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Understanding Employee Performance Through Transformational Leadership and Organizational Culture: The Role of Job Satisfaction

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Abstract

This study aims to examine the effects of transformational leadership and organizational culture on employee performance, with job satisfaction as a mediating variable. Employee performance is a major concern in the banking sector, where operational effectiveness and service quality rely on employees' ability to meet organizational expectations. Leadership and organizational culture are considered important in improving employee performance, although the extent to which job satisfaction explains these relationships requires further examination. A quantitative approach was employed using data collected from 65 employees of PT BPR Aruna Nirmaladuta Gianyar through saturated sampling. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The findings indicate that transformational leadership positively and significantly influences job satisfaction and employee performance. Organizational culture has a significant positive effect on employee performance but does not significantly affect job satisfaction. Job satisfaction positively influences employee performance and significantly mediates the effects of transformational leadership and organizational culture on employee performance. These findings suggest that employee performance is shaped by both organizational factors and individual job satisfaction. This study contributes to the human resource management literature by providing empirical evidence on the role of job satisfaction in linking leadership and organizational culture to employee performance in the Indonesian rural banking sector.

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INTRODUCTION

Employee performance has become a strategic concern for organizations operating in highly competitive industries, particularly in the banking sector where service quality, operational efficiency, and organizational sustainability depend largely on employees' contributions. In today's dynamic business environment, organizations are required not only to achieve financial targets but also to develop human resources capable of adapting to rapid environmental changes. Consequently, organizations increasingly recognize that improving employee performance is essential for maintaining competitive advantage and achieving long-term organizational success (Gunawan, 2020).

The Indonesian banking industry has experienced substantial changes over the past decade due to digital transformation, increasing market competition, and higher customer expectations. These challenges are even more significant for rural banks (Bank Perekonomian Rakyat or BPR), whose business sustainability relies heavily on maintaining strong relationships with customers while simultaneously achieving financial and operational targets. Unlike commercial banks, rural banks generally operate

with limited resources and depend more intensively on employee productivity and service quality. Therefore, employee performance has become one of the most important organizational assets for ensuring business continuity and organizational competitiveness.

PT. BPR Aruna Nirmaladuta Gianyar, one of the rural banks operating in Bali, has experienced indications of declining organizational performance during the last five years. Company performance reports show that the realization of revenue and loan distribution consistently failed to achieve the established organizational targets. Between 2020 and 2024, average revenue realization reached only 94.70% of the target, while loan distribution averaged 93.34%. Furthermore, the proportion of employees receiving Key Performance Indicator (KPI) scores below 3.50 increased from 11.1% in 2020 to 18.4% in 2024, with an average of 15.3% during the observation period. These findings indicate that employee performance remains below organizational expectations and highlight the necessity of identifying organizational factors that may improve employee effectiveness.

However, organizational practices do not necessarily influence employee performance directly. Job satisfaction has frequently been identified as an important psychological mechanism explaining how organizational factors translate into employee performance (Fareed et al., 2022; Hilton et al., 2023). Employees who perceive their work environment positively tend to experience greater job satisfaction, which subsequently encourages higher motivation, stronger organizational commitment, and better work outcomes (Sabran et al., 2022). This relationship is also supported by Path Goal Leadership Theory, which explains that leaders facilitate employee performance by creating supportive working conditions that increase employees' satisfaction and motivation.

Although numerous studies have examined the relationships among transformational leadership, organizational culture, job satisfaction, and employee performance, empirical evidence remains inconclusive. Aristarini et al. (2023), Jaya et al. (2024), and Safitri et al. (2024) reported that transformational leadership significantly improves employee performance (Jiatong et al., 2022; Shao et al., 2022), whereas Fatin and Yanuar (2025) found that leadership style does not significantly influence employee performance. Similar inconsistencies also appear in studies examining organizational culture. Korda and Rachmawati (2022) reported that organizational culture significantly improves employee performance through job satisfaction, whereas Mewahaini and Sidharta (2022) found no significant relationship between organizational culture and employee performance. These contradictory findings indicate that the mechanisms linking leadership, organizational culture, job satisfaction, and employee performance may differ across organizational contexts and industries, suggesting the need for further empirical investigation.

Another limitation of previous studies is that most have focused on large commercial organizations or manufacturing companies, while empirical evidence from Indonesian rural banking institutions remains relatively limited. Rural banks operate under different organizational characteristics, including smaller organizational structures, closer interpersonal relationships, and stronger dependence on employee service quality.

Among the organizational factors influencing employee performance, transformational leadership has received considerable scholarly attention. Transformational leadership emphasizes leaders' ability to inspire, motivate, and develop employees beyond their personal interests toward achieving organizational goals through idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass & Avolio, 1994). Leaders exhibiting transformational behaviors encourage employees to perform beyond formal expectations by fostering trust, innovation, and continuous learning. Robbins and Judge (2020) further argue that transformational leadership strengthens employees' commitment and motivation, thereby creating favorable conditions for higher organizational performance (Jiatong et al., 2022; Shao et al., 2022). From the perspective of Goal Setting Theory, leaders who communicate clear organizational goals and motivate employees to pursue these goals are more likely to improve individual performance.

In addition to leadership, organizational culture represents another strategic organizational resource capable of influencing employee behavior. Organizational culture refers to the shared values, beliefs, and norms that guide employees' attitudes and decision-making processes within an organization (Edison et al., 2022). A supportive organizational culture promotes collaboration, accountability, innovation, and mutual trust among employees, thereby creating a productive work environment (Azeem et al., 2021). Such an environment encourages employees to perform more effectively while strengthening organizational commitment. Previous studies have consistently suggested that organizations possessing strong and adaptive cultures generally demonstrate superior organizational performance compared with those lacking clear organizational values (Azeem et al., 2021; Pereira et al., 2021; Robbins & Judge, 2020). Consequently, understanding the determinants of employee performance within this context is expected to provide valuable theoretical and practical insights.

Addressing these empirical inconsistencies and organizational challenges, this study investigates the effects of transformational leadership and organizational culture on employee performance, with job satisfaction serving as a mediating variable at PT. BPR Aruna Nirmaladuta Gianyar. This study contributes to the human resource management literature in two ways. First, it extends previous research by examining the mediating role of job satisfaction within the context of Indonesian rural banking institutions. Second, it provides practical evidence for banking managers regarding how transformational leadership and organizational culture can be leveraged to improve employee performance through enhanced job satisfaction.

HYPOTHESES DEVELOPMENT

Transformational leadership has been widely recognized as an important determinant of employee performance because it encourages employees to exceed expected performance through inspiration, intellectual stimulation, individualized consideration, and idealized influence (Bass & Avolio, 1994). Leaders who demonstrate transformational behaviors create a supportive work environment that enhances employees' motivation, commitment, and willingness to achieve organizational goals. According to Goal Setting Theory, leaders who communicate clear goals and provide continuous encouragement enable employees to direct greater effort toward accomplishing organizational objectives.

Previous empirical studies consistently reported a positive relationship between transformational leadership and employee performance. Aristarini et al. (2023) and Jaya et al. (2024) found that transformational leadership significantly improves employee performance by increasing employees' motivation and engagement in organizational activities. Based on these theoretical and empirical arguments, the following hypothesis is proposed:

H1: Transformational leadership positively affects employee performance.

Organizational culture represents a shared system of values, beliefs, and norms that shapes employees' attitudes and behaviors in achieving organizational objectives (Edison et al., 2022). A strong organizational culture fosters collaboration, accountability, innovation, and commitment, thereby creating an environment that supports higher employee performance. Employees who understand and internalize organizational values are more likely to perform their duties effectively and contribute to organizational success.

Empirical evidence also supports this relationship. Aristarini et al. (2023), Triana et al. (2024), and Berutu et al. (2025) demonstrated that organizational culture has a positive and significant influence on employee performance. Therefore, the following hypothesis is proposed:

H2: Organizational culture positively affects employee performance.

Transformational leaders not only direct employees toward organizational goals but also provide individual support, recognition, and opportunities for personal development. Such leadership behaviors encourage employees to experience greater satisfaction with their work because they feel appreciated, trusted, and motivated (Robbins & Judge, 2020). From the perspective of Path Goal Leadership Theory, leaders enhance employee satisfaction by reducing work obstacles and providing appropriate guidance toward goal achievement.

Previous studies by Eliyana et al. (2020) and Safitri et al. (2024) found that transformational leadership positively influences job satisfaction. Accordingly, the following hypothesis is formulated:

H3: Transformational leadership positively affects job satisfaction.

A supportive organizational culture creates a positive working environment characterized by mutual trust, teamwork, effective communication, and shared organizational values. Employees who perceive organizational culture positively tend to experience greater comfort and satisfaction in performing their jobs (Edison et al., 2022). Consequently, organizational culture is expected to contribute positively to employees' job satisfaction.

Several empirical studies have confirmed this relationship. Berutu et al. (2025) reported that organizational culture significantly improves employees' job satisfaction. Therefore, the following hypothesis is proposed:

H4: Organizational culture positively affects job satisfaction.

Job satisfaction reflects employees' positive evaluation of their work and working environment. Employees who are satisfied with their jobs generally demonstrate stronger organizational commitment, greater responsibility, and higher work motivation, which ultimately improve their performance (Sabran et al., 2022). Satisfied employees are also more willing to devote additional effort toward achieving organizational objectives.

Previous studies by Korda and Rachmawati (2022), Safitri et al. (2024), and Berutu et al. (2025) consistently found that job satisfaction has a positive effect on employee performance. Thus, the following hypothesis is proposed:

H5: Job satisfaction positively affects employee performance.

Transformational leadership enhances employee performance not only directly but also indirectly by increasing employees' job satisfaction. Leaders who provide inspiration, recognition, and individual support create positive work experiences that improve employees' psychological well-being and satisfaction, which subsequently encourage better performance. This mechanism is consistent with Path Goal Leadership Theory, which suggests that leadership influences employee performance through motivational and psychological processes.

Empirical studies by Eliyana et al. (2020) and Safitri et al. (2024) demonstrated that job satisfaction significantly mediates the relationship between transformational leadership and employee performance. Therefore, the following hypothesis is proposed:

H6: Job satisfaction mediates the positive relationship between transformational leadership and employee performance.

Organizational culture also influences employee performance through employees' psychological responses to their work environment. A positive organizational culture increases employees' satisfaction by creating a supportive, collaborative, and comfortable workplace, which subsequently encourages higher performance. Therefore, job satisfaction is expected to serve as an important mechanism linking organizational culture to employee performance.

Previous studies conducted by Korda and Rachmawati (2022), and Berutu et al. (2025) found that job satisfaction mediates the influence of organizational culture on employee performance. Accordingly, the following hypothesis is proposed:

H7: Job satisfaction mediates the positive relationship between organizational culture and employee performance.

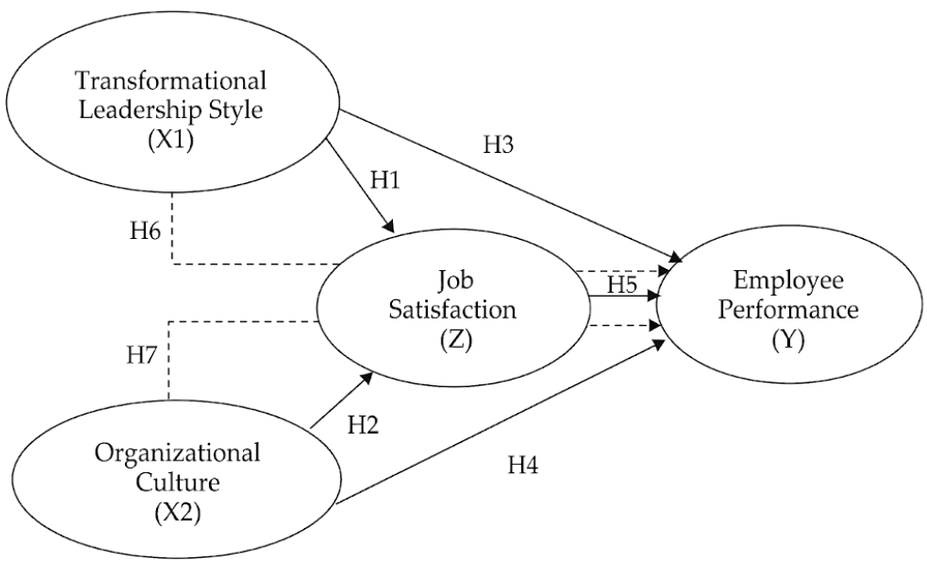


Figure 1. Research Model

METHOD

This study employed a quantitative research approach using an explanatory research design to examine the relationships among transformational leadership, organizational culture, job satisfaction, and employee performance. The research was conducted at PT. BPR Aruna Nirmaladuta Gianyar, a rural bank located in Gianyar Regency, Bali, Indonesia. The study focused on explaining the direct and indirect relationships among the proposed variables through hypothesis testing.

The study population consisted of all employees of PT. BPR Aruna Nirmaladuta Gianyar. Since the organization employed only 65 permanent employees, this study adopted a saturated sampling technique (*census sampling*), in which all members of the population were included as research respondents. Consequently, the final sample comprised 65 employees.

Primary data were collected through a structured questionnaire distributed directly to respondents. All questionnaire items were measured using a five-point Likert scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). The measurement indicators for each construct were adapted from well-established studies. Transformational leadership was measured using the four dimensions proposed by Bass and Avolio (1994), namely idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Organizational culture was measured using the dimensions developed by Edison et al. (2022), including self-awareness, aggressiveness, personality, performance orientation, and team orientation. Job satisfaction was measured based on the indicators proposed by Sabran et al. (2022) , consisting of the work itself, person–job fit, pay and promotion, relationships with supervisors and coworkers, and working conditions. Employee performance was assessed using the indicators developed by Mangkunegara (2020), including work quantity, work quality, cooperation, and initiative.

The collected data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS 4 software. The analysis consisted of two stages. The first stage evaluated the measurement model (*outer model*) by assessing indicator reliability, internal consistency reliability using Composite Reliability and Cronbach's Alpha, convergent validity using Average Variance Extracted (AVE), and discriminant validity using the Heterotrait–Monotrait Ratio (HTMT). The second stage evaluated the structural model (*inner model*) by examining the coefficient of determination (R^2), predictive relevance (Q^2), effect size (f^2), model fit, path coefficients, and mediation effects through bootstrapping procedures. Statistical significance was determined using a significance level of 5%, where hypotheses were accepted when the *p*-value was less than 0.05.

RESULT AND DISCUSSION

Result

This section presents the findings of the study based on data collected from employees of PT. BPR Aruna Nirmaladuta Gianyar. The analysis begins with the demographic characteristics of the respondents, followed by the evaluation of the measurement model, including reliability and validity assessments. Subsequently, the structural model is examined through hypothesis testing and mediation analysis to evaluate the relationships among transformational leadership, organizational culture, job satisfaction, and employee performance.

Tabel 1. Descriptive Statistic

Variables	N	Min.	Max.	Mean	Std. Deviation	Average Score	Category
Transformational Leadership	65	4	20	12.28	3.84	3.07	Moderate
Organizational Culture	65	5	25	17.23	4.11	3.45	Good
Job Satisfaction	65	5	25	15.91	4.20	3.18	Moderate
Employee Performance	65	4	20	12.41	3.69	3.10	Moderate
Valid N (listwise)	**65**						

Table 1 presents the descriptive statistics of the four research variables based on responses from 65 employees of PT. BPR Aruna Nirmaladuta Gianyar. Transformational leadership obtained an average score of 3.07, categorized as moderate, while organizational culture achieved an average score of 3.45, categorized as good. These results indicate that employees generally perceive the organizational culture positively, whereas transformational leadership is perceived at a moderate level. The standard deviations of 3.84 and 4.11, respectively, indicate variation in respondents' assessments of these two variables.

Job satisfaction recorded an average score of 3.18, while employee performance obtained 3.10; both were categorized as moderate. Their standard deviations were 4.20 and 3.69, respectively. Overall, organizational culture received the highest average score among the four variables, followed by job satisfaction, employee performance, and transformational leadership.

These findings suggest that although organizational culture is perceived positively, there is still room to improve transformational leadership, job satisfaction, and employee performance at the organization.

Table 2. Regression Results

Code	Organizational Culture	Transformational Leadership	Job Satisfaction	Employee Performance
X1.1		0.922		
X1.2		0.947		
X1.3		0.896		
X1.4		0.929		
X2.1	0.956			
X2.2	0.937			
X2.3	0.954			
X2.4	0.927			
X2.5	0.946			
Y.1				0.964
Y.2				0.957
Y.3				0.950
Y.4				0.944
Z.1			0.937	
Z.2			0.933	
Z.3			0.938	
Z.4			0.957	
Z.5			0.922	

Table 2 presents the regression results for the measurement indicators of transformational leadership, organizational culture, job satisfaction, and employee performance. The indicator loadings range from 0.896 to 0.964, indicating that all indicators demonstrate strong relationships with their respective constructs. Transformational leadership has loading values ranging from 0.896 to 0.947, while organizational culture ranges from 0.927 to 0.956. These results indicate that the indicators adequately represent their corresponding variables.

Furthermore, job satisfaction shows loading values between 0.944 and 0.964, whereas employee performance ranges from 0.922 to 0.957. Since all loading values exceed the commonly used threshold of 0.70, the indicators meet the recommended criterion for indicator reliability and support convergent validity at the indicator level. Overall, these findings suggest that the measurement indicators are appropriate for further evaluation of the measurement model in the SEM-PLS analysis.

Table 3. Discriminant Validity (Fornell–Larcker Criterion)

Constructs	Organizational Culture	Transformational Leadership	Job Satisfaction	Employee Performance
Organizational Culture	0.944			
Transformational Leadership	0.658	0.923		
Job Satisfaction	0.502	0.509	0.938	
Employee Performance	0.730	0.740	0.655	0.954

Table 3 presents the discriminant validity assessment using the Fornell–Larcker criterion. The diagonal values, representing the square roots of the Average Variance Extracted (AVE), are 0.944 for organizational culture, 0.923 for transformational leadership, 0.938 for job satisfaction, and 0.954 for employee performance. These values are higher than the corresponding correlation coefficients between each construct and the other constructs, indicating that each variable shares more variance with its own indicators than with other constructs.

The correlation coefficients range from 0.502 to 0.740, with the highest correlation observed between transformational leadership and employee performance (0.740), followed by organizational culture and employee performance (0.730). Since all diagonal values exceed the corresponding inter-construct correlations, the results indicate that the four constructs satisfy the Fornell–Larcker criterion. Therefore, the measurement model demonstrates adequate discriminant validity, suggesting that organizational culture, transformational leadership, job satisfaction, and employee performance represent distinct constructs.

Table 4. Reliability Test

	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)
Organizational Culture	0.969	0.974	0.976	0.891
Transformational Leadership	0.942	0.951	0.959	0.853
Job Satisfaction	0.966	0.967	0.973	0.879
Employee Performance	0.967	0.967	0.976	0.910

Table 4 presents the reliability and convergent validity results for the four research constructs. Organizational culture achieved a Cronbach's Alpha of 0.969, Composite Reliability (rho_a) of 0.974, Composite Reliability (rho_c) of 0.976, and an Average Variance Extracted (AVE) of 0.891. Transformational leadership recorded values of 0.942, 0.951, 0.959, and 0.853, respectively. Similarly, job satisfaction obtained values of 0.966, 0.967, 0.973, and 0.879. These results indicate that all constructs exceed the commonly accepted threshold of 0.70 for reliability coefficients and 0.50 for AVE, demonstrating satisfactory internal consistency and convergent validity.

Employee performance also demonstrated strong measurement quality, with a Cronbach's Alpha of 0.967, Composite Reliability (rho_a) of 0.967, Composite Reliability (rho_c) of 0.976, and an AVE of 0.910. Overall, all four constructs meet the recommended criteria for reliability and convergent validity. The high reliability coefficients indicate strong internal consistency among the indicators, while the AVE values suggest that each construct explains a substantial proportion of the variance in its indicators. Therefore, the measurement model is considered reliable and demonstrates adequate convergent validity for subsequent structural model analysis.

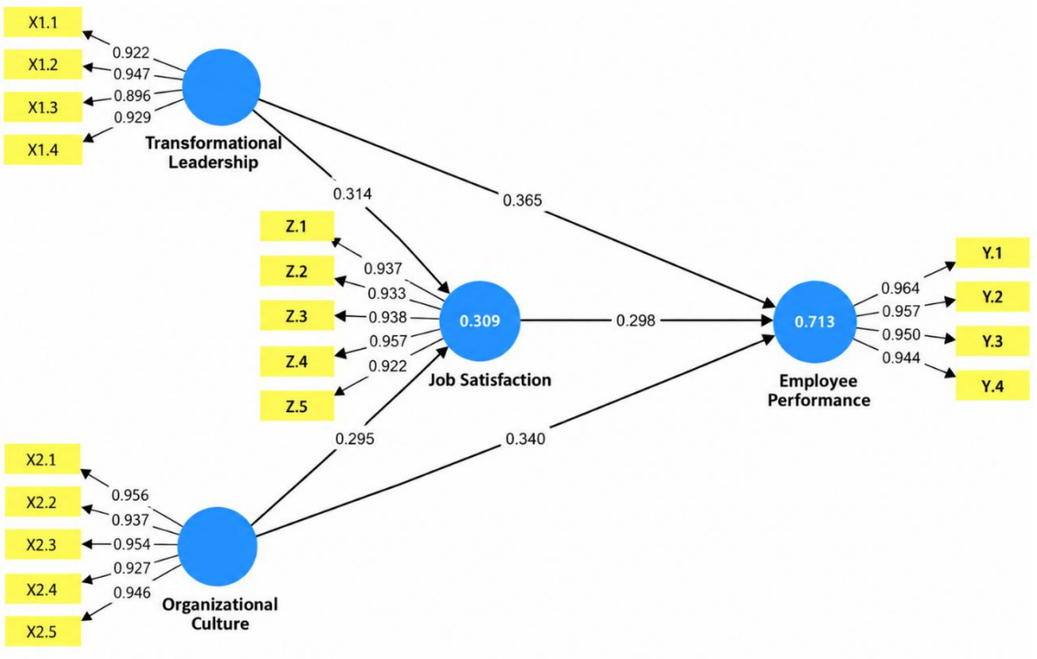


Figure 1. Structural Model (Inner Model)

Table 5. R-Square

	R-square	R-square Adjusted
Job Satisfaction	0.309	0.286
Employee Performance	0.713	0.699

Table 5 presents the coefficient of determination (R-square) results for job satisfaction and employee performance. Job satisfaction has an R-square value of 0.309 and an adjusted R-square value of 0.286, indicating that transformational leadership and organizational culture explain 30.9% of the variance in job satisfaction, while the remaining 69.1% is explained by factors outside the model. Meanwhile, employee performance has an R-square value of 0.713 and an adjusted R-square value of 0.699, indicating that transformational leadership, organizational culture, and job satisfaction explain 71.3% of the variance in employee performance. The remaining 28.7% is attributable to other factors not included in the model. These results suggest that the model has greater explanatory power for employee performance than for job satisfaction.

Table 6. F-Square

	Job Satisfaction	Employee Performance
Organizational Culture	0.072	0.213
Transformational Leadership	0.081	0.243
Job Satisfaction		0.215

Table 6 presents the effect size (f-square) results, indicating the contribution of each independent variable to the endogenous constructs. Organizational culture has an f-square value of 0.072 for job satisfaction, indicating a small effect, and 0.213 for employee performance, indicating a medium effect. Transformational leadership shows values of 0.081 for job satisfaction, representing a small effect, and 0.243 for employee performance, representing a medium effect. Meanwhile, job satisfaction has an f-square value of 0.215 for employee performance, indicating a medium effect. Overall, transformational leadership has the strongest effect on employee performance, followed by job satisfaction and organizational culture, while both organizational culture and transformational leadership have relatively small effects on job satisfaction.

Table 7. Goodness of Fit

	AVE	R-Square
Transformational Leadership	0.853	
Organizational Culture	0.891	
Job Satisfaction	0.879	0.309
Employee Performance	0.910	0.713
Average	**0.883**	**0.511**

Table 7 presents the goodness-of-fit assessment based on the Average Variance Extracted (AVE) and R-square values. The average AVE value is 0.883, indicating that the constructs explain a substantial proportion of the variance in their respective indicators. Meanwhile, the average R-square value is 0.511, suggesting that the model explains approximately 51.1% of the variance in the endogenous constructs, namely job satisfaction and employee performance. Specifically, job satisfaction has an R-square value of 0.309, while employee performance has a value of 0.713. These findings indicate that the model has a stronger explanatory capacity for employee performance than for job satisfaction. Overall, the results provide an overview of the model's explanatory power, although the average AVE and R-square values alone are insufficient to establish overall model fit without a clearly specified goodness-of-fit criterion.

$$Goodness - of - Fit\ (GoF)\ Value = \sqrt{\text{Average AVE} \times \text{Average R} - \text{Squared}}$$

$$GOF\ Value = \sqrt{0.883}\ x\ 0.511$$

$$Value = 0.451$$

Tabel 8. Results of Direct Effects Hypothesis Testing

Hypothesized Relationship	Original Sample (β)	Sample Mean	Standard Deviation	*t*-Statistic	*p*-Value
Organizational Culture → Job Satisfaction	0.296	0.292	0.173	1.709	0.087
Organizational Culture → Employee Performance	0.340	0.335	0.086	3.933	0.000
Transformational Leadership → Job Satisfaction	0.314	0.322	0.152	2.067	0.039
Transformational Leadership → Employee Performance	0.365	0.363	0.091	4.011	0.000
Job Satisfaction → Employee Performance	0.298	0.304	0.077	3.896	0.000

Table 8 presents the results of direct effects hypothesis testing among the research variables. Organizational culture has a positive but statistically insignificant effect on job satisfaction (β = 0.296, t = 1.709, p = 0.087), as the p-value exceeds the 0.05 significance threshold. In contrast, organizational culture has a positive and significant effect on employee performance (β = 0.340, t = 3.933, p < 0.001). Transformational leadership also has a positive and significant effect on job satisfaction (β = 0.314, t = 2.067, p = 0.039) and employee performance (β = 0.365, t = 4.011, p < 0.001). These findings indicate that transformational leadership contributes significantly to both job satisfaction and employee performance, whereas organizational culture significantly influences employee performance but does not have a statistically significant direct effect on job satisfaction.

Furthermore, job satisfaction has a positive and significant effect on employee performance (β = 0.298, t = 3.896, p < 0.001). This result suggests that employees with higher levels of job satisfaction tend to demonstrate better performance. Among the significant relationships, transformational leadership has the strongest direct effect on employee performance (β = 0.365), followed by organizational culture (β = 0.340) and job satisfaction (β = 0.298). Overall, the results support four of the five proposed direct relationships, while the relationship between organizational culture and job satisfaction is not statistically significant at the 5% level. These findings highlight the importance of transformational leadership, organizational culture, and job satisfaction in understanding employee performance at PT. BPR Aruna Nirmaladuta Gianyar.

Table 9. Results of Indirect Effects Analysis

Indirect Relationship	Specific Indirect Effect
Organizational Culture → Job Satisfaction → Employee Performance	0.088
Transformational Leadership → Job Satisfaction → Employee Performance	0.094

Table 9 presents the results of the indirect effects analysis, examining the mediating role of job satisfaction in the relationships between organizational culture, transformational leadership, and employee performance. The specific indirect effect of organizational culture on employee performance through job satisfaction is 0.088, while the indirect effect of transformational leadership on employee performance through job satisfaction is 0.094. Both indirect effects are positive, indicating that organizational culture and transformational leadership may contribute to improved employee performance through job satisfaction. The indirect effect of transformational leadership is slightly stronger than that of organizational culture. However, since the t-statistics and p-values are not provided, the statistical significance of these mediation effects cannot be determined from these results alone.

DISCUSSION

The findings of this study demonstrate that transformational leadership, organizational culture, and job satisfaction play important roles in improving employee performance at PT. BPR Aruna Nirmaladuta Gianyar. The structural model reveals that four of the five direct hypotheses are supported, whereas the relationship between organizational culture and job satisfaction is not statistically significant.

Furthermore, job satisfaction partially mediates the relationship between transformational leadership and employee performance, but does not significantly mediate the relationship between organizational culture and employee performance.

The first hypothesis proposed that transformational leadership positively influences employee performance. The statistical analysis confirms this hypothesis, indicating that transformational leadership significantly enhances employee performance. This finding suggests that leaders who inspire employees, communicate a clear organizational vision, provide intellectual stimulation, and offer individualized consideration are able to encourage employees to perform beyond minimum job requirements. Employees become more motivated to improve work quality, increase productivity, and demonstrate stronger commitment toward organizational objectives. In the context of PT. BPR Aruna Nirmaladuta Gianyar, transformational leaders foster trust, motivation, and confidence among employees, which ultimately contributes to better individual performance.

This finding supports the assumptions of Path–Goal Theory, which emphasizes that effective leaders facilitate employees in achieving organizational goals by providing direction, motivation, and support. Transformational leaders reduce work-related uncertainty and strengthen employees' confidence in completing their responsibilities. Consequently, employees become more engaged in their work and are willing to contribute beyond formal expectations (Jiatong et al., 2022). The present finding is also consistent with the study conducted by Eliyana et al. (2020), which reported that transformational leadership significantly improves employee performance (Jiatong et al., 2022; Shao et al., 2022).

The second hypothesis examined the influence of organizational culture on employee performance. The results indicate that organizational culture has a positive and significant effect on employee performance. This finding implies that a strong organizational culture characterized by teamwork, responsibility, mutual respect, innovation, and performance orientation contributes to higher employee performance. Employees who understand and internalize organizational values tend to perform their duties more effectively because they share common behavioral standards and organizational goals. Such conditions create a productive working environment that encourages employees to maintain high levels of performance.

These findings are consistent with Goal-Setting Theory, which argues that organizational values and shared goals encourage employees to direct their efforts toward organizational objectives. A strong organizational culture creates a sense of belonging and strengthens employees' commitment to organizational success (Pereira et al., 2021). Similar findings have been reported by Aristarini et al. (2023), and Berutu et al. (2025), who concluded that organizational culture is one of the most important determinants of employee performance across various organizational settings.

The third hypothesis proposed that transformational leadership positively affects job satisfaction. The findings support this hypothesis, indicating that transformational leadership significantly increases employees' job satisfaction (Fareed et al., 2022; Hilton et al., 2023). Leaders who appreciate employees' contributions, provide opportunities for personal development, and demonstrate concern for employee welfare create positive working experiences that enhance satisfaction. Employees who receive recognition and support from their supervisors generally experience greater enthusiasm, lower work-related stress, and stronger emotional attachment to the organization.

This finding is supported by transformational leadership theory developed by Bass and Avolio (1994), which emphasizes that inspirational leadership enhances employees' intrinsic motivation and psychological well-being. Employees perceive supportive leadership as an important organizational resource that fulfills both professional and personal needs. These findings indicate that transformational leadership can significantly improve job satisfaction.

The fourth hypothesis investigated the relationship between organizational culture and job satisfaction. Contrary to expectations, organizational culture does not have a significant effect on job satisfaction (Quan, 2021). Although organizational culture contributes positively to employee performance, its influence is insufficient to significantly increase employees' satisfaction with their jobs. This result indicates that job satisfaction among employees of PT. BPR Aruna Nirmaladuta Gianyar is likely influenced more strongly by other organizational factors, such as compensation, career development opportunities, leadership practices, workload, and working conditions than by organizational culture alone.

This insignificant relationship suggests that employees may already perceive organizational culture as a normal aspect of daily work rather than as a source of job satisfaction. Consequently, improvements in organizational culture do not necessarily translate into higher satisfaction levels. This finding differs from those reported by Safitri et al. (2024), who found a significant relationship between organizational culture and job satisfaction. The discrepancy may be explained by differences in organizational

characteristics, management systems, employee demographics, and organizational contexts (Quan, 2021).

The fifth hypothesis proposed that job satisfaction positively influences employee performance. The empirical findings support this hypothesis, demonstrating that employees with higher levels of job satisfaction tend to achieve better performance. Satisfied employees are more motivated, committed, and willing to invest additional effort in accomplishing organizational objectives. They also demonstrate greater responsibility, lower absenteeism, and stronger organizational commitment, all of which contribute to improved performance outcomes.

This result supports Goal-Setting Theory, which suggests that employees who experience positive psychological conditions are more motivated to achieve organizational goals. Employees who are satisfied with their work environment and employment conditions are more likely to maintain consistent performance over time. This finding is consistent with previous studies conducted by Eliyana et al. (2020) and Berutu et al. (2025), which reported that job satisfaction significantly improves employee performance (Islam et al., 2022).

The mediation analysis further reveals that job satisfaction significantly mediates the relationship between transformational leadership and employee performance. This finding indicates that transformational leadership improves employee performance not only directly but also indirectly through increased job satisfaction (Hilton et al., 2023). Transformational leaders create positive working conditions that strengthen employees' psychological attachment to their work, thereby encouraging higher performance. Because both the direct and indirect effects remain significant, the mediation can be interpreted as partial mediation (Jiatong et al., 2022; Shao et al., 2022).

Job satisfaction does not significantly mediate the relationship between organizational culture and employee performance. Although organizational culture directly improves employee performance, its indirect effect through job satisfaction is not statistically significant. This finding suggests that organizational culture primarily influences employee performance through mechanisms other than job satisfaction, such as organizational commitment, teamwork, employee engagement, shared organizational values, and work discipline (Pereira et al., 2021). Therefore, strengthening organizational culture alone may improve performance without necessarily increasing employees' job satisfaction.

The findings highlight the strategic importance of transformational leadership in enhancing both employee satisfaction and employee performance within the banking sector. While organizational culture contributes directly to employee performance, leadership practices appear to be more effective in improving employees' psychological well-being and generating sustainable performance improvements. These findings provide practical implications for banking managers, emphasizing the need to develop transformational leadership competencies while simultaneously strengthening organizational values to achieve long-term organizational performance.

CONCLUSION AND RECOMMENDATION

This study examined the effects of transformational leadership and organizational culture on employee performance, with job satisfaction serving as a mediating variable at PT. BPR Aruna Nirmaladuta Gianyar. The findings indicate that transformational leadership has a positive and significant effect on both employee performance and job satisfaction. Likewise, organizational culture positively and significantly influences employee performance. However, the effect of organizational culture on job satisfaction was found to be statistically insignificant. Furthermore, job satisfaction significantly enhances employee performance and partially mediates the relationship between transformational leadership and employee performance. In contrast, job satisfaction does not significantly mediate the relationship between organizational culture and employee performance. These findings suggest that transformational leadership plays a more prominent role than organizational culture in fostering employee satisfaction and improving performance. Overall, the study highlights the importance of effective leadership practices and employee satisfaction in achieving sustainable organizational performance within the banking sector.

Based on the findings, PT. BPR Aruna Nirmaladuta Gianyar should continue strengthening transformational leadership practices by encouraging leaders to provide clear direction, individualized support, and opportunities for employee development. Such leadership behaviors are expected to enhance both job satisfaction and employee performance. In addition, although organizational culture significantly improves employee performance, management should reinforce organizational values through effective communication, teamwork, and employee engagement initiatives to ensure that these values are consistently implemented across the organization. Since organizational culture did not significantly influence job satisfaction, management should also pay greater attention to other factors affecting employee satisfaction, such as compensation, career development opportunities, workload

management, and work-life balance. Future studies are encouraged to investigate additional mediating or moderating variables, including organizational commitment, employee engagement, work motivation, or psychological empowerment, to provide a more comprehensive understanding of the factors influencing employee performance.

AUTHOR CONTRIBUTIONS

Ni Kadek Mia Sapa Pradevi: Conceptualization, Methodology, Formal analysis, Investigation, Data curation, Writing – original draft, and Visualization.

Nengah Ladra: Supervision, Validation, Resources, Writing – review and editing, and Project administration.

I Wayan Widnyana: Investigation, Data analysis, Validation, Resources, and Writing – review and editing.

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CONFLICT OF INTEREST

The authors declare that they have no competing interests associated with the research, analysis, or publication of this article.

DECLARATION OF ARTIFICIAL INTELLIGENCE USE

The authors declare that generative artificial intelligence was not used to create the manuscript's content, develop its arguments, or formulate its conceptual framework.

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