value of 0.049  $< 0.05$ , indicating marginally significant results. Meanwhile, the indirect effect of work motivation on employee performance through employee engagement has a coefficient value of 0.153, a t-statistic value of 2.414  $> 1.96$ , and a p-value of 0.016  $< 0.05$ , indicating significant results.

Based on the Sobel test, employee engagement was proven to be a significant mediating variable in the relationship between organizational culture and work motivation on employee performance. This suggests that the stronger the organizational culture and work motivation perceived by employees, the more significant their performance can be improved through increased employee engagement.

## 5. Discussion

Research results show that the more positive the organizational culture perceived by employees, the higher their performance. A strong, adaptive organizational culture that supports collaborative work values has been shown to increase intrinsic motivation and employee dedication to achieving company goals. Attribution theory supports these findings, stating that organizational culture shapes how employees interpret work successes and failures, ultimately impacting their performance. These findings confirm that organizational values, such as a clear vision, open communication, and recognition for work achievements, can drive improved performance.

Research shows that when employees have a high work drive, both intrinsic and extrinsic, they are more enthusiastic, responsible, and strive harder to achieve their work goals. In the context of attribution theory, motivation is a powerful form of internal attribution; employees who believe that their success depends on their own efforts and competence tend to demonstrate higher performance. The results of this study confirm that high levels of motivation impact optimal work outcomes.

The results of the study showed that employees who work in a strong and supportive cultural environment feel more emotionally, cognitively, and physically engaged in their work. Attribution theory explains that employees' perceptions of the meaning and value of work that are aligned with organizational culture can strengthen their sense of engagement and responsibility towards achieving organizational goals. These findings confirm that an organizational culture that is inclusive, transparent, and values employee contributions can increase engagement.

The research results show that the higher an employee's level of work motivation, the higher their level of engagement in their work and organization. Within the framework of attribution theory, motivation rooted in internal perceptions of personal abilities and efforts encourages active involvement in the work process and increases loyalty to the organization. These findings confirm that motivation is a key factor in driving employee engagement.

The results of the study show that employees who feel emotionally engaged, committed to organizational values, and proud of their work tend to show higher performance. From an attribution perspective, employees who attribute their

engagement to strong organizational values are more likely to set high work standards and focus on achieving long-term goals. These findings confirm that employee engagement is a key factor in improving productivity and work quality.

The research results show that most of the influence of organizational culture on improving employee performance is channeled through their engagement in the organization. An organizational culture that internalizes shared values and goals creates a work climate conducive to engagement, which ultimately improves individual performance. These findings confirm that employee engagement is an important mechanism linking work culture to performance outcomes.

The results of this study indicate that high work motivation not only directly impacts performance but also indirectly through increased work engagement. Within the framework of attribution theory, when high motivation encourages individuals to attribute work achievements to their own efforts, engagement increases, ultimately resulting in better work outcomes. These findings confirm that work engagement is an important intermediary in explaining the relationship between motivation and work performance.

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## 6. Conclusion

The conclusion obtained from the research conducted at Bank XYZ in Bali Province is: an organizational culture that is built that supports and aligns with employee values can improve their performance. The higher the work motivation felt by employees, the greater their contribution to performance achievement. When the organizational culture is perceived as positive and supportive, employees tend to have a higher attachment to the organization. High work motivation encourages employee emotional and cognitive involvement in their work. The higher the employee's attachment to the organization and their work, the higher the performance demonstrated. A positive organizational culture can improve performance directly and through increased employee engagement. Work motivation encourages increased performance both directly and through higher employee engagement.

The results of this study can provide input to Bank XYZ in Bali Province to consider and address aspects that can improve work culture, motivation, engagement, and ultimately, employee performance on a sustainable basis.

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## Compliance with ethical standards

### *Acknowledgments*

The author would like to express his gratitude to the management and all employees of Bank XYZ in Bali Province who have granted research permission and are willing to provide their responses to the questionnaire so that this research can be completed properly.

### *Disclosure of conflict of interest*

The Authors wish to declare that none has any interest to disclose.

### *Statement of informed consent*

Informed consent was obtained from all individual participants included in the study.

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