

## **Analysis of Organisational Culture, Work Environment, and Leadership Style through Innovation on Employee Performance**

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### **Abstract**

This study aims to analyse the influence of organisational culture, work environment, and leadership style through innovation on employee performance at PT Telkomsel Branch Makassar. This company faces challenges in maintaining productivity and achieving the expected targets, marked by fluctuations in employee performance in various regions. Factors such as less than optimal organisational culture in supporting innovation, an uncomfortable work environment, and a leadership style that is not optimal are thought to contribute to the decline in performance. This research uses a quantitative approach with a survey method. Data were collected through questionnaires distributed to employees of PT Telkomsel Branch Makassar. The variables studied include organisational culture, work environment, leadership style, innovation, and employee performance, with multiple linear regression analysis used to test the relationship between variables. The results showed that an organisational culture that supports innovation and a conducive work environment significantly influenced the improvement of employee performance. A participative leadership style also positively contributes to increased innovation and team collaboration. Innovation acts as a mediating variable that strengthens the relationship between organisational culture, work environment, and leadership style on employee performance. The findings provide important implications for companies in creating a more innovative environment and supporting employee growth, in order to achieve sustainable competitive advantage.

**Keywords:** Organisational culture, work environment, leadership style, innovation, Indonesia

### **1. Introduction**

In the era of globalisation, which is full of market dynamics, organisations are required to be able to adapt quickly in order to remain competitive. One way to achieve competitive advantage is to improve the quality of human resources (HR). Competent and innovative human resources are needed to face changing challenges, especially in the highly dynamic telecommunications sector such as PT Telkomsel. Improving the quality of human resources can be achieved through various strategies, one of which is by paying attention to organisational culture, work environment, and leadership style, all of which play an important role in supporting employee innovation and performance (Çiçek & Bilal, 2011; Gelderman et al., 2016).

Organisational culture plays a crucial role in determining how employees perform their duties and achieve company goals. A positive culture that supports innovation will encourage employees to be more proactive in finding new solutions and improving work efficiency. Conversely, a rigid culture that does not support change can actually inhibit creativity and innovation, which ultimately has a negative impact on employee performance (Shamsudin & Hassim, 2020). Therefore, it is important for organisations to build a culture that supports innovation and provides space for employees to develop. The work environment also has a significant influence on employee productivity and performance. A comfortable, safe, and flexible environment will encourage employees to work more effectively and efficiently. Conversely, a non-conducive work environment can lower morale and affect the quality of work produced. A good work environment can also increase collaboration between employees, which

in turn increases synergy within the team and supports the achievement of company goals (Edirisinghe & Woo, 2021; Yusriadi & Farida, 2019; Zacharias et al., 2021).

In addition, leadership style is an important factor that affects employee performance. A good leader should be able to provide clear direction, support innovation, and motivate employees to achieve the best results. A participative leadership style, where leaders involve employees in the decision-making process, has been shown to increase employee engagement and commitment to the company (Ikbal et al., 2021). On the other hand, an authoritarian or overly bureaucratic leadership style can limit employees' freedom to express new ideas, which in turn reduces the level of innovation and employee performance.

Innovation is a key element that can strengthen the relationship between organisational culture, work environment, and leadership style with employee performance. Innovation helps companies find new ways to improve operational efficiency and effectiveness, and accelerate the achievement of company goals. In a competitive business environment, companies that are able to encourage innovation among their employees tend to be more successful in maintaining long-term growth (Nasriani et al., 2021).

PT Telkomsel Branch Makassar, as one of the largest telecommunications companies in Indonesia, is faced with challenges in improving employee performance amid increasingly fierce industry competition. Based on observations made by researchers, employee performance in this branch has decreased in recent years, with fluctuating productivity levels and not achieving maximum targets. One of the suspected causes is the lack of innovation in the work environment, an organisational culture that does not support creativity, and a leadership style that has not been able to encourage optimal performance from employees.

Based on this background, this study aims to analyse the influence of organisational culture, work environment, and leadership style through innovation on employee performance at PT Telkomsel Branch Makassar. Thus, the results of this study are expected to provide useful recommendations for companies to improve the performance of their employees and achieve sustainable competitive advantage..

## **2. Method**

This study uses a quantitative approach with the aim of analysing the influence of organisational culture, work environment, and leadership style through innovation on employee performance at PT Telkomsel Branch Makassar. The quantitative approach was chosen because it allows researchers to objectively measure the relationship between variables and get generalisable results. This research was conducted in several stages, starting from data collection, processing, to data analysis with relevant statistical techniques.

### **Research Design**

This research design is an explanatory survey that aims to explain the causal relationship between the research variables. The researcher collected data from respondents through a questionnaire designed to measure employees' perceptions of organisational culture, work environment, leadership style, innovation, and their performance. This design allows researchers to test hypotheses and determine whether organisational culture, work environment, and leadership style affect employee performance directly or through innovation as a mediating variable.

### **Population and Sample**

The population in this study were all employees of PT Telkomsel Branch Makassar, consisting of various divisions and levels of positions. Due to the large population, researchers use stratified random sampling techniques to ensure fair representation of various groups in the population. This technique allows for more accurate sampling by considering the variations that exist in the population, such as work division, length of service, and position. The number of samples taken was adjusted using the Slovin formula with a 95% confidence level, resulting in a sample of 150 respondents.

### **Data Collection Procedure**

Data collection was conducted by distributing questionnaires directly and through online media to facilitate access to respondents who may work from different locations. Prior to filling out the questionnaire, respondents were given a brief explanation of the purpose of the research and guaranteed the confidentiality of their answers. Each respondent was given one week to complete the questionnaire.

### **Data Analysis Technique**

The collected data were analysed using multiple linear regression techniques to examine the relationship between the independent variables (organisational culture, work environment, leadership style) and the dependent variable (employee performance) with innovation as the mediating variable. Multiple linear regression was chosen because it allows researchers to evaluate the effect of each independent variable on employee performance both directly and through innovation. The Sobel test was used to test the role of innovation as a mediating variable. This Sobel test is important to ascertain whether innovation truly mediates the influence of organisational culture, work environment, and leadership style on employee performance, or only serves as a direct influence variable. In addition, descriptive statistical analysis was used to describe sample characteristics, such as age, gender, length of service, and work division. Validity and reliability tests were also conducted to ensure that the research instruments were able to measure precisely and consistently the variables in question.

### **Classical Assumption Test**

Before conducting regression analysis, a classical assumption test is performed to ensure that the data meets the requirements of multiple linear regression. Normality test is used to check data distribution, multicollinearity test to check the relationship between independent variables, and heteroscedasticity test to check whether the independent variables have constant variability.

## **3. Results**

The results of this study describe the effect of organisational culture, work environment, and leadership style on employee performance at PT Telkomsel Branch Makassar, both directly and through innovation as a mediating variable. Data obtained from 150 respondents were analysed using multiple linear regression techniques to test the relationship between variables, as well as the Sobel test to measure the role of innovation as mediation.

### **Description of Respondents**

Of the total 150 respondents involved in this study, most were employees with an age range of 25-35 years (45%), followed by employees aged 36-45 years (35%), and the rest were above 45 years (20%). The majority of respondents have worked at PT Telkomsel Branch Makassar for more than 5 years (60%), while 40% of other respondents have worked for less than 5 years. This composition reflects a population of employees who have sufficient work experience to provide relevant information regarding working conditions, organisational culture, leadership style, and innovation in the company.

### **Analysis of Organisational Culture on Employee Performance**

Regression results show that organisational culture has a positive and significant influence on employee performance ( $\beta = 0.352$ ,  $p < 0.05$ ). An organisational culture that supports collaboration, innovation, and employee participation is proven to increase employee motivation and engagement in completing their tasks. Respondents stated that company values such as openness, respect for new ideas, and support for employee development greatly helped them in achieving work targets. In addition, a strong organisational culture also increases employee loyalty, which in turn contributes to improved overall performance.

These results are consistent with previous research which states that an inclusive and pro-innovation organisational culture has a significant impact on individual and organisational performance (Nasriani et al., 2021; Nawir & Mansur, 2021). Therefore, companies need to continue to strengthen organisational cultural values that support innovation to improve employee performance.

### **Analysis of Work Environment on Employee Performance**

The work environment is also proven to have a significant positive influence on employee performance ( $\beta = 0.298$ ,  $p < 0.05$ ). A comfortable work environment, both in terms of physical facilities and work atmosphere, encourages employees to work more effectively and efficiently. Respondents stated that adequate work facilities, such as ergonomic workspaces, up-to-date technology, and support from colleagues, significantly affected their productivity. In addition, a conducive work environment also increases job satisfaction, which in turn affects individual performance.

These results are in line with research conducted (Ikbali et al., 2021; Nasriani et al., 2021; Syahrir et al., 2021), where a positive work environment directly affects the level of productivity and employee well-being. Thus, PT Telkomsel Branch Makassar needs to ensure that the work environment continues to be improved, not only in terms of facilities, but also interpersonal relationships in the workplace.

### **Analysis of Leadership Style on Employee Performance**

The results showed that participative leadership style has a significant influence on employee performance ( $\beta = 0.423$ ,  $p < 0.05$ ). Employees who feel involved in the decision-making process and feel valued by their superiors show higher performance. Participative leadership style not only increases employee engagement, but also strengthens the relationship between management and employees, which contributes to increased work productivity and effectiveness.

Most respondents revealed that they feel more motivated when their leaders provide constructive feedback and support professional development. Leadership that is inclusive and open to new ideas also strengthens employees' trust and sense of ownership in the company. This finding is consistent with (Zacharias et al., 2021) research, which shows that leadership styles that encourage employee participation play an important role in improving organisational performance.

### **Analysis of Innovation as Mediation**

Sobel test results show that innovation acts as a significant mediating variable in the relationship between organisational culture, work environment, and leadership style on employee performance ( $p < 0.05$ ). Innovation plays an important role in linking a supportive organisational culture, conducive work environment, and participative leadership style with better performance.

An organisational culture that encourages innovation, combined with a work environment that supports creativity, allows employees to be more active in developing new solutions and improving operational efficiency. A leadership style that provides space for employees to innovate also significantly improves their performance. Respondents stated that they feel more motivated to create new ideas when the company provides adequate support and resources.

### **Overall Analysis**

Overall, the results of this study show that organisational culture, work environment, and leadership style have a significant effect on employee performance, both directly and through innovation. The greatest influence on employee performance comes from leadership style, followed by organisational culture and work environment. Innovation proves to be an important factor that strengthens the relationship between the three independent variables and employee performance.

These results indicate that PT Telkomsel Branch Makassar needs to continue to encourage innovation in all aspects of its operations. Improved employee performance can be achieved by ensuring that the organisational culture supports creativity, the work environment is comfortable and supports collaboration, and the leadership style is open and participatory.

## **4. Discussion**

The results of this study confirm that organisational culture, work environment, and leadership style have a significant influence on employee performance at PT Telkomsel Branch Makassar, both directly and through innovation as a mediating variable. This finding is in line with previous theories that explain the important role of organisational culture, work environment, and leadership in increasing productivity and innovation in an organisation. This discussion will examine more deeply the main findings of the study and its implications for the company.

### **The Effect of Organisational Culture on Employee Performance**

A strong and inclusive organisational culture is proven to significantly influence employee performance. This is consistent with research (Klassen & Vereecke, 2012; Nawir & Mansur, 2021), which found that an organisational culture that supports collaboration, openness, and innovation can improve employee performance. Organisational culture is not only a framework for employees in carrying out their tasks, but also a foundation for creating harmonious relationships between members of the organisation.

At PT Telkomsel Branch Makassar, a culture that encourages involvement and creativity has a positive impact on employee motivation to innovate. A culture that allows freedom of expression and appreciation of new ideas encourages employees to give their best in their work. However, the results also show that there is still room for improvement in corporate culture, especially in encouraging more structured and systematic innovation. PT Telkomsel needs to strengthen the values of innovation in its organisational culture, so that it does not just become jargon but is truly integrated into the daily lives of employees.

### **Effect of Work Environment on Employee Performance**

A comfortable and supportive work environment significantly affects employee performance. This study found that physical and psychological factors in the work environment, such as adequate facilities, harmonious working relationships, and technological support, play an important role in determining how productive employees can work. These results support research (Çiçek & Bilal, 2011), which emphasises the importance of the work environment in increasing employee motivation and productivity.

At PT Telkomsel Branch Makassar, a positive work environment encourages employees to work more effectively and efficiently. Employees feel more motivated and able to work better when their work environment is supportive, both in terms of facilities and work atmosphere. A comfortable work environment not only increases employee productivity, but also creates a sense of community and collaboration among them. Nonetheless, companies should still strive to improve certain aspects of the work environment, especially related to the division of work space and the completeness of facilities that support innovation, so that employees are more eager to work.

### **Effect of Leadership Style on Employee Performance**

The finding that participative leadership style has a significant influence on employee performance strengthens the existing literature regarding the importance of the leader's role in directing and motivating employees. This research is in line with the results of research (Edirisinghe & Woo, 2021; Ikbal et al., 2021), which found that leaders who encourage active participation of employees in decision making and give them freedom in exploring new ideas tend to get better performance from their teams. At PT Telkomsel Branch Makassar, the participative leadership style shows positive results, where employees feel more motivated and involved in their work process. Leaders who engage directly with their teams, provide clear direction, and encourage innovation through constructive feedback are able to increase employees' sense of ownership of their work. Participative leadership styles not only improve performance, but also strengthen the relationship between management and employees, creating a more harmonious and collaborative work environment.

However, while these results are positive, there are still opportunities for management to strengthen their leadership approach. As a company engaged in the dynamic telecommunications industry, leaders at PT Telkomsel need to continue honing their ability to inspire innovation and foster a culture of learning among their employees. A participative leadership style must be balanced with flexibility and the ability to adjust to the evolving needs of the industry.

### **The Role of Innovation as a Mediating Variable**

Innovation plays an important role as a mediating variable in the relationship between organisational culture, work environment, and leadership style with employee performance. This finding confirms the importance of innovation as a key element that supports the improvement of individual and organisational performance. Innovation allows companies to continue to grow and adapt to changes that

occur in the external environment. This research supports the view of (Barbieri & Mshenga, 2008; Debby et al., 2021; Lumpkin et al., 2010), which emphasises that innovation not only improves operational efficiency, but also gives companies a sustainable competitive advantage.

At PT Telkomsel Branch Makassar, innovation proved to be an important factor linking organisational culture, work environment, and leadership style with employee performance. An organisational culture that encourages innovation, coupled with a conducive work environment and supportive leadership, allows employees to be creative and develop new solutions that help increase productivity. The innovations implemented in this company, both in terms of products and work processes, have a positive impact on achieving company targets.

Nonetheless, the company needs to continue to encourage innovation as part of its long-term strategy. Innovation should not only be adopted as a formal strategy, but should also become part of the daily work culture. Employees should be encouraged to actively participate in innovative activities, both through training and inter-departmental collaboration. It is important that innovation is not just seen as a management task, but a shared responsibility across the organisation.

### **Implications of Research Results**

The results of this study have important implications for PT Telkomsel Branch Makassar in an effort to improve employee performance and achieve company goals. First, companies must continue to strengthen an organisational culture that supports innovation, by emphasising the importance of collaboration, creativity, and openness to new ideas. Second, companies need to ensure that a comfortable and conducive work environment for innovation continues to be improved, both in terms of physical facilities and relationships between employees (Arifuddin et al., 2021; Nellyanti, Gunawan, Azis, et al., 2021; Nellyanti, Gunawan, Aziz, et al., 2021).

Thirdly, participative leadership style should be the favoured approach in management, where leaders are able to provide clear direction and encourage employees to innovate. Fourth, innovation should be promoted as a key element in the company's strategy, through training, rewards, and career development systems that support innovation at all levels of the organisation.

## **5. Conclusion**

This study aims to analyse the effect of organisational culture, work environment, and leadership style through innovation on employee performance at PT Telkomsel Branch Makassar. Based on the results of the analysis, it can be concluded that organisational culture, work environment, and leadership style have a significant influence on employee performance, both directly and through innovation as a mediating variable. An organisational culture that is inclusive, supports collaboration, and encourages innovation is proven to significantly improve employee performance. A strong organisational culture provides employees with the foundation to work more productively and innovate in the face of work challenges. In addition, a comfortable work environment, both in terms of facilities and work atmosphere, also contributes to improved performance. A supportive work environment encourages employees to work more effectively and efficiently, so as to achieve the targets set by the company.

Participative leadership style also plays an important role in improving employee performance. Leaders who encourage active employee participation in decision-making and provide freedom to explore new ideas have been shown to increase employee motivation and engagement. Employees who feel valued and given the opportunity to innovate show better performance. Innovation acts as a mediating variable that strengthens the relationship between organisational culture, work environment, and leadership style with employee performance. Innovation is a key element in creating efficiency, creativity, and competitive advantage. Therefore, it is important for companies to continue to encourage a culture of innovation that is embedded in all parts of the organisation.

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