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The role of leadership style and organizational culture in enhancing employee performance

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ABSTRACT

Employee performance is critical to the success of an organization, heavily influenced by leadership style and organizational culture. This study aims to measure the influence of transformational leadership style on organizational culture and its impact on improving employee at PT XYZ, a consulting firm specializing in Strategic Project Management across multiple sectors, including Oil & Gas, Energy, Chemicals, Industrial & Infrastructure (ECI), Financial Services, Telecommunications, and Property. A quantitative approach was adopted, utilizing SEM-PLS for data analysis. The research sample consisted of 220 employees of PT XYZ in Pekanbaru, selected using non-probability convenience sampling, with the criterion that participants had a minimum of one year of work experience. Data were collected through structured questionnaires. The results revealed that transformational leadership significantly enhances organizational culture ($R^2 = 86.4\%$) and directly improves employee performance ($R^2 = 76.3\%$). Additionally organizational culture positively mediates the relationship between leadership style and employee performance. Employees working in teams characterized by trust, openness to risks, and idea-sharing demonstrated significantly higher performance levels. This study highlights practical implications for organizations: implementing transformational leadership training programs and fostering team-oriented cultures can drive employee performance and align with strategic organizational goals. These findings serve as a basis for developing leadership strategies and cultural initiatives to optimize workforce potential.



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Introduction

Human Resources (HR) are a fundamental element for organizational success, as quality HR ensures the smooth operation and achievement of organizational objectives (Darma Sabri et al., 2024). However, the development and empowerment of HR must be supported by leadership and organizational culture, both of which significantly shape HR performance. Leadership plays a pivotal role in motivating employees and aligning their efforts with organizational goals. For instance, inclusive and supportive leadership fosters collaboration and productivity, whereas authoritarian leadership can lead to dissatisfaction and hinder performance (Ningrum et al., 2022; Arisman, 2022). This underscores the importance of selecting an appropriate leadership style to create a conducive work environment and drive optimal employee performance.

In tandem, organizational culture acts as the backbone of an organization's identity and performance, influencing how employees interact, take risks, and work towards shared objectives (Nguyen et al., 2020). A strong organizational culture fosters innovation, collaboration, and result orientation, while a weak or misaligned culture can lead to inefficiencies and employee dissatisfaction (Bhuiyan et al., 2020; Kenedi et al., 2020; Paul Thumbi et al., 2020; Ridwan & Anik, 2020; Sari et al., 2021). Smircich (as cited in (Aranki et al., 2019)) conceptualizes organizational culture through two lenses: as a variable that influences organizational outcomes and as a manipulable entity shaped by leadership. This dual perspective highlights the leader's role in shaping a culture that aligns with strategic goals and enhances HR performance, particularly in dynamic and complex environments.

The interplay between leadership and organizational culture has been extensively studied, with transformational leadership theory often emphasized as a framework for understanding this relationship (Rahmi, 2021). Transformational leadership focuses on inspiring and empowering employees to achieve shared goals, creating a culture that supports innovation and collaboration (Alheet et al., 2021; Torlak & Kuzey, 2019; Zaman et al., 2021). Empirical studies demonstrate a positive and significant influence of transformational leadership on organizational culture and, subsequently, on employee performance (Ayu Putu Widani Sugianingrat et al., 2019; Olayisade & Awolusi, 2021).

In addition to transformational leadership, other dimensions such as authoritarian and transactional leadership also play crucial roles in shaping organizational culture. Authoritarian leadership emphasizes strict control, clear hierarchical structures, and adherence to rules, which can foster a culture of compliance and stability but may limit innovation and employee autonomy (Jiang & Chen, 2021; Koeswayo et al., 2024). Conversely, transactional leadership focuses on structured roles, reward systems, and performance monitoring to ensure task completion and goal achievement (Jaqua & Jaqua, 2021; Young et al., 2021). This leadership style tends to create a results-oriented organizational culture, where clarity of expectations and tangible rewards are prioritized. These distinct leadership dimensions each contribute to organizational culture in unique ways, influencing not only the working environment but also employee performance. Moreover, a robust organizational culture not only enhances individual employee performance but also fosters organizational commitment, further contributing to overall organizational effectiveness (Abdallat et al., 2020; Nurhasanah et al., 2022).

PT XYZ, established in 1987, is a consulting firm specializing in Strategic Project Management and Project Management across various sectors, including Oil & Gas, Energy, Chemicals, Industrial & Infrastructure (ECI), Financial Services, Telecommunications, and Property. In recent years, PT XYZ has experienced rapid growth in Engineering, Procurement & Construction (EPC) services, particularly in plant construction, infrastructure, and the oil & gas industry. With over 20 years of experience in the energy and mining industries, the company is also renowned for its excellence in Training Management and its active membership in the Indonesian Society of Professional Project Management (ISoPROM) and the Project Management Institute (PMI) Indonesia. PT XYZ operates with a complex organizational structure, encompassing various technical and non-technical divisions, within a work environment that emphasizes high standards in project delivery.

However, PT XYZ faces significant challenges related to its leadership style and its impact on organizational performance. Initial observations indicate that the commonly applied leadership style tends to be authoritarian. While this approach is deemed effective for achieving certain technical objectives, it is not consistently practiced across the organization. Preliminary survey results revealed that 14.3% of employees feel undervalued by their division leaders. This dissatisfaction is believed to stem from ineffective communication, a lack of recognition for employee contributions, and insufficient transparency in corporate decision-making. Such dissatisfaction may lead to reduced employee motivation and performance, ultimately impacting project outcomes.

The implications of suboptimal leadership are evident in the company's project performance. Data shows that out of 10 ongoing projects, 4 experienced delays in completion, with a shortfall of -12% from the 100% target. For instance, the well construction division reported a delay of 5%. These delays not only affect operational efficiency but also pose reputational risks for the company in maintaining client trust. This highlights the urgent need for improvements in leadership style, internal communication, and recognition of employee contributions to enhance project performance and strengthen the organizational culture.

A review of (Kuswati, 2020; Nurlina, 2022; Ridwan & Anik, 2020) studies indicates a significant gap in the literature regarding the relationship between leadership style, organizational culture, and employee performance in specific sectors such as Strategic Project Management and Project Management, particularly in industries like Oil & Gas, Energy, Chemicals, Industrial & Infrastructure (ECI), Financial Services, Telecommunications, and Property. While existing research acknowledges the importance of leadership style and organizational culture in influencing HR performance, it often generalizes findings across industries, with limited focus on the unique

challenges and demands of project-driven environments. For instance, there is insufficient examination of how specific leadership styles, such as authoritarian, transactional, and transformational leadership, can shape an organizational culture that fosters innovation, collaboration, and operational effectiveness—key factors for driving employee performance and achieving project success in these complex sectors (Sutrisno, 2019; Teguh Soedarto & Tri Hardi ST, 2023).

Furthermore, Existing studies often overlook the interplay between leadership strategies and organizational culture in environments where project timelines, resource constraints, and technical complexities are critical, particularly in project-intensive sectors such as Oil & Gas, Energy, Chemicals, Industrial & Infrastructure (ECI), Financial Services, Telecommunications, and Property. This lack of focus on industry-specific nuances and actionable leadership strategies highlights a pressing need for further exploration to address gaps in understanding. At PT XYZ, challenges such as delays in project completion, employee dissatisfaction, and limited recognition of contributions underscore the importance of examining the relationship between leadership style, organizational culture, employee satisfaction, and project performance. A deeper analysis of these dynamics can not only provide valuable insights into tailoring leadership practices to the unique demands of such industries but also offer strategic recommendations for fostering a more conducive work environment, enhancing HR performance, and driving sustainable organizational success.

This research aims to analyze the relationships among leadership style, organizational culture, and employee performance. The first objective is to examine the influence of leadership style on employee performance by focusing on various leadership dimensions, such as authoritarian, transactional, and transformational styles, and their effects on different aspects of employee performance, including trait-based criteria, behavior-based criteria, and outcomes-based criteria. The second objective is to analyze the influence of leadership style on organizational culture by exploring how leadership styles shape key cultural dimensions, such as risk-taking, attention to detail, outcome orientation, individual orientation, team orientation, and stability. The third objective is to investigate the impact of organizational culture on employee performance, identifying the role of cultural elements like risk-taking, attention to detail, and team orientation in fostering improved performance across different metrics.

This study contributes to the existing body of knowledge by employing the SEM-PLS model to comprehensively analyze the direct and indirect relationships among these variables. Unlike previous research, this study highlights its uniqueness by focusing on a sector-specific context and applying a methodological approach that provides a nuanced understanding of how leadership styles and organizational culture interact to influence employee performance. The integration of the SEM-PLS model introduces a novel perspective, addressing gaps in prior studies and offering valuable insights for strategic organizational development and human resource management.

Method

This study was conducted at PT XYZ, located in Pekanbaru, Rokan area. The research employed a quantitative approach using Structural Equation Modeling-Partial Least Squares (SEM-PLS). SEM-PLS was chosen due to its ability to analyze complex relationships between latent variables, whether reflective or formative, even with small sample sizes or non-normal data distributions. This method is also relevant for exploring the multidimensional relationships between leadership styles, organizational culture, and employee performance, which are the focus of this study. Compared to conventional statistical methods like linear regression, SEM-PLS allows for the simultaneous testing of direct and indirect relationships in complex models.

Population and Sample

The study population consisted of 2,020 employees of PT XYZ in Pekanbaru. This research used the purposive sampling method with inclusion criteria of employees with at least one year of work experience at PT XYZ. Purposive sampling was selected to ensure respondents had a sufficient understanding of the company's organizational culture and leadership. The sample size was 220 respondents, consistent with the thumb rule for SEM-PLS analysis, which requires at least ten times the number of indicators in the model. Exclusion criteria such as work division, job position, and educational level were not considered as the study focused on general employee work experience.

Research Instrument

Data were collected using a questionnaire designed with a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree). The questionnaire was divided into three main sections: (1) Leadership styles measured through dimensions of transformational, transactional, and authoritarian leadership, with indicators adapted from Bass (1985) and subsequent studies; (2) Organizational culture measured through dimensions such as risk-taking, attention to detail, outcome orientation, individual orientation, team orientation, and stability; (3) Employee performance measured using dimensions of trait-based, behavior-based, and outcome-based criteria.

The questionnaire was tested for validity and reliability through a pilot study involving 30 respondents. Validity testing was conducted using loading factor values (> 0.7 considered valid), while reliability was tested using Cronbach's alpha (> 0.7 considered reliable).

Data Collection Procedure

The questionnaire was distributed digitally over two weeks. Respondents were given a maximum of three days to complete the questionnaire after receiving the link. While there was no direct supervision during the questionnaire completion, detailed instructions were included in the distributed link to guide respondents. To minimize bias, the study avoided leading questions in the questionnaire. However, certain limitations remain, such as the potential inability of convenience sampling to represent the population accurately.

Data Analysis Steps

The data analysis steps using SEM-PLS included: (1) Assessment of the measurement model (outer model) to evaluate the validity and reliability of the constructs, including convergent validity, discriminant validity, and composite reliability; (2) Assessment of the structural model (inner model) to test the relationships between latent variables based on path coefficient values, t-statistics, and R-squared values; (3) Hypothesis testing using bootstrapping in the SEM-PLS software to evaluate the significance of relationships between latent variables.

Operational Definitions of Variables

Operational Definitions of Variables

First leadership styles: The approach used by leaders to motivate and direct employees, measured through transformational (inspiration, empowerment), transactional (reward and monitoring), and authoritarian (strict control and hierarchy) indicators. Second organizational culture: The dominant patterns of values, beliefs, and practices within the company, measured through dimensions such as risk-taking, attention to detail, outcome orientation, and others. Third employee performance: The outcomes of individual work performance evaluated based on trait-based, behavior-based, and outcome-based criteria.

Result and Discussion

Analysis Result

According to Hair et al. (2019), the Partial Least Squares Structural Equation Modeling (PLS-SEM) method is highly effective for estimating complex models. It allows researchers to analyze models with numerous constructs, multiple indicator variables, and intricate structural paths. Unlike traditional covariance-based SEM methods, PLS-SEM does not impose strict distributional assumptions on the data, making it suitable for a broader range of research scenarios. This flexibility is particularly beneficial when dealing with exploratory studies, non-normal data distributions, or small sample sizes, as it ensures robust and reliable results in diverse analytical.

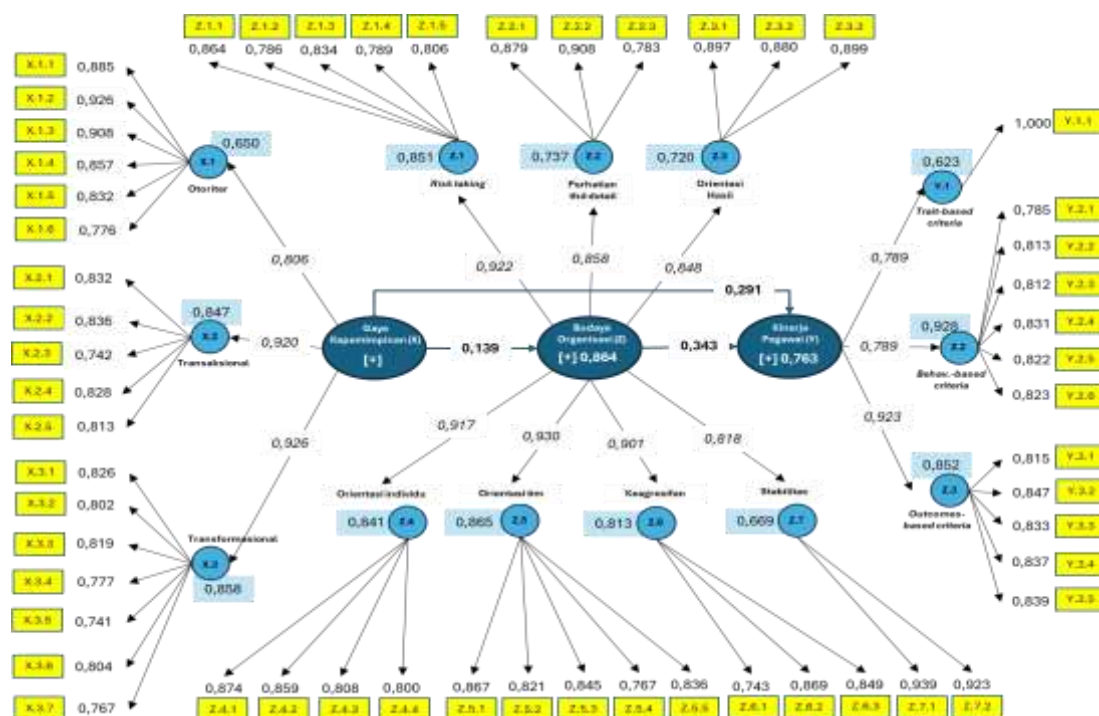


Figure 1 <Structural Equation Model (SEM) with Path Coefficients and Factor Loadings>

Validity and Reliability Result

Based on the results of the final model testing, it was found that all manifest (observed variables) has loading factor values greater than 0.70. Thus, the SEM-PLS model is considered to have good construct validity. Next, an average variance extracted (AVE) test will be conducted to further strengthen the results of convergent validity, with the criterion that if the AVE value > 0.5 (Hair et al., 2019), then the constructs used in the study are valid. The results of convergent validity based on the average variance extracted values indicate that all latent variables have AVE values greater than 0.5. This indicates that the indicators forming the latent constructs have good convergent validity when viewed from the average variance extracted values. Some latent constructs have Cronbach's alpha values greater than 0.7, indicating that the latent constructs have good reliability. Additionally, all latent constructs also have composite reliability values greater than 0.70. Based on the Cronbach's alpha and composite reliability values obtained, it can be concluded that the model has good reliability.

R Square Result

Table 1 <R Square>

	R Square	Relationship
Organizational Culture (Z)	0.864	Strong
Employee Performance (Y)	0.763	Strong

The R-Square values presented in Table 1 indicates that 86.4% of the variance in organizational culture (Z) can be explained by the leadership style variable. This high percentage suggests a very strong relationship, signifying that leadership style plays a pivotal role in shaping and influencing the organizational culture within PT XYZ. The strong R-Square value highlights that the way leaders interact with, motivate, and manage their teams directly impacts the core values, behaviors, and shared norms within the organization.

This value shows that 76.3% of the variance in employee performance (Y) can be explained by leadership style and organizational culture. While leadership style directly influences employee performance, organizational culture acts as a mediating factor that strengthens this relationship. The strong R-Square value underlines the significant role of organizational culture in translating leadership styles into measurable employee outcomes. For example, a positive culture influenced by effective leadership might enhance employee motivation, satisfaction, and engagement, all of which contribute to improved performance.

Q Square Result

Table 2 <Q² Predictive Relevance>

	SSO	SSE	Q ² (=1-SSE/SSO)
Organizational Culture (Z)	6275.000	3210.365	0.488
Leadership Style (X)	4518.000	4518.000	
Employee Performance (Y)	3012.000	1638.856	0.456

The Q² predictive relevance values in Table 2 indicate the model's ability to predict observed variables effectively. A Q² value greater than 0 confirms that the structural model has good predictive relevance. For organizational culture (Z), the Q² value is 0.488, meaning 48.8% of the variance in organizational culture is predicted by the model.

Similarly, for employee performance (Y), the Q² value is 0.456, showing that 45.6% of the variance in employee performance is successfully explained. These results highlight the model's strong predictive power, particularly for organizational culture, while also emphasizing the substantial, albeit slightly lower, predictive accuracy for employee performance. This underscores the relevance and robustness of the relationships between leadership style, organizational culture, and employee performance in the context of this study.

Variable Relationship Result

Table 3 <Path Coefficients and t-values for the Influence of Leadership Style on Employee Performance>

Influence	Original Sample (O)	t-Statistic	p-value	Conclusion
Leadership Style on Employee Performance	0.291	2.311	0.021	Reject H _{0,1}

The results in Table 3 demonstrate that leadership style has a positive and significant influence on employee performance. The Original Sample (O) value of 0.291 indicates a positive relationship, meaning that improvements in leadership style are associated with enhanced employee performance. This positive correlation suggests that effective leadership practices play a crucial role in motivating employees and fostering better performance. The t-statistic value of 2.311, which exceeds the critical t-value of 1.96, and the p-value of 0.021, which is below the 0.05 significance level, confirm the statistical significance of this relationship. As a result, the

alternative hypothesis (H1) is accepted, affirming that leadership style is a critical factor influencing employee performance in this study.

Table 4 <Path Coefficients and t-values for the Influence of Leadership Style on Organizational Culture>

Influence	Original Sample (O)	t-Statistic	p-value	Conclusion
Leadership Style on Organizational Culture	0.139	3.158	0.002	Reject $H_{0.2}$

The results in Table 4 reveal that leadership style significantly and positively influences organizational culture. The Original Sample (O) value of 0.139 indicates a direct and positive relationship, suggesting that as leadership style improves, the organizational culture also becomes more conducive to achieving shared goals. The statistical significance of this relationship is confirmed by the t-statistic value of 3.158, which exceeds the critical threshold of 1.96, and a p-value of 0.002, which is well below the 0.05 significance level. This leads to the acceptance of the alternative hypothesis (H2), affirming that leadership style plays a vital role in shaping and reinforcing organizational culture. These findings highlight that effective leadership not only impacts individual employee performance but also fosters a cohesive and supportive organizational culture that aligns with organizational objectives and values.

Table 5 <Path Coefficients and t-values for the Influence of Organizational Culture on Employee Performance>

Influence	Original Sample (O)	t-Statistic	p-value	Conclusion
Organizational Culture on Employee Performance	0.343	2.637	0.009	Reject $H_{0.6}$

The results in Table 5 indicate a positive and significant impact of organizational culture on employee performance. The Original Sample (O) value of 0.343 suggests that as the organizational culture improves, employee performance also tends to improve in the same direction. This relationship is statistically significant, as evidenced by the t-statistic value of 2.637, which is greater than the critical value of 1.96, and a p-value of 0.009, which is below the 0.05 significance threshold. Therefore, H3 is accepted, affirming that a strong organizational culture has a meaningful and positive influence on employee performance. These findings highlight the importance of cultivating a supportive and collaborative organizational culture that empowers employees to perform at their best, reinforcing the notion that culture plays a crucial role in enhancing productivity and outcomes within an organization.

The Influence of Leadership Style on Employee Performance

The influence of leadership style on employee performance within the company reveals important insights into the relationship between leadership and employee behavior, with a focus on different leadership styles such as authoritarian, transactional, and transformational. While authoritarian leadership, characterized by clear control and decision-making from superiors, is effective in certain technical or crisis-oriented tasks, its long-term influence on employee performance is less favorable, especially in fostering initiative and proactivity. Employees under authoritarian leadership tend to follow instructions passively, which often leads to lower levels of creativity and problem-solving. This behavior can be seen in situations where employees fail to address safety issues, such as not cleaning up their workspace immediately after finishing a shift, even though it could pose a hazard to coworkers. This reflects the authoritarian style's tendency to focus on control and supervision, which can limit employee autonomy and initiative.

In contrast, transactional leadership, which emphasizes reward-based motivation and performance-based evaluations, encourages employees to achieve specific goals in exchange for rewards or recognition. This leadership style can contribute to enhancing employee performance by providing clear expectations and aligning individual goals with organizational objectives. However, while it ensures compliance and goal achievement, transactional leadership may not fully engage employees' creativity or drive for innovation. Employees are likely to perform well in tasks that are clearly defined and rewarded, but may lack the initiative to exceed expectations or contribute beyond the minimum required. In the Oil & Gas sector, where safety and efficiency are paramount, transactional leadership can be beneficial in ensuring operational standards are met, but it must be complemented by other leadership styles to foster adaptability in unexpected situations.

Transformational leadership, on the other hand, plays a critical role in influencing employee performance by inspiring and motivating employees to go beyond their usual duties and take ownership of their roles. In this leadership style, leaders foster a sense of pride and recognition in their employees, which contributes to higher levels of engagement, creativity, and initiative. In an Oil & Gas environment, employees under transformational leadership actively engage in safety initiatives, as demonstrated by field workers who, upon discovering a gas leak, take immediate action to secure the area and ensure team safety. Such behaviors not only mitigate risk but

also reflect a deep commitment to the organization's values and goals. The recognition and appreciation given by leaders in these situations further reinforce employees' confidence and sense of purpose, contributing to improved performance.

Each leadership style's contribution to employee performance can be understood through its alignment with employee motivation and behavior. The authoritarian style may be effective in ensuring compliance with set standards, but it does not stimulate employee initiative or creativity. Transactional leadership ensures that employees meet specific goals, but may not encourage them to exceed expectations or engage in innovative thinking. Transformational leadership, however, creates an environment where employees feel valued, empowered, and motivated to contribute beyond the basic requirements of their roles, resulting in enhanced performance and organizational success.

These findings align with prior research, such as the work of (Abdullah et al., 2023; Noratta et al., 2022), which highlight that firm leadership can enhance compliance and operational efficiency, particularly in structured or rule-bound environments. However, these studies also suggest that effective leadership must strike a balance between providing clear direction and fostering an engaging, supportive environment. In the Oil & Gas industry, where both safety and efficiency are critical, leaders must be able to adapt their style depending on the situation—being firm when necessary but also encouraging innovation and initiative when faced with unexpected challenges. This dynamic approach to leadership is supported by studies such as (Baig et al., 2021; Fonseca Da Costa Guterres et al., 2020; Ichsan et al., 2021), which emphasize the importance of selecting the right leadership style to drive both operational success and employee engagement. By understanding the nuances of different leadership styles and their impact on employee performance, organizations can create a work environment that promotes both individual and collective growth, ensuring sustained success in the demanding Oil & Gas sector.

Influence of Leadership Style on Organizational Culture

Based on the analysis results, transformational leadership stands out as the most significant dimension influencing leadership style within the company, followed by transactional leadership, and finally authoritarian leadership. The higher the transformational leadership, the greater the positive impact on organizational culture. This leadership style enhances employee pride, confidence, and focus on the organization's mission. By understanding employee needs, appreciating their work, and providing attention when an employee loses focus, transformational leadership fosters an environment that values collaboration and mutual respect.

One critical aspect of organizational culture is team orientation, which focuses on fair task distribution, prioritizing teamwork, supporting one another, and fostering trust. However, challenges arise when employees perceive unequal task distribution, as seen with maintenance technicians having broader work areas than their peers. Such disparities increase workloads, resulting in fatigue, stress, and dissatisfaction. Additionally, lack of support and poor coordination between teams exacerbate frustrations and hinder work progress. This is indicative of a need for a more balanced and fair approach to task allocation, which is essential for creating a cohesive work environment.

Authoritarian leadership can exacerbate such issues by stifling employee input, reinforcing a culture where task distribution is seen as unfair. This leadership style is less conducive to fostering collaboration and inclusivity, and thus, a more transformational approach is needed. Transactional leadership, although effective in setting clear goals and expectations, contributes less to fostering intrinsic motivation and employee engagement compared to transformational leadership.

Further dimensions that shape organizational culture include risk-taking, attention to detail, outcome orientation, individual orientation, and stability. Risk-taking is crucial for fostering innovation, which is essential in the dynamic Oil & Gas industry. Encouraging calculated risk-taking enables employees to explore new ideas and solutions, directly influencing productivity and growth. Attention to detail, on the other hand, ensures that high standards of work quality are maintained, which is critical in the sector where operational accuracy and safety are paramount. Outcome orientation ensures that employees remain focused on achieving goals, enhancing the efficiency of operations and contributing to the company's long-term success.

Individual orientation emphasizes understanding and catering to the unique needs of employees, leading to greater satisfaction and motivation. By aligning individual strengths with organizational goals, companies can achieve better results. Finally, stability, while often seen as a desirable trait, needs to be balanced with innovation to avoid stagnation. In an industry like Oil & Gas, where external factors frequently drive change, adaptability alongside stability becomes crucial.

Each of these dimensions contributes to the overall employee performance by creating an environment that supports individual growth, team collaboration, and organizational efficiency. As studies suggest, cultures that

support innovation, transparency, and mutual respect enhance job satisfaction and productivity (Ayu Putu Widani Sugianingrat et al., 2019; Olayisade & Awolusi, 2021). However, authoritarian or rigid organizational cultures can suppress creativity and demotivate employees. Hence, leadership styles that promote engagement, collaboration, and development are pivotal in fostering a thriving work environment, particularly in industries like Oil & Gas, where team-based problem-solving and risk management are crucial to operational success.

The application of appropriate leadership styles can directly influence organizational culture, performance, and employee satisfaction, as seen in various studies on leadership effectiveness (Alheet et al., 2021; Torlak & Kuzey, 2019; Zaman et al., 2021). By aligning leadership styles with organizational goals, companies can enhance both productivity and employee morale, creating a supportive and high-performing work environment.

The Influence of Organizational Culture on Employee Performance

Organizational culture significantly influences employee performance, as it shapes how employees interact, collaborate, and respond to leadership. In this study, a team-oriented culture was identified as a crucial factor in shaping performance, but it received the lowest ratings in terms of fair task distribution, mutual support, and clear inter-departmental coordination. Employees expressed concerns that tasks and responsibilities were not equally distributed, despite having similar levels of experience and skills. This imbalance led to extended working hours and higher workloads, which could contribute to fatigue and stress. Moreover, the communication culture within the organization was identified as a weak point, particularly in how field employees, such as heavy equipment operators and maintenance technicians, interact with colleagues from other departments. Challenges in reaching out to maintenance technicians and delayed feedback when technical issues arise contribute to inefficiencies and hinder smooth operations in the field.

The role of organizational culture in shaping employee performance is not only direct but also indirect, particularly through its mediating effect between leadership styles and employee performance. Transformational leadership, when paired with a supportive and collaborative organizational culture, can significantly enhance employee motivation, engagement, and performance. However, an authoritarian leadership style may limit these positive outcomes, particularly in a culture where communication and collaboration are insufficient. Therefore, organizational culture mediates the effect of leadership on employee performance by either reinforcing or inhibiting the impact of leadership behaviors on work outcomes. A team-oriented culture that fosters open communication, mutual support, and fair task distribution can strengthen the positive effects of transformational leadership by enhancing employee morale, improving productivity, and creating a more cohesive and motivated workforce.

Each dimension of organizational culture plays a role in contributing to the overall performance. Fair task distribution ensures that employees feel valued and their workloads are manageable, which directly impacts job satisfaction and reduces stress. Mutual support promotes a collaborative environment where employees can rely on each other to complete tasks, enhancing teamwork and efficiency. Clear communication systems improve the flow of information, allowing employees to resolve issues quickly and accurately, reducing delays and improving operational efficiency. However, the weaknesses in these areas, such as perceived unfairness in task distribution and poor inter-departmental communication, can harm employee performance, reduce motivation, and hinder collaboration, ultimately leading to decreased job satisfaction and productivity.

Linking these findings with previous research, cultures that emphasize values such as innovation, collaboration, transparency, and mutual respect tend to increase employee satisfaction and organizational success (Abdallat et al., 2020; Nurhasanah et al., 2022). In the Oil & Gas industry, where high-performance teamwork and clear communication are essential for operational success, addressing weaknesses in organizational culture is crucial for fostering an environment that supports growth and employee well-being. Organizational cultures that promote innovation and collaboration can drive performance improvements, particularly in complex and dynamic industries like Oil & Gas, where efficiency and adaptability are key to staying competitive and managing risks.

Managerial Implications

The findings of this study emphasize the significant role of transformational leadership and a team-oriented organizational culture in enhancing employee performance at PT XYZ. To implement these insights in practice, PT XYZ should prioritize several actionable steps to align leadership behaviors with workforce needs and improve organizational culture. First, for transformational leadership to thrive, the company should invest in leadership development programs across all managerial levels. These programs should focus on fostering leadership behaviors that inspire employees, recognize individual contributions, and support employee development. Leadership training can include coaching on providing meaningful feedback, communicating a compelling vision, and creating a supportive environment where employees are motivated to achieve both

personal and organizational goals. Regular leadership workshops and mentorship initiatives can further reinforce these practices, ensuring that managers are well-equipped to lead in a transformational manner.

Second, strengthening the organizational culture is crucial, particularly in addressing gaps in task distribution, mutual support, and communication. PT XYZ can implement fair and transparent systems for task distribution to ensure equity across departments, using tools like regular workload assessments and cross-functional meetings to monitor and adjust task assignments. In addition, fostering a supportive team culture, where employees feel encouraged to collaborate and share ideas, is key. This can be achieved through team-building activities and workshops focused on trust and cooperation, helping employees feel more connected and motivated to work together. Furthermore, PT XYZ should invest in enhancing internal communication systems, particularly for field employees, by implementing real-time messaging platforms and mobile applications that allow seamless communication with colleagues and supervisors. Clear communication protocols and regular updates on company goals can help alleviate confusion and boost operational efficiency.

Additionally, cultivating a culture of innovation is essential for fostering creativity and employee engagement. PT XYZ should encourage employees to propose new ideas and reward innovative thinking through initiatives like idea boards, innovation contests, or brainstorming sessions. Management should create an environment where employees feel safe to take risks and experiment, with recognition for both successful and failed attempts. Transparency in decision-making and the acknowledgment of employees' creative contributions will reinforce a culture of innovation and continuous improvement.

Lastly, increasing transparency and trust within the organization will be pivotal in fostering teamwork. PT XYZ can achieve this by regularly sharing company goals, progress, and challenges with employees, ensuring they feel involved in decision-making processes that affect them. This openness will help build trust and encourage a culture of mutual respect. By taking these steps, PT XYZ can create an environment that supports transformational leadership and a strong team-oriented culture, ultimately leading to improved employee performance, operational efficiency, and long-term strategic success. These practices could also serve as a valuable framework for other companies in the Oil & Gas sector and similar industries, where effective leadership and a healthy organizational culture are crucial to achieving sustainable growth and maintaining a competitive edge.

Limitations and Recommendations

This study has several limitations that should be considered when interpreting the results and applying them to broader contexts. First, the findings of this study are limited to PT XYZ, which operates in the strategic project management sector. Therefore, the results cannot be generalized to other companies with different industry characteristics or organizational structures, such as those in manufacturing or technology sectors. Differences in organizational structure, work culture, and the types of projects managed may affect the relevance and applicability of the findings in other sectors or companies.

A second limitation is related to the data collection method, specifically the use of questionnaires and convenience sampling. The use of convenience sampling may introduce bias in respondent selection, potentially affecting the representativeness of the sample relative to the broader population. This could impact the accuracy of the findings and limit the generalizability of the results. Furthermore, organizational characteristics, such as rigid hierarchical structures or the technical nature of the projects being managed, may also influence the results, but these factors were not measured in this study. Therefore, caution is needed when drawing conclusions that apply to other organizations or industries with different characteristics.

Conclusions

This study demonstrates that leadership styles, especially transformational leadership, significantly influence both employee performance and organizational culture, particularly a team-oriented culture. The results show that transformational leadership positively impacts employee performance, particularly in terms of behavior-based criteria such as collaboration, discipline, and motivation. The interaction between transformational leadership and team-oriented organizational culture plays a critical role in fostering an environment conducive to growth, innovation, and high employee engagement. Transformational leadership is especially effective in contexts that demand adaptation, innovation, and alignment toward long-term goals, as it inspires employees and provides a clear vision. In contrast, authoritarian leadership, though still commonly practiced, has a more limited positive impact on organizational culture and employee performance. The study reveals that while authoritarian leadership may maintain control in certain situations, it tends to stifle creativity and employee collaboration, which are crucial for long-term success.

The findings indicate that leadership style accounts for a substantial portion of the variance in both organizational culture and employee performance. Specifically, transformational leadership shows a strong correlation with improved employee engagement, work discipline, and a team-oriented culture. Statistically, the organizational culture dimension explained 86.4% of the variance in leadership style, while team orientation within employee performance explained 76.3% of the variance in organizational culture. Given these insights, it is recommended that PT XYZ focus on leadership development programs for managers who rely on authoritarian leadership, providing them with training and resources to transition to a more transformational approach. This adjustment can help drive not only improved employee performance but also a more collaborative, innovative, and supportive organizational culture, which is vital for the company's long-term success.

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