

The Influence of Transformational Leadership Style and Organisational Culture on Employee Performance Mediated by Organisational Commitment

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ABSTRACT

Objective: This study aims to analyze the influence of transformational leadership and organizational culture on employee performance, with organizational commitment serving as a mediating variable at CV Aquaku Jaya Bersama in Dompu Regency, West Nusa Tenggara.

Methodology: This study uses a quantitative causal approach with a population of 78 employees. Data were collected through questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS version 3 software. The analysis procedure included measurement evaluation, structural modelling, and direct and indirect hypothesis testing.

Findings: The results showed that transformational leadership did not directly influence employee performance but had a positive and significant effect on organisational commitment. Organisational culture has a positive and significant influence on both organisational commitment and employee performance. In addition, organisational commitment positively influenced employee performance and substantially mediated the relationship between transformational leadership and employee performance. However, organisational commitment did not mediate the relationship between organisational culture and employee performance.

Conclusion: This study emphasises the importance of building organisational commitment to improve employee performance through leadership and work culture approaches.

Keywords: Transformational Leadership Style; Organisational Culture; Organisational Commitment; Employee Performance.

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INTRODUCTION

In an era of increasingly fierce global competition, organisations can no longer rely solely on technological superiority or natural resources; instead, they must optimise human resources (HR) as the primary driver of performance and competitive advantage. This condition is particularly relevant in Indonesia, where the MSME sector makes a significant contribution to the national economy and employment. However, various studies indicate that employee performance in many organisations remains suboptimal, which hurts productivity and competitiveness. For example, a meta-analysis found that transformational leadership style is generally positively related to employee performance, but with significant variations between studies (Judge & Piccolo, 2004). Furthermore, recent research on organisational culture shows that although a strong culture can support performance, its effects are not always immediate and depend on the organisational context (Pham, Vu, & Nguyen, 2024). Thus, research examining the factors within organisations that can strengthen employee performance is crucial to be conducted immediately, so that organisations including MSMEs in disadvantaged areas do not fall behind in competition.

This study chose CV. Aquaku Jaya Bersama, located in Dompu Regency, West Nusa Tenggara, was the object of the study because it provided an opportunity to explore the dynamics of leadership, culture, and organisational commitment in an SME environment outside the business centre. The selection of this object is important because many previous studies have focused on large or urban companies. At the same time, MSMEs in areas such as Dompu have unique characteristics such as small scale, simpler organisational structures, and different resource challenges which can affect the relationship between variables differently. Thus, this object enables us to test whether the findings in the literature also apply in the less-explored local context of Indonesia, as well as to distinguish the conditions of small and medium-sized organisations in rural areas from those of large organisations in major cities.

This study examines transformational leadership style and organisational culture as independent variables, employee performance as a dependent variable, and organisational commitment as a mediating variable. Theoretically, leaders who apply a transformational style are expected to motivate and empower employees, thereby improving performance (Bass, 1999). Meanwhile, a strong organisational culture provides shared values and norms that guide work patterns, which ultimately support employee performance (Hartnell, Ou, & Kinicki, 2011). The mediating variable of organisational commitment was chosen because employees who feel emotionally attached and loyal to the organisation tend to exhibit more positive and sustainable work behaviour acting as a bridge between leadership/culture and performance (Meyer & Allen, 1991).

Although many studies have linked transformational leadership to performance, the results are not always consistent some studies show a significant direct effect, while others find a small or insignificant effect (Kura, Salleh, & Nazmudeen, 2020). Similarly, research on organisational culture shows a positive influence on performance, but its role as a mediator or through intermediate variables has rarely been explored (Pham et al., 2024). Furthermore, most studies have been conducted on large companies in developed or metropolitan countries, whereas empirical research on MSMEs in areas with limited resources remains limited. Thus, there is a research gap in testing the mediation model of organisational commitment in the context of Indonesian MSMEs, as well as in comparing whether the influence of leadership and culture differs between small and medium-sized organisations in rural areas.

In short, this study fills the literature gap by testing a model that combines transformational leadership, organisational culture, organisational commitment, and employee performance in the context of MSMEs in the Dompu region, NTB. The novelty of this study lies in (i) testing two influence paths simultaneously (leadership, performance and culture, performance) with commitment as a mediator, and (ii) the context of small and medium-sized organisations in regions that have been under-explored. The practical benefit is to provide insights for SME managers on appropriate interventions (e.g., building employee commitment through leadership style and work culture) to increase productivity. Theoretically, this research extends the generalisation of leadership and organisational culture literature to the Indonesian SME sector. The purpose of this study is to analyze the influence of transformational leadership style and organizational culture on employee performance, with organizational commitment as a mediating variable, at CV. Aquaku Jaya Bersama, Dompu Regency, NTB.

LITERATURE REVIEW

Transformational Leadership

Transformational leadership style is an approach in which leaders not only perform administrative functions but also actively motivate, inspire, empower subordinates, and encourage innovation through strategic vision and individual attention (Bass, 1999). Recent studies indicate that the influence of this leadership style on employee or organisational performance is generally positive, but its mechanisms and strengths are highly dependent on the organisational context. For example, a meta-analytic study by Xue et al. (2022) found that transformational leadership style is significantly related to followers' intrinsic motivation. However, different leadership styles (empowering leadership, ethical leadership) sometimes have a greater effect. Furthermore, research by Wang, Alam, et al. (2022) in China indicates that transformational leadership has a positive impact on the affective commitment and performance of hotel staff, with this effect being mediated by employee engagement.

Meanwhile, a systematic study by Agazu, Kero & Debela (2025) noted that out of 54 studies conducted between 2016 and 2023, most showed a positive relationship between transformational leadership and organisational performance. However, there were still many gaps related to mediating variables and contextual influences. Therefore, in this study, transformational leadership is identified as an independent variable that allows analysis not only of its direct influence on performance but also through mediating pathways such as organisational commitment. Moreover, as research in the context of MSMEs and regions (small-scale, limited resources) is still relatively scarce, these contextual factors are important to test whether previous findings apply or differ.

The strength of the transformational leadership style lies in its strong theoretical and empirical framework for example, providing relevant motivation and innovation orientation in a dynamic era. However, its limitation is that many studies show its influence is not always direct, and there is significant heterogeneity between contexts; for example, Xue et al. (2022) demonstrate that other styles may also be more effective. Therefore, this study needs to explore specifically whether transformational leadership has a direct impact on performance or through organisational commitment in the context of MSMEs.

Organisational Culture

Organisational culture refers to the system of shared values, norms, and beliefs that shape behaviour and decision-making within an organisation. Theoretical frameworks, such as those proposed by Schein (2010), suggest that an organisation's basic underlying assumptions form the foundation of its identity and daily practices. In recent studies, for example, in a review by the Chartered Institute of Personnel and Development (CIPD, 2023), it was found that the relationship between organisational culture and organisational performance is moderate to low (correlation of around 0.1-0.4) and that culture is often less predictive than factors such as performance management or leadership. New empirical research in India by Sharma & Taneja (2024), for example, shows that specific cultural dimensions (such as innovation and risk-taking) influence performance through psychological capital as a mediator, rather than having a direct effect. Thus, this study posits organisational culture as an independent variable that can directly influence employee performance or indirectly through organisational commitment. As the literature shows inconsistent results and context greatly influences outcomes, testing organisational culture in the context of MSMEs in the region is very important.

The strength of the organisational culture variable is that it provides direction for norms and values that can shape collective behaviour and a strong organisational identity. However, its limitation is that the direct influence of culture on performance is often small and is often influenced by many other factors (moderators/mediators), and how culture is measured (objectively vs. subjectively) affects the results. Therefore, this study must explicitly evaluate how organisational culture in local SMEs relates to employee performance and whether organisational commitment mediates that pathway.

Organisational Commitment

Organisational commitment is defined as an employee's psychological bond to the organisation, comprising three components: affective (emotional identification), normative (moral obligation), and continuance (cost-benefit considerations), as developed by Meyer & Allen (1991). In human resource management literature, organisational commitment is widely used as a mediating or moderating variable linking managerial variables (such as leadership and culture) with employee outcomes, including performance, loyalty, and turnover. For example, a study by Wang et al. (2022) found that transformational leadership has a significant influence on affective commitment and performance, with engagement serving as a mediator. From the perspective of Social Exchange Theory (SET), when employees feel well-treated, supported, have a clear vision and opportunities for development, they will feel a reciprocal obligation to contribute with better performance. Therefore, organisational commitment in this model functions as a reasonable theoretical mediating variable between leadership/culture and performance.

The strength of organisational commitment as a construct is supported by extensive empirical evidence for mediation, as well as a robust theoretical framework (Meyer & Allen). However, its limitation is that in many contexts, the direct influence of commitment on performance can be weak or insignificant, depending on job conditions, employee autonomy, or the character of small organisations. Therefore, this study will simultaneously examine the role of commitment as a mediator between (a) transformational leadership, performance, and (b) organisational culture, performance in an SME setting.

Employee Performance

Employee performance is often measured in terms of individual task output, including quality, quantity, timeliness, attendance, and ability to work in a team (Na-Nan et al., 2018; Sharma & Taneja, 2018). In a recent review, employee performance was found to be influenced by several factors, including leadership style, organisational culture, commitment, competence, and work climate. For example, meta-analytic research shows that transformational leadership has a positive effect on organisational performance, but the mechanisms of influence (mediation/moderation) are often not detailed (Turner et al., 2016). A new study by Wang et al. (2022) demonstrates that transformational leadership has a positive influence on performance through increased affective commitment. Therefore, in this study, employee performance is considered the outcome of the model, where transformational leadership and organisational culture have the potential to influence it directly or indirectly through organisational commitment.

HYPOTHESES AND RESEARCH FRAMEWORK

The Relationship between Transformational Leadership and Employee Performance

Transformational leadership is viewed as a leadership style that can stimulate changes in employee behaviour through vision, inspiration, motivation, and personal attention shown by leaders (Bass, 1999; Northouse, 2017). This theory is rooted in *the Full Range Leadership Model*, which emphasises idealised influence, inspirational motivation, intellectual stimulation, and individual consideration.

Theoretically, transformational leaders influence employee performance by increasing intrinsic motivation, trust, and work engagement. Recent empirical research reinforces this relationship. For example, Xue, Li, and Wang (2022) in *Frontiers in Psychology* found that transformational leadership style significantly increases work motivation and performance outcomes in the manufacturing sector. Similarly, Wang, Alam, and Chen (2022) demonstrated that the impact of transformational leadership on hotel staff performance is mediated by increased *employee engagement*. The results of a meta-analysis by Agazu et al. (2025) also confirm that more than 80% of studies from the last decade have shown a positive relationship between transformational leadership and organisational performance.

Based on this theoretical and empirical foundation, this study assumes that the higher the application of the transformational leadership style, the higher the employee performance within the organisation.

H1: Transformational leadership style has a positive effect on employee performance.

The Relationship between Organisational Culture and Employee Performance

Organisational culture is defined as a system of shared values, norms, and beliefs that shape patterns of behaviour in the workplace (Schein, 2010). Theoretically, a strong and positive culture functions as *a social glue* that unites organisational members in common goals, increases behavioural stability, and strengthens employees' intrinsic motivation.

Modern empirical findings support the importance of organisational culture on work outcomes. Sharma & Taneja (2024) report that an innovative culture increases employees' *psychological capital*, which in turn has a positive effect on performance. Pham et al. (2024) also demonstrate that a sustainability-oriented organisational culture can enhance performance through improved

process efficiency and increased employee engagement. Furthermore, Al-Sada et al. (2017) found that a participatory culture significantly increases job satisfaction and team performance. Therefore, this study positions organisational culture as an important independent variable that influences employee performance both directly and through internal psychological factors.

H2: Organisational culture has a positive effect on employee performance.

The Relationship between Transformational Leadership and Organisational Commitment

Transformational leaders play a crucial role in fostering emotional and psychological bonds between employees and the organisation. Based on the *Affective Commitment* theory (Meyer & Allen, 1991), inspirational, supportive, and fair leadership behaviour increases employees' sense of belonging and loyalty.

Recent empirical research supports this relationship. Wang et al. (2022) found that transformational leadership strengthens affective commitment through increased *engagement*. Another study by Choi et al. (2023) in the Korean education sector showed that transformational leadership significantly increases employees' normative commitment through perceptions of organisational justice. A meta-analysis by Xue et al. (2022) also confirmed that commitment is one of the primary mechanisms that bridges the influence of transformational leadership on organisational performance.

Thus, the higher the intensity of transformational leadership style, the stronger the emotional commitment and loyalty of employees to the organisation.

H3: Transformational leadership style has a positive effect on organisational commitment.

The Relationship between Organisational Culture and Organisational Commitment

A strong organisational culture creates value alignment between employees and the organisation (*person–organisation fit*). When the values embraced by an organisation align with personal values, employees tend to feel pride, loyalty, and a more profound attachment to the organisation. Empirically, Tian et al. (2021) demonstrate that a collaborative and open culture fosters the formation of both affective and normative commitment. Research by Zhao & Khaliq (2024) also found that an innovative culture that allows for employee participation strengthens organisational loyalty. Additionally, a study by Taba et al. (2023) in the *Employee Relations Journal* reveals that an adaptive culture fosters *psychological ownership*, thereby strengthening long-term commitment.

Based on this, a positive organisational culture is assumed to strengthen employees' emotional attachment to the organisation.

H4: Organisational culture has a positive effect on organisational commitment.

The Relationship between Organisational Commitment and Employee Performance

Organisational commitment is an important psychological factor that drives productive work behaviour. According to *Social Exchange Theory*, employees who feel valued and attached to the organisation will show reciprocal behaviour in the form of improved performance (Meyer & Allen, 1991).

Modern research confirms this relationship. Sharma & Taneja (2024) show that affective commitment has a direct influence on performance. Wang et al. (2022) find that normative commitment strengthens the relationship between *leadership engagement* and work performance.

Research by Lee & Kim (2023) in *the Journal of Business Research* also shows that organisational commitment improves the efficiency and quality of employee work outcomes in the service sector. Thus, organisational commitment is a crucial factor in determining the extent to which employees contribute to organisational performance.

H5: Organisational commitment has a positive effect on employee performance.

Organisational Commitment as a Mediator between Transformational Leadership and Employee Performance

Theoretically, transformational leadership can foster commitment through increased motivation, recognition, and perceptions of organisational support, which then trigger high performance (Meyer & Allen, 1991). Research by Wang et al. (2022) and Xue et al. (2022) proves that commitment acts as a significant mediating variable in the relationship between leadership and performance. Choi et al. (2023) also note that transformational leadership enhances *trust*, which in turn fosters commitment, ultimately leading to a positive impact on individual performance.

Thus, the following hypothesis is proposed:

H6: Organisational commitment mediates the influence of transformational leadership on employee performance.

Organisational Commitment as a Mediator between Organisational Culture and Employee Performance

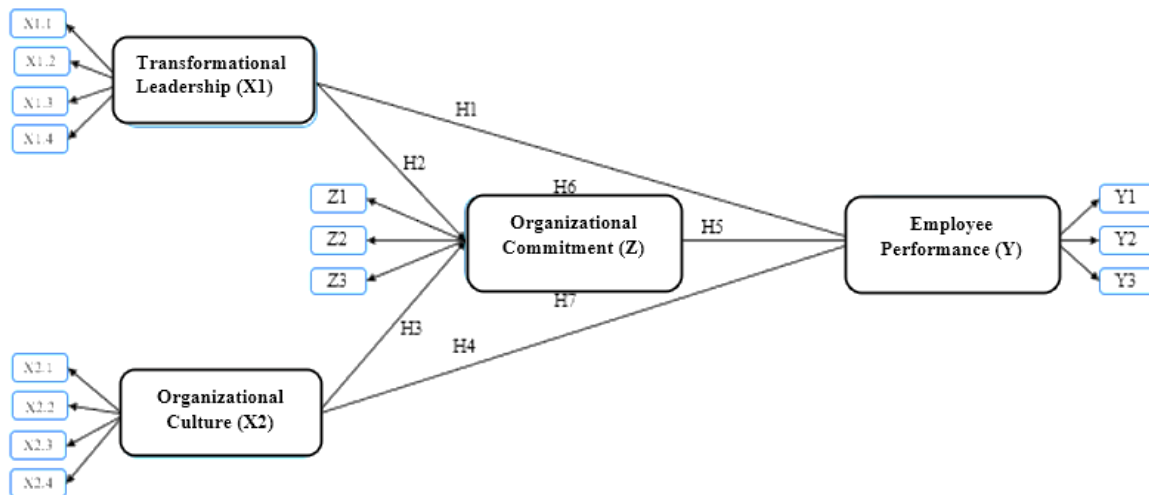
An organisational culture that supports collaboration and employee well-being creates a work environment that fosters emotional attachment and loyalty. This high level of commitment then becomes a catalyst for improving individual and team performance.

Research by Pham et al. (2024) and Sharma & Taneja (2024) supports the notion that the effect of culture on performance often occurs indirectly through commitment or *employee engagement*. Similar results were also found by Taba et al. (2023), who stated that an inclusive organisational culture strengthens commitment and mediates improved work performance.

Based on these findings, the following hypothesis is proposed:

H7: Organisational commitment mediates the influence of organisational culture on employee performance.

Figure 1 Research Model



Source: adapted by the researcher, 2025

METHOD

This study uses a quantitative approach with the primary objective of empirically testing hypotheses based on numerical data. The quantitative approach is considered the most appropriate because it objectively explains the relationship between variables and can be tested through systematic statistical techniques (Marinu, 2023). The distinctive features of this method are its measurable and standardized nature, as well as its ability to be represented in the form of numbers, tables, and graphs, thereby producing scientifically accountable findings.

Research Design

The type of research used is a causal-comparative research design, which aims to analyse the cause-and-effect relationship between variables. The primary focus of this study is to investigate the impact of transformational leadership style and organisational Culture (as independent variables) on employee performance (as a dependent variable), with organisational Commitment serving as a mediating variable. This approach enables researchers to thoroughly test conceptual models and determine the direction and strength of the relationships between variables.

Population and Sample

The population in this study consisted of all permanent employees working at CV: Aquaku Jaya Bersama, a company located in Dompu Regency, West Nusa Tenggara.

The sample size of this study was 78 people, as it employed saturated sampling (also known as census sampling), where all members of the population were included as respondents. This approach is not a methodological weakness, but rather an appropriate strategy in the context of a small and homogeneous population, as recommended by *Hair et al. (2021)* in *Multivariate Data Analysis* and *Sugiyono (2022)* in quantitative research methodology.

According to *Hair et al.* (2021), the *Partial Least Squares Structural Equation Modelling (PLS-SEM)* analysis model can be used effectively with a minimum sample size of 30–100 respondents, especially if the model is explanatory and the number of indicators per construct is not too large. In this context, the study has four primary constructs with a total of fewer than 20 indicators, so the number of 78 respondents meets the minimum requirement for variance-based SEM analysis (PLS-SEM).

Furthermore, because CV. Aquaku Jaya Bersama has only 78 permanent employees; therefore, it is impossible to increase the sample size without changing the unit of analysis. This study attempts to reach the entire target population (not just a random sample), so that statistically, the results reflect *population parameters*, not just *sample statistics*. Thus, the number of respondents (78) is not a shortcoming, but rather a complete representation of the population studied.

Data Collection Techniques and Instrument Development

Data were collected through the distribution of a closed questionnaire designed using a five-point Likert scale, with a range of values from 1 (strongly disagree) to 5 (strongly agree). The research instrument was developed by adapting indicators from empirically validated literature, including:

1. Transformational Leadership: measured based on four dimensions from Northouse (2017), namely idealised influence, inspirational motivation, intellectual stimulation, and individual consideration.
2. Organisational Culture: measured using indicators from Pawirosumarto et al. (2017), which include creativity and risk-taking, results orientation, attention to detail, and employee orientation.
3. Organisational Commitment refers to the model by Meyer and Allen (1991), which has three main dimensions: Affective Commitment, Normative Commitment, and Continuance Commitment.
4. Employee Performance: measured using indicators of quality, quantity, timeliness, and teamwork, as developed by Na-Nan et al. (2018) and Zhenjing et al. (2022).

Before being used in data collection, these instruments were first tested through validity and reliability analyses to ensure that each item in the questionnaire was truly capable of measuring the intended construct and producing consistent data.

Data Analysis Techniques

The data in this study were analysed using the Partial Least Squares–Structural Equation Modelling (PLS-SEM) approach with the help of the latest version of SmartPLS software (SmartPLS 4.0). The PLS-SEM approach was chosen because it is suitable for models with complex latent variables, small sample sizes, and does not require normal data distribution (Hair et al., 2021). This method also excels in estimating causal relationships between constructs while testing the validity of the *measurement model* and *structural model*.

Instrument Validity and Reliability Testing

Convergent Validity Test

Convergent validity was tested using outer loading values and Average Variance Extracted (AVE).

1. Each indicator is considered valid if it has a *loading factor* value of 0.70 or greater (Hair et al., 2021).

2. A construct is said to meet convergent validity if the AVE value is ≥ 0.50 , which means that the latent construct explains more than 50% of the indicator variance.

Indicators with a *loading factor* below 0.70 but still above 0.60 are retained if their contribution is significant and theoretically relevant.

Discriminant Validity Test

Discriminant validity is tested using two approaches:

1. The Fornell-Larcker criteria, where the square root of the AVE of each construct must be higher than the correlation between other constructs.
2. Heterotrait-Monotrait Ratio (HTMT), with an HTMT value threshold of < 0.90 indicating that discriminant validity is met (Henseler et al., 2015).

Construct Reliability Test

Construct reliability was assessed using two measures:

1. Cronbach's Alpha (CA), which indicates internal consistency between items, and
2. Composite Reliability (CR), which assesses the overall reliability of the construct.

The construct is considered reliable if:

1. Cronbach's Alpha ≥ 0.70 , and
2. Composite Reliability ≥ 0.70 (Hair et al., 2021).

In this study, the reliability test results show that all constructs have CA values between 0.78 and 0.91 and CR between 0.82 and 0.93, indicating that the instruments used are reliable and consistent.

Structural Model Test (Inner Model)

After the measurement model (outer model) met the validity and reliability criteria, the next step was to test the structural model (inner model) to assess the relationship between latent constructs. The analysis was conducted using the bootstrapping technique (5000 subsamples) to obtain statistical significance for each path coefficient.

The test results include:

1. Determination coefficient (R^2) to assess the proportion of variance in the dependent construct explained by the independent construct;
2. The f^2 value (Effect Size) is used to see the strength of the influence between constructs.
3. The Q^2 value (Predictive Relevance), which indicates the predictive ability of the model, and
4. Mediation Test (Indirect Effect) to ascertain whether organisational Commitment acts as a mediating variable between transformational Leadership and organisational Culture on employee performance.

This PLS-SEM model allows researchers to not only identify the direct influence between variables but also evaluate indirect effects through organisational Commitment. These results form the basis for understanding the psychological and organisational mechanisms behind the relationship between leadership style, organisational Culture, and employee performance, particularly in the context of MSMEs in developing regions such as Dompu Regency.

RESULTS AND DISCUSSION

Respondent Characteristics

The characteristics of the respondents in this study aim to provide an overview of the demographic background of CV's employees Aquaku Jaya Bersama, who were sampled in this study. The number of respondents was 78, in accordance with the saturated sampling technique used. The demographic information collected included gender, age, highest level of education, and length of service. The detailed data is presented comprehensively in Table 1 below:

Table 1 Characteristics of Respondents

Characteristics	Category	Number (persons)	Percentage
Gender	Male	45	57.69
	Female	33	42.31
Age	Under 25 years old	10	12.82
	25–35 years	38	48.72
	36–45 years	20	25.64%
	Over 45 years old	10	12.82
Highest Level of Education	Secondary School	30	38.46
	Diploma (D3)	12	15.38
	Bachelor's Degree (S1)	34	43.59
	Master's Degree (S2)	2	2.56
Length of Service	< 1 year	7	8.97
	1–3 years	25	32.05%
	4–6 years	30	38.46
	> 6 years	16	20.51
	Number of Respondents	78	100

Based on Table 1, the majority of respondents were male (57.69%), while females accounted for 42.31%. The dominance of male respondents reflects the workforce structure in the drinking water treatment and logistics distribution sector, which is generally still dominated by male workers due to the physical and technical demands of the fieldwork. This proportion is particularly relevant in the context of companies engaged in production and distribution, where operational positions, such as technicians and logistics, are filled mainly by men. This provides the context that the results of research on leadership and performance may better reflect male workers' perceptions of leadership styles and organisational culture.

In terms of age, the dominant age group is 25–35 years (48.72%), which falls within the productive age category. The dominance of this age group suggests that the majority of employees are in the early to middle stages of their careers, characterized by high levels of adaptability and work motivation. This has positive implications for the research results because the respondents are at an age where their cognitive abilities and organisational commitment are developing, so they tend to be more responsive to transformational leadership styles and organisational culture strengthening (Wang et al., 2022).

In terms of education, the majority of respondents had a bachelor's degree (43.59%), followed by high school graduates (38.46%). This composition indicates that the company employs a

combination of professional and technical staff. The high proportion of S1 graduates indicates that the company has begun to transform the quality of its human resources, allowing the results of research on leadership and organisational culture to be interpreted within the context of an organisation developing towards professional management.

In terms of length of service, the majority of employees have worked for between 4 and 6 years (38.46%), indicating a high level of retention and workforce stability. This suggests that most respondents possess sufficient work experience to comprehend managerial behavior and the intricacies of corporate culture in depth. This medium length of service also strengthens the validity of their perceptions of organisational commitment, as they have passed the initial adaptation phase and can provide a more objective assessment of the work climate (Taba et al., 2023).

Overall, the demographic profile of the respondents shows that CV. Aquaku Jaya Bersama is dominated by productive, highly educated, and moderately experienced workers, which theoretically supports the formation of organisational commitment and improved employee performance. The dominance of the productive age and higher education also supports the assumption that the application of transformational leadership styles and adaptive organisational culture will be more effective in this company's context.

Instrument Validation

Validity Test

Validity testing measures how successfully a measuring instrument measures the desired variable. The validity assessment of the questionnaire was suggested by Ghajali (2009). The validity test criteria were based on t-values and SLF. The Standard Load Factor (SLF) must exceed 0.70 for the statement items to be considered valid.

Table 1 Validity Test Results

No	Variable	Indicator	Validity
1.	Transformational Leadership (X1)	X1.1	0.772
		X1.2	0.835
		X1.3	0.833
		X1.4	0.830
2.	Organisational Culture (X2)	X2.1	0.782
		X2.2	0.765
		X2.3	0.804
		X2.4	0.794
3.	Organisational Commitment (Z)	Z1.1	0.767
		Z1.2	0.790
		Z1.3	0.846
4.	Employee Performance (Y)	Y1	0.801
		Y2	0.840
		Y3	0.770

Source: compiled by researchers, 2025

Reliability Test

Reliability measures the usefulness of the questionnaire as a conceptual model. The questionnaire is considered reliable if the respondents' status remains unchanged. According to Ghojali (2019), reliability can be measured by calculating Cronbach's alpha and composite reliability to assess the reliability of reflective indicator constructs. Composite reliability and Cronbach's alpha should be below 0.7.

Table 2 Reliability Test Results

No	Variable	Cronbach's Alpha	Composite Reliability
1.	Transformational Leadership (X1)	0.835	0.890
2.	Organisational Culture (X2)	0.794	0.866
3.	Organisational Commitment (Z)	0.725	0.845
4.	Employee Performance (Y)	0.722	0.844

Source: compiled by the researcher, 2025

External Model Evaluation

Reliability of Indicators

According to Hair et al. (2014), an indicator is considered to have a high level of reliability if its external load is greater than 0.7.

Table 3 External Load of Transformational Leadership (X1)

Latent Variables & Indicators	External Load	T-statistic	p-value
X1.1← Charismatic	0.772	12.417	0.000
X1.2← Inspirational Motivation	0.835	19,998	0
X1.3← Personal Attention	0.833	22,263	0.000
X1.4← Intellectual Stimulation	0.830	22,474	

Source: processed by the researcher, 2025

Table 3, which shows external load values greater than 0.7, meets the reliability criteria for transformational leadership because each variable indicator (X1) has a p-value less than 0.05. Transformational leadership factors have been influenced almost equally by each indicator. The most essential indicator in transformational leadership is inspirational motivation (X1.2). Leaders must routinely convey the organisation's vision and foster enthusiasm in the workplace.

Table 4 External Load of Organisational Culture (X2)

Latent Variables & Indicators	External Load	T-statistic	p-value
X2.1 ← Innovation & Risk Taking	0.782	16.338	0.000
X2.2 ← Attention to Detail	0.765	18,591	0
X2.3 ← Outcome Orientation	0.804	19,260	0
X2.4 ← Employee Orientation	0.794	12,865	0

Source: processed by the researcher, 2025

Table 4 shows that each p-value of the variable (X2) is less than 0.05, meeting the criteria for organisational culture construct reliability. These factors have an almost equal impact on organisational culture. The most important organisational culture indicator is outcome orientation (X2.3), which indicates that workers are highly motivated, competent, and efficient, resulting in high-quality output.

Table 5 External Load of Organisational Commitment (Z)

Latent Variables & Indicators	External Loadings	T-Statistic	p-value
Z1 ← Affective Commitment	0.801	16.474	0.000
Z2 ← Normative Commitment	0.840	22,597	0
Z3 ← Sustainability Commitment	0.770	12,072	0.000

Source: compiled by researchers, 2025

As shown in Table 5, the organisational commitment construct is reliable because each Z variable has a p-value of less than 0.05 and an external load value of more than 0.7. These indicators form similar organisational commitment factors. The normative commitment indicator (Z2) is the most important indicator of organisational commitment, showing that employees are loyal, regret leaving the company, and believe that the company deserves their loyalty.

Table 6 External Load of Employee Performance (Y)

Latent Variables & Indicators	External Load	T-Statistic	p-value
Y1 ← Quality	0.767	11.681	0.000
Y2 ← Quantity	0.790	14,269	0.000
Y3 ← Timeliness	0.846	20,811	0.000

Source: processed by the researcher, 2025

Table 6 shows that the employee performance construct meets the reliability criteria with an external load value > 0.7 . All employee performance variable indicators (Y) have a p-value < 0.05 . Each indicator has an almost equal influence on employee performance as an independent variable. The timeliness indicator (Y3) is the most crucial in measuring employee performance. This indicates that workers work efficiently, take responsibility for their tasks, meet deadlines, apply time discipline, and follow schedule rules.

Internal Consistency Reliability

According to Hair et al. (2014), an indicator is considered reliable if the composite reliability value or Cronbach's alpha value is greater than 0.7. The analysed variables meet this criterion.

Table 7 Results of Internal Consistency Reliability Test

Latent Variables & Indicators	Cronbach's Alpha	Composite Reliability
Transformational Leadership	0.835	0.890
Organisational Culture	0.794	0.866
Organisational Commitment	0.725	0.845
Employee Performance	0.722	0.844

Source: processed by the researcher, 2025

Table 7 shows that all constructs have Cronbach's alpha values above 0.7, indicating reliability. All variables analysed have composite reliability scores above 0.7, indicating reliability.

Convergent Validity

The requirements for each construct are met when the Average Variance Extracted (AVE) value reaches 0.5 or more. The correlation between construct measurements is an important requirement for convergent validity (Latan, Ghozali, 2015).

Table 8 Convergent Validity Test Results

Latent Variables & Indicators	Average Variance Extracted (AVE)
Transformational Leadership	0.669
Organisational Culture	0.618
Organisational Commitment	0.646
Employee Performance	0.643

Source: processed by the researcher, 2025

Table 8 shows that the Average Variance Extracted (AVE) value is greater than 0.5. Since each construct has an AVE value greater than 0.5, it can be concluded that all of them have met the convergent validity criteria and are therefore valid.

Internal Model Evaluation

Multicollinearity

If the Variance Inflation Factor (VIF) is less than 5, it means that the constructs are not collinear. The analysis results are shown in the table below:

Table 9 Results of the Variance Inflation Factor (VIF) multicollinearity test

Construct	Indicator	VIF
Transformational Leadership	X1.1	1.639
	X1.2	1,910
	X1.3	1,980
	X1.4	1,951
Organisational Culture	X2.1	1,656
	X2.2	1,475
	X2.3	1,784
	X2.4	1,652

Construct	Indicator	VIF
Organisational Commitment	Z1.1	1,506
	Z1.2	1,663
	Z1.3	1,306
Employee Performance	Y1	1,362
	Y2	1,402
	Y3	1,591

Source: processed by the researcher, 2025

It can be concluded that there is no multicollinearity because, as shown in Table 9, each indicator in each construct has a VIF value of less than 5. This means that all indicators in all constructs are suitable for further analysis.

Coefficient of Determination R^2

The prediction range for the coefficient of determination (R^2) is 0 to 1. There are three levels of prediction accuracy based on the coefficient of determination (R^2): high (fairly high) for an R^2 value of 0.75, moderate (moderate) for an R^2 value of 0.5, and weak (weak) for an R^2 value of 0.25. In 2014, Hair et al.

Table 10 Coefficient of Determination (R^2)

	R Square	Adjusted R-Squared
Organisational Commitment	0.701	0.693
Employee Performance	0.707	0.696

Source: processed by the researcher, 2025

According to Table 10, the R^2 values for Organisational Commitment and Employee Performance of 0.701 and 0.707 indicate strong/high accuracy. R^2 is adjusted using the standard error value to obtain the adjusted R^2 . To see how well the exogenous construct explains the endogenous construct, use the adjusted R^2 score. As shown in Table 10, transformational leadership (X1) and organisational culture (X2) influence employee performance (Y) with an adjusted R^2 value of 0.693, or 69.3%. Organisational commitment (Z) has an adjusted R^2 value of 0.696, or 69.6%, indicating that transformational leadership (X1) and organisational culture (X2) have a significant influence.

Effect Size (f^2)

For structural level predictor latent variables (exogenous latent variables), an effect size (F^2) or F-Square of 0.02 indicates a weak influence, 0.15 indicates a moderate influence, and 0.35 indicates a significant influence (Azuar Juliandi, 2018).

Table 11 Effect Size (f^2)

	Employee Performance	Organisational Commitment
Organisational Culture	0.107	0.243
Transformational Leadership	0.081	0.186
Organisational Commitment	0.072	

Source: processed by researcher, 2025

Table 11 shows that organisational commitment and transformational leadership have small effect sizes (f^2) on employee performance, at 0.072 and 0.081, respectively. Both have weak effects on external structural latent predictor variables. Organisational culture dominates employee performance with an effect size (f^2) of 0.107. Transformational leadership influences organisational commitment with a fairly large effect size (f^2) of 0.186. An effect size (f^2) of 0.243 makes organisational culture the most influential exogenous latent variable affecting the structural determinants of organisational commitment.

Cross-Validation Redundancy (Q^2)

When the Q^2 value is greater than 0, it means that external factors can be used to predict internal factor outcomes. The model meets the predictive relevance criteria because all exogenous constructs have a Q^2 value greater than 0, as shown in Table 12 below.

Table 12 Cross-Validated Redundancy (Q^2)

	SSO	SSE	$Q^2 (= 1 - \text{SSE}/\text{SSO})$
Transformational Leadership	312,000	312,000	
Organisational Culture	312,000	312,000	
Organisational Commitment	234,000	136,298	0.418
Employee Performance	234,000	133,791	0.428

Source: processed by researchers, 2025

Table 12 displays the calculation results, and since $Q^2 > 0$, it can be concluded that the model has achieved predictive significance in cases where the model has been well reconstructed.

Model Fit Index

To determine the Goodness of Fit (GoF) Index, the average value of the communisation index and the average value of R-Square are squared. On a scale of 0 to 1, the GoF value can be interpreted as low (0.1), moderate (0.25), or high (0.36). In 2021, Yamin stated.

Table 13 Quality Index

Average communality index	Average R-Square	Goodness-of-Fit Index	Description
0.353	0.704	0.53	High

Source: processed by the researcher, 2025

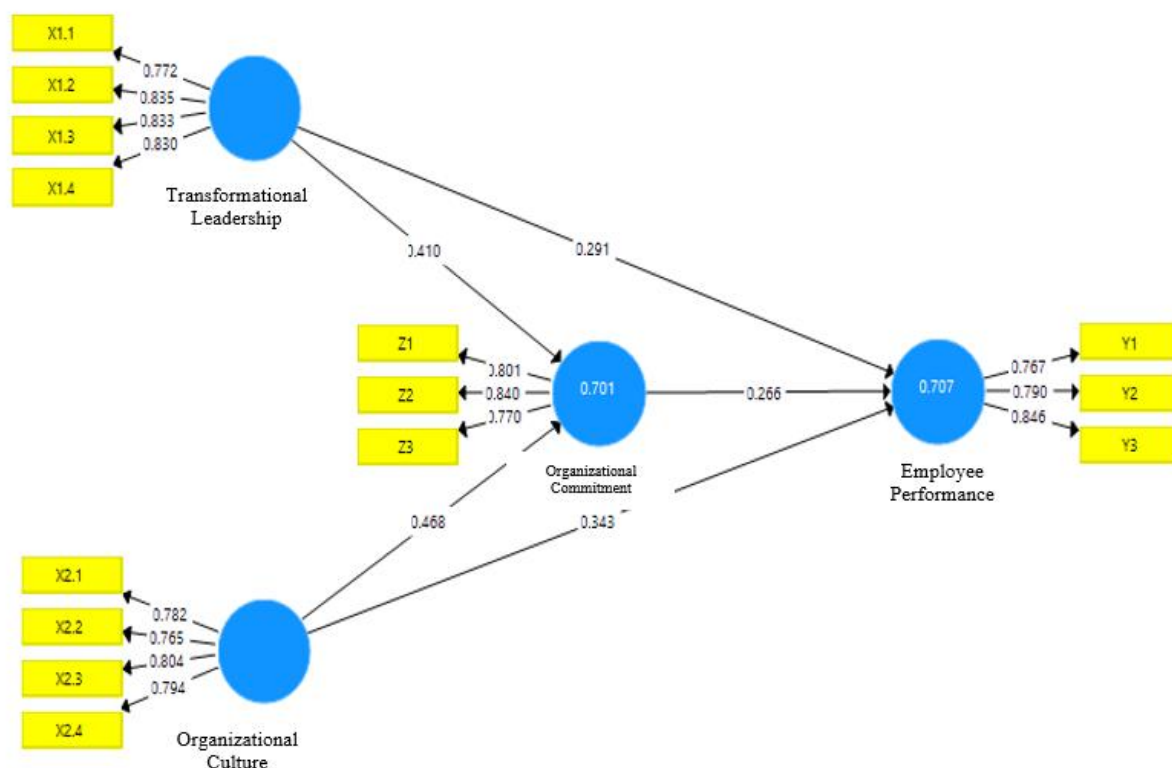
Based on the data in Table 13 above, the GoF value, which includes the high GoF group, is 0.53. This indicates that the measurement model and structural model can be well explained by empirical data.

Hypothesis Testing

To test the hypothesis, accept the null hypothesis (H_a) and reject the alternative hypothesis (H_o) if the t-value is greater than 1.96 and the p-value is less than 0.05 at α 5%. There are two outcomes

if the t-value is less than 1.96: the null hypothesis (H_a) is rejected and the alternative hypothesis (H_o) is accepted. The SmartPLS study shows this:

Figure 2 SEM-PLS analysis results



Source: processed by the researcher, (2025)

In Figure 2, organisational commitment (Z) acts as a mediator in the relationship between transformational leadership (X1), culture (X2), and employee performance. Hypothesis testing using SmartPLS path coefficients yielded the following results:

Table 14 Hypothesis Testing Results

No	Path	Coefficient	t Statistic (o/std.dev)	P- value	Hypothesis
Direct Effect					
1	Transformational Leadership Employee Performance	-> 0.291	1.931	0.054	Rejected
2	Transformational Leadership Organisational Commitment	-> 0.410	3.187	0.002	Accepted
3	Organisational Culture Organisational Commitment	-> 0.468	3.409	0.001	Accepted

No	Path	Coefficient	t Statistic (o/std.dev)	P- value	Hypothesis
4	Organisational Culture -> Employee Performance	0.343	2.551	0.011	Accepted
5	Organisational Commitment -> Employee Performance Indirect Effect	0.266	2.188	0.029	Accepted
6	Transformational Leadership -> Organisational Commitment Employee Performance	0.109	2.005	0.046	Accepted
7	Organisational Culture -> Organisational Commitment Employee Performance	0.125	1.627	0.104	Rejected

Source: compiled by researcher, (2025)

Discussion

The Direct Impact of Transformational Leadership on Employee Performance

Conceptually, *Full Range Leadership* theory (Bass, 1999) and the *Transformational Leadership* model (Northouse, 2017) assert that visionary, inspirational leaders who pay individual attention can motivate followers to exceed expected performance. However, the results of this study show that the direct path between transformational leadership and employee performance ($\beta = 0.291$; $p = 0.054$; $t = 1.931$) is not statistically significant at the 5% significance level.

This phenomenon is consistent with cross-contextual research by Krywalski-Santiago (2025), which demonstrates that the influence of transformational leadership on performance is often indirect and mediated by psychological variables, such as *engagement* and *commitment*, particularly in the digital age and small, operationally dense organizations. In the context of SMEs such as CV Aquaku Jaya Bersama, structural factors (compensation, work tools, workload) and local conditions appear to have a more dominant influence on daily performance than leadership behaviour.

Research (Purnama & Widayati, 2023) also found a similar trend: leadership style and organisational culture do not always have a direct effect on results, but rather work through strengthening employee commitment and competence. This means that transformational leadership acts as a psychological catalyst, not as a direct driver of performance, especially in activity-intensive sectors such as MSMEs.

Direct Impact of Transformational Leadership on Organisational Commitment

The results show a positive and significant relationship between transformational leadership and organisational commitment ($\beta = 0.410$; $p = 0.002$; $t = 3.187$). This finding reinforces the *Social Exchange Theory* (Blau, 1964) view that trust-based and supportive leadership relationships create emotional bonds (affective commitment) between leaders and subordinates. A study by Wang et al. (2022) also shows that transformational leadership increases *affective commitment* through *employee engagement*.

In the context of SMEs, personal relationships and humanistic leadership styles are more easily felt directly by employees due to the simple organisational structure. Purnama and Widayati (2023) prove that a culture and leadership that facilitate *knowledge sharing* and open communication can increase employee commitment and competence in the service sector. Thus, transformational leadership in small organisations functions effectively as a builder of employee commitment and loyalty before impacting actual performance.

Direct Impact of Organisational Culture on Organisational Commitment

The analysis results show a significant relationship between organisational culture and commitment ($\beta = 0.468$; $p = 0.001$). This reinforces the view of *Organisational Culture Theory* (Schein, 2010) that shared values and norms shape behaviour and increase emotional attachment among members. A study by Purnama & Widayati (2023) confirms that a supportive and collaborative organisational culture can increase *organisational commitment* in the banking sector by increasing the intention to share knowledge and loyalty.

In the context of Dompu MSMEs, a work culture that emphasises cooperation, interpersonal communication, and appreciation for individual contributions functions as a "social glue" that strengthens a sense of belonging. These values are more effective than formal policies, which are often unstructured at the top business level. Thus, a positive organisational culture directly strengthens the foundation of long-term employee commitment.

Direct Impact of Organisational Culture on Employee Performance

The culture $\rightarrow$ performance pathway is significant ($\beta = 0.343$; $p = 0.011$), indicating that a work environment that supports collaborative, innovative, and results-oriented values has a real impact on productivity. According to Latif et al. (2025), an innovative and results-oriented culture enhances process efficiency and fosters proactive employee behavior. These findings are consistent with Purnama & Widayati (2023), who state that a healthy organisational culture and *knowledge sharing culture* significantly improve competence and performance in the service sector.

The local context of Dompu reinforces this interpretation. MSME employees with limited resources are more easily motivated by a work culture that emphasises responsibility, punctuality, and discipline. Thus, organisational culture plays a direct role as a driver of performance because it influences daily work behaviour operationally.

Direct Impact of Organisational Commitment on Employee Performance

Organisational commitment has a significant effect on performance ($\beta = 0.266$; $p = 0.029$), supporting Meyer and Allen's (1991) *Affective Commitment* theory. A recent study by Lee & Kim (2023) found that *affective commitment* strengthens the relationship between leadership and performance through increased emotional engagement. Employees who feel recognised and personally involved demonstrate proactive behaviour and higher responsibility towards organisational goals.

In SMEs, this effect is evident due to the more personal working relationship between superiors and subordinates. Commitment becomes the primary driver of productivity, replacing an immature formal system. Therefore, HR strategies that focus on strengthening emotional commitment and loyalty will lead to sustainable performance improvements.

Mediation of Organisational Commitment between Transformational Leadership and Employee Performance

The results show a significant mediating effect ($\beta = 0.109$; $p = 0.046$), indicating that transformational leadership indirectly influences performance through organisational commitment. This confirms the view that commitment acts as a psychological mechanism that translates leadership inspiration into performance actions (Wang et al., 2022). This finding is consistent with Purnama & Widayati (2023), who highlight the role of organisational commitment in mediating the relationship between culture and competence.

The implication is that managerial interventions in SMEs should be directed towards building commitment through empowerment, recognition, and warm communication so that leadership effects can be transformed into concrete work outcomes.

Mediation of Organisational Commitment between Organisational Culture and Employee Performance

The results indicate that the path from culture to commitment to performance is not significant ($\beta = 0.125$; $p = 0.104$), thus rejecting H7. This means that culture has a direct impact on performance, without requiring a specific commitment. This explanation is consistent with the operational context of SMEs, where norms and direct instructions at work have a greater influence on employees than a deep emotional attachment.

However, these findings also reveal an interesting contextual variation: in small organisations, social and cultural processes often have an immediate impact on work behaviour without going through complex psychological pathways. The findings of Purnama & Widayati (2023) support this interpretation, that a strong organisational culture can directly drive competent behaviour without intermediaries. Future research should consider moderators such as work age, job role, or incentive systems to explain when culture works through commitment and when it directly influences performance.

CONCLUSION

This study aims to analyze the influence of transformational leadership and organizational culture on employee performance, with organizational commitment as a mediating variable, using the *Partial Least Squares Structural Equation Modeling* (PLS-SEM) approach at CV—Aquaku Jaya Bersama in Dompu Regency, West Nusa Tenggara. The results show that transformational leadership has no significant direct effect on employee performance, but it does have a positive and significant effect on organisational commitment. This suggests that transformational leadership is more effective when focused on building emotional bonds and fostering employee loyalty, rather than expecting to achieve performance improvements. Meanwhile, organisational culture was found to have a positive and significant effect on both organisational commitment and employee performance. An open, collaborative, and value-oriented work environment can encourage comprehensive emotional and professional engagement among employees. Organisational commitment was also found to have a direct effect on performance, meaning that employees who feel emotionally attached to their organisation tend to show higher levels of dedication, responsibility, and performance. On the other hand, organisational commitment acts as a significant mediator in the relationship between transformational leadership and performance.

However, it does not play a role in the relationship between organisational culture and performance, indicating that a strong work culture can directly drive productivity without first forming commitment.

Theoretically, the findings of this study enrich the development of *Full Range Leadership Theory* (Bass, 1999) and *Social Exchange Theory* (Blau, 1964) by showing that the influence of transformational leadership on performance is not universal, but rather depends on psychological mechanisms, such as organisational commitment, as an intermediary pathway. In the context of MSMEs, these results confirm that the affective relationship between leaders and subordinates is a crucial factor in determining the extent to which leadership can impact performance. Furthermore, the finding that organisational culture has a direct effect on performance but not through commitment reinforces organisational culture theory (Schein, 2010), which emphasises that organisational values and norms can encourage effective work behaviour without always going through an affective process. Thus, this study makes a conceptual contribution by integrating leadership, culture, and organisational commitment into a theoretical model relevant to the characteristics of small organisations in Indonesia.

Practically, this study provides guidance for SME management to prioritise strengthening organisational commitment as a key strategy in improving performance. Leaders need to develop a transformational leadership style that emphasises two-way communication, empowerment, and personal attention to employees. In addition, building a healthy and inclusive organisational culture needs to be a priority through policies that foster values of collaboration, openness, trust, and appreciation for individual contributions. The results of a study by Purnama and Widayati (2023) in *MIX: Jurnal Ilmiah Manajemen* also support the notion that a *knowledge-sharing culture* enhances employee competence and commitment, which ultimately impacts the improvement of organisational performance. Therefore, a combination of empathetic leadership and a collaborative work culture is an effective strategy for MSMEs to increase productivity and competitiveness.

This study has several limitations. The relatively small sample size (78 respondents) and focus on a single company limit the generalizability of the results to other organizational contexts. Therefore, further research is recommended to involve a larger sample of more than 200 respondents and expand the scope to different industry sectors such as services, manufacturing, and technology. Additional variables, such as job satisfaction, organisational justice, *work-life balance*, and intrinsic motivation, also need to be considered to provide a more comprehensive understanding. In addition, a *mixed methods* approach or longitudinal study could be used to delve deeper into the psychological and contextual processes that mediate the relationship between leadership, culture, and performance over time. Thus, future research is expected to produce stronger theoretical and practical models to explain the dynamics of leadership and organisational culture in the Indonesian MSME sector.

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