

-RESEARCH ARTICLE-

## ORGANIZATIONAL FACTORS SHAPING JOB SATISFACTION AND EMPLOYEE PERFORMANCE IN INDONESIA'S COMMUNITY-BASED ECONOMIC INSTITUTIONS

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### —Abstract—

Local economic entities, encompassing micro, small, and medium enterprises (MSMEs), cooperatives, and village-owned enterprises, play a critical role in fostering regional development, yet they frequently encounter ongoing challenges related to operational complexity and effectiveness. This study aims to examine the influence of leadership, motivation, organisational culture, and competence on employee job

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satisfaction and performance within these institutions. A structured survey was conducted in Soppeng Regency, Indonesia, involving 379 respondents selected through both offline and online sampling to ensure adequate representativeness. Measurement instruments were validated by experts and preceded by pilot testing to ensure reliability. Data were analysed using partial least squares structural equation modelling (PLS-SEM). The results indicate that motivation, organisational culture, and competence significantly affect both job satisfaction and performance. The strongest observed association is between organisational culture and job satisfaction ( $\beta = 0.525$ ), followed by the relationship between job satisfaction and performance ( $\beta = 0.417$ ). Leadership, however, does not show a significant effect on job satisfaction, implying that alternative leadership approaches tailored to cultural contexts may be necessary. These findings underscore the importance of people-centred and culturally attuned strategies to enhance institutional effectiveness. Furthermore, this research contributes to organisational behaviour literature by contextualising the performance of community-based economic organisations within ethnographic and decentralised governance settings.

**Keywords:** Leadership, Organizational Culture, Human Resources, Economic Institutions, Employee Performance.

## INTRODUCTION

Local economic structures, including MSMEs, cooperatives, and Village-Owned Enterprises, occupy a pivotal role in advancing regional development and promoting inclusive economic growth in Indonesia. These institutions function not only as sources of employment and income generation but also as custodians of the socio-cultural heritage of their communities. Despite their strategic importance, many continue to face persistent challenges related to managerial inefficiencies, human resource development, and organisational sustainability. In the context of increasing regional economic competition and the ongoing trend towards decentralisation (Blanchard, 2020; Gamad, 2025), managing employee experience and enhancing organisational performance have emerged as critical priorities (Huda et al., 2024; Udin et al., 2023; Wibisono et al., 2018). However, research suggests that these relationships are often influenced by context-specific mediators, and their impact can differ according to the institutional setting.

Within Indonesia's decentralised governance framework, particularly at the sub-district level, local economic organisations operate within multi-layered and complex social structures (Yang et al., 2024; M. Zhang et al., 2017). For instance, in Soppeng Regency, South Sulawesi, these organisations exhibit diverse institutional forms and face multifaceted challenges. These include hierarchical leadership approaches that hinder participatory local culture, declining employee motivation, rigid organisational cultures, and insufficient development of staff competencies. Table 1 illustrates the distribution of local economic organisations across the sub-districts of Soppeng.

**Table 1: Types of Local Economic Organisations in Soppeng Regency**

Sub-District	Micro Businesses	Small Businesses	Medium Businesses	Cooperative Enterprises	Village-Owned Enterprise
Marioriwawo	843	200	4	15	11
Lalabata	1212	316	34	98	3
Liliriaja	545	180	10	16	5
Ganra	266	29	-	6	4
Citta	198	17	-	3	4
Lilirilau	997	257	9	28	8
Donri-Donri	534	109	4	20	9
Marioriawa	611	177	10	18	5
Total	5206	1285	71	204	49

Source: Soppeng Regency Statistics Agency, 2025.

Despite the growing body of research in organisational behaviour, several gaps remain. Firstly, the influence of leadership on job satisfaction and employee performance within community-based organisations remains ambiguous, with existing findings often proving inconsistent or context-dependent (Paais & Pattiruhu, 2020). Secondly, while motivation and competence are known to directly influence job performance, these effects are frequently mediated by job satisfaction (Adam & Kamase, 2019; Afuan et al., 2024). Thirdly, the impact of organisational culture on employee outcomes appears to vary considerably across different sectors and types of institutions (Ratnasari et al., 2020). Such disparities underscore the need for context-sensitive research that takes into account local institutional characteristics.

This study seeks to address these gaps by empirically examining the effects of leadership, motivation, organisational culture, and competence on job satisfaction and employee performance in community-based economic organisations within Soppeng Regency. Drawing upon organisational behaviour theory and utilising PLS-SEM, the research investigates the structural interrelationships among key organisational constructs. The significance of this study lies in its theoretical and practical contributions. From a theoretical perspective, it extends the field of organisational behaviour by situating the analysis within a context-specific institutional environment. Practically, the findings offer evidence-based insights for policymakers and institutional leaders, supporting the development of strategies that enhance the effectiveness of local economic community organisations in ways that are both people-centred and culturally responsive.

## LITERATURE REVIEW

This section synthesises prior empirical and theoretical research concerning six key organisational variables—leadership, motivation, organisational culture, competence, job satisfaction, and employee performance—which are essential for understanding the

effectiveness of community-based economic organisations (CBANs). The review is conducted in a systematic manner to identify pertinent constructs, examine the relationships between them, and provide a foundation for the formulation of hypotheses.

## **Leadership**

Transformational leadership has been shown to positively influence employee motivation and job satisfaction, especially within decentralised and participatory organisational settings (Jiwen Song et al., 2009; Miciko & Nusraningrum, 2024; Paais & Pattiruhu, 2020). Leaders who articulate a clear vision, invest in employee development, and promote participatory decision-making are likely to foster psychological safety and enhance engagement. The direct relationship between leadership and performance, however, remains ambiguous. Evidence suggests that its effect may primarily operate through mediating factors such as motivation and job satisfaction (Paais & Pattiruhu, 2020). This highlights the necessity of examining leadership within culturally specific contexts, particularly in Indonesian community-level institutions where hierarchical norms may conflict with participatory expectations.

## **Motivation**

Both intrinsic and extrinsic motivation serve as crucial antecedents of employee engagement, job satisfaction, and performance (Boryshkevych & Yakubiv, 2023; Monnot, 2018). Extrinsic motivators, including financial rewards and social recognition, can also play a role, although their effectiveness is often moderated by organisational culture and individual expectations. Within community-oriented organisations, where social cohesion and collective values are highly emphasised, intrinsic motivation is likely to be a stronger determinant of employee outcomes than extrinsic incentives.

## **Organisational Culture**

Organisational culture constitutes a fundamental factor shaping employee behaviour, job satisfaction, and performance (Boyd & Larson, 2023; Jo, 2025). Collaborative or clan-oriented cultures, which prioritise shared values, teamwork, and psychological safety, have been shown to be particularly effective in enhancing both job satisfaction and performance. Conversely, hierarchical cultures, while providing clarity in reporting structures, often restrict employee autonomy and weaken commitment. The concept of cultural fit, defined as the alignment between an employee's values and those of the organisation, is crucial for strengthening organisational commitment and reducing turnover among full-time staff (Cumar et al., 2025).

## **Competence**

Job satisfaction and performance are strongly influenced by employee competence, defined as the degree to which an individual can successfully execute tasks using the appropriate knowledge and skills (Arifin, 2015). Employees with well-developed skills tend to experience greater role clarity, confidence, and autonomy, which in turn enhances both their job satisfaction and productivity. In community-based organisations, where resource limitations and informal organisational structures are common, fostering competence through targeted training and mentoring is strategically vital (Arifin, 2015; Zein et al., 2025).

### **Job Satisfaction**

Job satisfaction functions as a mediating factor linking organisational variables such as leadership, motivation, and culture to employee performance outcomes (Arifin, 2015; Jo, 2025; Paais & Pattiruhu, 2020). Employees who experience higher levels of job satisfaction are more likely to demonstrate organisational citizenship behaviours, commitment, and overall effectiveness. The literature consistently identifies job satisfaction as a mechanism of the psychological contract, helping to reduce disengagement and turnover.

### **Employee Performance**

Employee performance is a multidimensional construct shaped by the interplay of motivation, leadership, organisational culture, competence, and job satisfaction (Jo, 2025; Paais & Pattiruhu, 2020; Sukarman, 2018). Evidence indicates that these factors collectively explain a substantial portion of the variance in performance outcomes. Collaborative organisational cultures and intrinsic motivation, in particular, have been linked to enhanced innovation, operational efficiency, and achievement of organisational goals. Within community-based organisations, performance is not solely measured by outputs; it also encompasses an employee's adaptability, collaborative capability, and contribution to local development initiatives.

## **THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT**

Organisational behaviour theory provides a comprehensive framework for understanding how individual, group, and organisational factors interact to shape employee attitudes and performance. To capture these dynamics, several well-established theoretical models are employed, including transformational leadership theory (Bass & Avolio, 1994), self-determination theory (Miller et al., 1985), organisational culture theory (Schein, 2010), and the job satisfaction–performance model (Locke, 1976). These frameworks inform the structural relationships among leadership, motivation, organisational culture, competence, job satisfaction, and employee performance.

### **Leadership as a Driving Factor for Competence and Job Satisfaction**

Transformational leadership theory posits that leaders who inspire, empower, and support their employees foster higher levels of competence and job satisfaction (Bass & Avolio, 1994). Participative leadership is particularly relevant in community-based organisations, as it aligns with local cultural norms and values inclusive decision-making processes that incorporate diverse perspectives (Mayfield & Mayfield, 2016; Shuck & Herd, 2012). Effective leadership not only enhances employees' technical and interpersonal skills but also reinforces their sense of belonging and purpose within the organisation. Based on this understanding, the following hypotheses are proposed:

**H1:** *Leadership has a positive effect on employee competence.*

**H2:** *Leadership has a positive effect on employee job satisfaction.*

### **Motivation as a Catalyst for Competence and Satisfaction**

Self-determination theory emphasises the pivotal role of intrinsic and extrinsic motivation in driving employee engagement and learning (Miller et al., 1985). Employees who are motivated tend to pursue self-development, internalise organisational goals, and form a stronger emotional attachment to their work. In less centralised organisations, where formal incentives are limited, intrinsic motivation becomes particularly critical for sustaining performance (Delaney & Royal, 2017; Miao et al., 2020). Based on this theoretical perspective, the following hypotheses are proposed:

**H3:** *Motivation has a positive effect on employee competence.*

**H4:** *Motivation has a positive effect on employee job satisfaction.*

### **Organizational Culture and Its Role in Shaping Competence and Satisfaction**

Organisational culture theory posits that shared beliefs, values, norms, and behavioural patterns influence employee conduct and organisational performance (Schein, 2010). A cooperative culture fosters psychological safety, learning, and innovation, which in turn positively affect both competence and job satisfaction (Huda et al., 2024; Stojanović et al., 2020). In community-based organisations, aligning corporate culture with employees' work expectations enhances commitment and reduces disengagement. On this basis, the following hypotheses are proposed:

**H5:** *Organisational culture has a positive effect on employee competence.*

**H6:** *Organisational culture has a positive effect on employee job satisfaction.*

### **The Relationship between Competence and Satisfaction with Employee Performance**

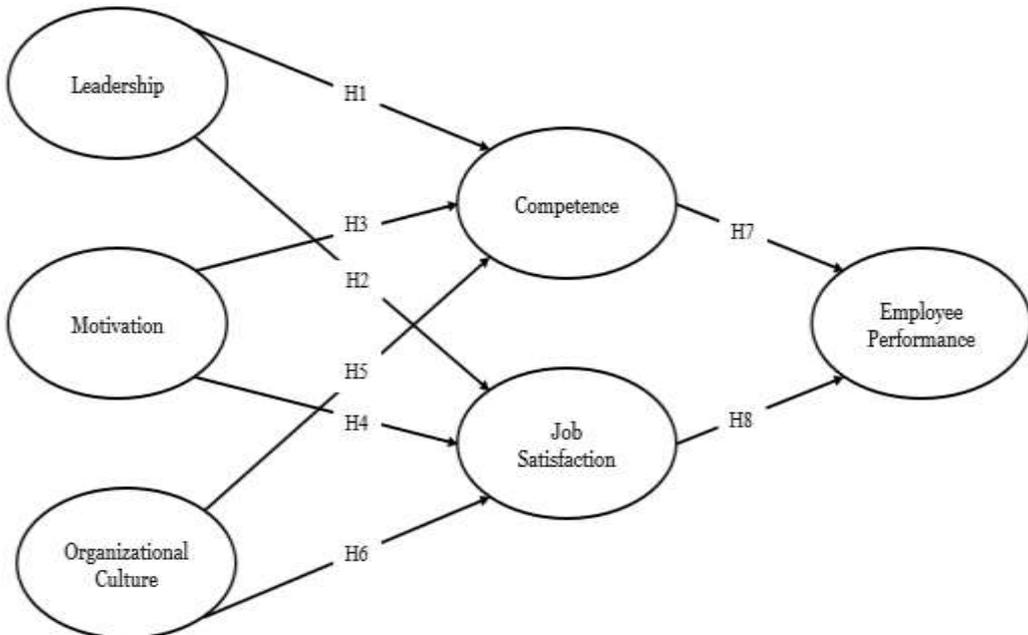
The job satisfaction–performance model suggests that employees who are satisfied and possess high competence are more likely to demonstrate strong performance, engage in organisational citizenship behaviours, and adapt to emerging requirements (Arifin, 2015; Locke, 1976). Competence provides the technical foundation for effective task execution, while job satisfaction influences motivation and attitudes. Within community-based institutions, these factors are crucial for ensuring institutional resilience and sustainable development. Based on this framework, the following hypotheses are formulated:

**H7:** *Competence has a positive effect on employee performance.*

**H8:** *Job satisfaction has a positive influence on employee performance.*

### Conceptual Model

Based on the theoretical framework and literature review, a research model was constructed to visually represent the structural relationships among multiple constructs. Competence and job satisfaction are hypothesised to be influenced by factors such as leadership style, motivation, and organisational culture, which in turn affect employee performance. This model illustrates a mediating pathway of influence, consistent with organisational behaviour theory and supported by empirical evidence.



**Figure 1:** Conceptual Framework of the Study

## RESEARCH METHODOLOGY

### Research Design

This study utilises a quantitative research design to examine the structural interrelationships among leadership, motivation, organisational culture, competence, job satisfaction, and employee performance within community-based economic institutions in Soppeng Regency, Indonesia. The research is anchored in organisational behaviour theory and draws upon multiple theoretical perspectives, including transformational leadership theory, self-determination theory, and organisational culture theory. PLS-SEM was employed as the analytical approach due to its appropriateness for exploratory investigations, its capacity to manage complex models encompassing multiple latent constructs, and its robustness when applied to small to medium sample sizes. Furthermore, this method facilitates the simultaneous assessment of direct and indirect effects, supporting the study’s objective of evaluating both structural and mediating relationships.

### Sampling and Data Collection

This study used offline surveys conducted in collaboration with local economic actors, village facilitators, and cooperative management units that helped reach respondents in areas with poor connectivity and low digital skills. Survey officers received training to administer structured questionnaires to representatives of micro, small, and medium enterprises, cooperatives, and village-owned enterprises in all subdistricts. This mixed data collection method provides equal access and adequate representation of all institutional levels (Lawelai et al., 2024; Shin et al., 2017; Van Quaquebeke et al., 2022; X. Zhang et al., 2017), socioeconomic diversity, and geography, as shown demographically in Table 2. In addition, this approach supports response triangulation and data validation through cross-channel consistency.

**Table 2: Demographic Information of Respondents**

Category	Subcategory	N=379	
		Number	Percent
Gender	Male	215	56,73%
	Female	164	43,27%
Age	≤ 20	39	10,29%
	21–29	149	39,31%
	30–39	108	28,50%
	40–49	44	11,61%
	≥ 50	39	10,29%
Education	Below High School	26	6,86%
	High School	80	21,11%
	Bachelor’s Degree	190	50,13%
	Postgraduate Degree	83	21,90%
Type of Business	Micro Businesses	190	50,13%
	Small Businesses	81	21,37%
	Medium Businesses	94	24,80%
	Cooperative Enterprises	11	2,90%

Category	Subcategory	N=379	
		Number	Percent
	Village-Owned Enterprises	3	0,79%

Source: Primary Data Processing, 2025.

This study employed a structured survey to collect primary data from local businesses in Soppeng Regency, using purposive sampling based on business type and level of economic participation. A total of 379 respondents participated, comprising 215 males and 164 females aged between 20 and 50 years. Data were gathered via a structured questionnaire derived from established theoretical constructs and measured on a five-point Likert scale. The instrument’s reliability and validity were confirmed through expert evaluation and a pilot test with 30 respondents, ensuring its accuracy and suitability for capturing the intended constructs.

### Measurement and Instrumentation

All constructs in this study were operationalised using multi-item scales adapted from previously validated instruments. Respondents rated each item on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). As presented in Table 3, theoretical frameworks from organisational behaviour, human resource development, and public sector performance, as established in prior studies, informed the development of the measurement instrument. The instrument’s conceptual validity is strengthened through the use of these established items and relevant literature, allowing a comprehensive assessment of leadership, motivation, organisational culture, competence, job satisfaction, and employee performance. It was designed to balance practical relevance with conceptual robustness, facilitating a multi-dimensional evaluation of the dynamics of local economic institutions in Soppeng Regency while capturing the contributions of the local community.

**Table 3: Measurement Items and Sources**

Variable	Item	Measurement Items	Source
Leadership	LEAD1	My supervisor encourages participation in decision-making.	(Packard & Jones, 2015; Smutny et al., 2016)
	LEAD2	My supervisor communicates clearly and consistently.	
	LEAD3	My supervisor sets a clear vision for the team.	
	LEAD4	My supervisor supports employee development.	
Motivation	MTV1	I feel motivated to achieve my work goals.	(Beqiri, 2019; Esteve & Schuster, 2019)
	MTV2	My organization provides incentives that encourage performance.	
	MTV3	I am recognized for my contributions.	
	MTV4	I find personal meaning in my work.	
	MTV5	I am motivated by opportunities for growth.	
Organizational Culture	OC1	The organization promotes teamwork and collaboration.	(Pavlova, 2020;
	OC2	Shared values guide our daily work.	

Variable	Item	Measurement Items	Source
	OC3	Innovation is encouraged in this organization.	Stojanović et al., 2020) f
	OC4	There is a strong sense of belonging among employees.	
	OC5	The organization respects diversity and inclusion.	
Competence	COMP1	I have the skills required to perform my job effectively.	(Dudin et al., 2017; Mehale et al., 2021)
	COMP2	I am confident in handling complex tasks.	
	COMP3	I continuously improve my professional abilities.	
	COMP4	I receive adequate training for my role.	
	COMP5	I understand the expectations of my position.	
Job Satisfaction	JS1	I am satisfied with my current job responsibilities.	(Karczewska et al., 2025; Sharma & Aggarwal, 2024)
	JS2	I feel valued by my organization.	
	JS3	I am satisfied with my work-life balance.	
	JS4	I enjoy the tasks I perform daily.	
	JS5	I am satisfied with the support from my supervisor.	
Employee Performance	EP1	I consistently meet performance targets.	(Ardian et al., 2023; Shah et al., 2025)
	EP2	I contribute positively to team outcomes.	
	EP3	I take initiative in solving problems.	
	EP4	I complete tasks efficiently and accurately.	
	EP5	I adapt well to changes in the workplace.	

Source: Packard and Jones (2015).

## Data Analysis Procedure

The structural model was evaluated in SmartPLS 4.0 using a two-step process, first testing the measurement model and then the structural model. The sample size (N = 379) satisfied the requirement for complex SEM analyses. VIF values were below 3.3, ruling out multicollinearity. Reliability was confirmed through Cronbach's Alpha and Composite Reliability, both exceeding 0.70, while AVE values above 0.50 supported convergent validity. Discriminant validity was verified using the Fornell-Larcker criterion and HTMT ratio, with HTMT values under 0.85. Model fit indices (SRMR < 0.08, NFI, and Chi-square) indicated acceptable fit. Path coefficients, R<sup>2</sup> values, and p-values were estimated using bootstrapping with 5000 resamples to test hypotheses. The model included six constructs and eight hypothesised paths, with R<sup>2</sup> values reflecting moderate explanatory power. Overall, these results confirm the model's reliability, validity, and theoretical soundness.

## RESULTS AND ANALYSIS

### Descriptive Analysis

In quantitative research, descriptive analysis serves as an initial step to examine patterns in data distribution, respondent response tendencies, and the statistical properties of each indicator. This involves calculating measures such as the mean, median, standard deviation (SD), and factor loadings, which indicate the relative contribution of each item to its respective construct. Conceptually, this process allows researchers to evaluate the strength of respondents' attitudes or behaviours toward the studied variables while identifying potential imbalances or biases in the data before proceeding to the assessment of instrument validity and reliability (Lash et al., 2014; Schmader et al., 2022).

The analysis included testing construct validity through AVE, CR, and Cronbach's alpha ( $\alpha$ ), examining paths between latent variables, and evaluating model fit using SRMR, Chi-Square, and NFI. Inferential validity was further supported by assessing multicollinearity and inspecting the distribution of residuals. Internal validity was ensured through adequate construct reliability, while external validity was maintained by drawing a sample representative of the local economic institutions in Soppeng Regency. As shown in Table 4, all constructs met the CR benchmark of 0.7, with Cronbach's alpha values ranging from 0.655 to 0.876, indicating strong internal consistency. AVE values exceeding 0.5 confirmed convergent validity.

**Table 4: Average Extracted Variance, Composite Reliability, and Cronbach's  $\alpha$  Statistics**

Variable	Item	Loadings	AVE	CR	CA
Leadership	LEAD1	0,765	0,480	0,786	0,655
	LEAD2	0,713			
	LEAD3	0,622			
	LEAD4	0,662			
Motivation	MTV1	0,643	0,538	0,853	0,785
	MTV2	0,728			
	MTV3	0,788			
	MTV4	0,771			
	MTV5	0,727			
Organizational Culture	OC1	0,737	0,537	0,852	0,783
	OC2	0,759			
	OC3	0,765			
	OC4	0,740			
	OC5	0,657			
Competence	COMP1	0,683	0,556	0,861	0,797
	COMP2	0,808			
	COMP3	0,798			
	COMP4	0,671			
	COMP5	0,756			
Job Satisfaction	JS1	0,794	0,669	0,910	0,876
	JS2	0,763			
	JS3	0,773			

Variable	Item	Loadings	AVE	CR	CA
	JS4	0,845			
	JS5	0,850			
Employee Performance	EP1	0,804	0,649	0,902	0,864
	EP2	0,805			
	EP3	0,863			
	EP4	0,807			
	EP5	0,809			

**Notes:** AVE: Average Variance Extracted, CR: Composite Reliability, CA: Cronbach's Alpha.  
**Source:** Data Analysis using Smart-PLS, 2025.

## Measurement Model Evaluation

The evaluation of the measurement model in this study offers critical insights into the reliability and validity of the constructs employed (Table 5). The assessment covered six primary variables: Leadership (LEAD), Motivation (MTV), Organisational Culture (OC), Competence (COMP), Job Satisfaction (JS), and Employee Performance (EP). Cronbach's alpha values for all constructs exceeded the minimum threshold of 0.70, with the exception of LEAD (0.655), which remains acceptable for exploratory research. Composite reliability ( $\rho_c$ ) for all constructs was above 0.80, indicating strong internal consistency. The AVE values for all constructs surpassed 0.50, except for LEAD (0.480), which still demonstrated adequate convergent validity.

**Table 5: Measurement Model Construct Reliability and Validity**

	Cronbach's Alpha	Composite Reliability ( $\rho_a$ )	Composite Reliability ( $\rho_c$ )	Average Variance Extracted (AVE)
<b>LEAD</b>	0.655	0.667	0.786	0.480
<b>MTV</b>	0.785	0.797	0.853	0.538
<b>OC</b>	0.783	0.785	0.852	0.537
<b>COMP</b>	0.797	0.800	0.861	0.556
<b>JS</b>	0.876	0.879	0.910	0.669
<b>EP</b>	0.864	0.868	0.902	0.649

**Source:** Data Analysis using Smart-PLS, 2025.

To confirm that each construct in the measurement model captures a distinct concept without overlap, discriminant validity was evaluated using two primary approaches: the HTMT and the Fornell-Larcker criterion. The HTMT method assesses whether constructs demonstrate sufficient empirical differentiation, while the Fornell-Larcker approach examines whether the correlations between constructs are lower than the square root of their respective AVE values. Together, these techniques provide robust statistical evidence supporting the clarity, precision, and distinctiveness of the constructs within the model. Table 6 demonstrates that all HTMT values fall below the conservative threshold of 0.85, and the diagonal elements of the Fornell-Larcker matrix (square root of AVE) exceed the correlations between constructs. This confirms that

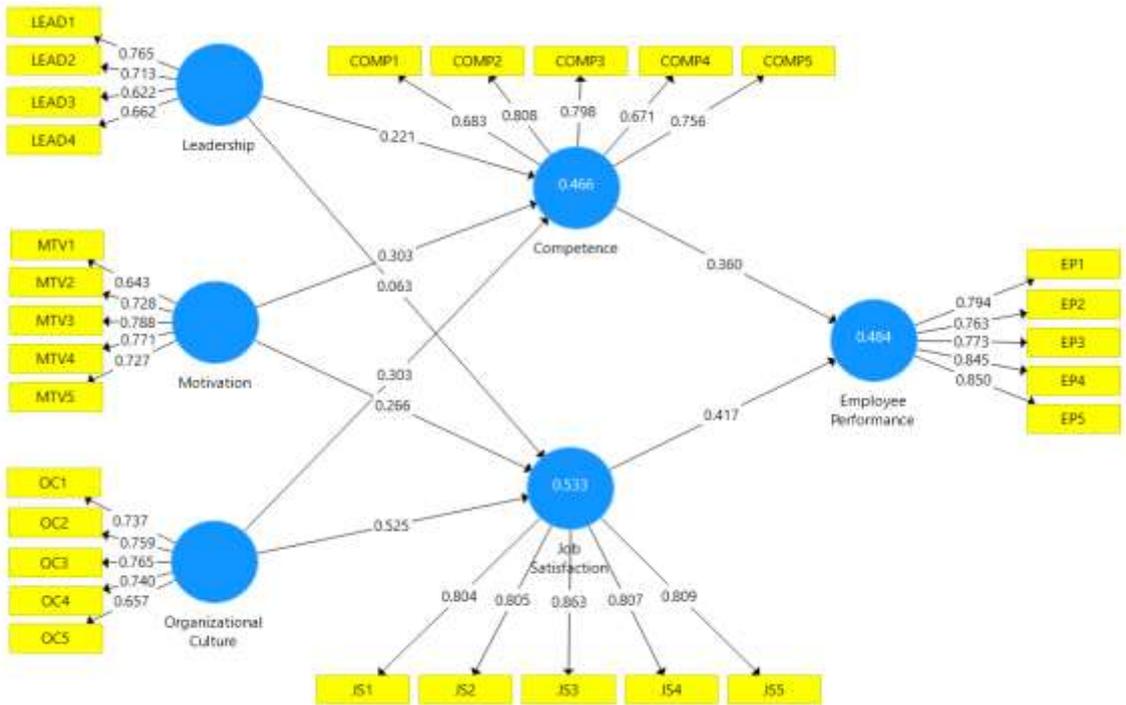
each construct in the model exhibits satisfactory discriminant validity, ensuring that they can be empirically distinguished from one another. Consequently, the measurement model satisfies the necessary criteria to advance to the structural model analysis stage.

Figure 2 illustrates the structural relationships among six latent constructs: personality, competitiveness, competence, protean career, job satisfaction, and performance. The influence of each construct is depicted through the coefficient values positioned above the connecting arrows, along with the R<sup>2</sup> values associated with the dependent constructs (Wilkes & Karimi, 2025). An R<sup>2</sup> of 0.325 for performance indicates that 32.5% of the variance in lecturer performance is jointly explained by job satisfaction and protean career. For job satisfaction, an R<sup>2</sup> of 0.242 reflects the combined contribution of personality and competence. The strongest path coefficients are observed between protean career and performance ( $\beta = 0.394$ ) and between job satisfaction and performance ( $\beta = 0.325$ ), corroborating the hypothesised positive relationships among the constructs.

**Table 6: Measurement Model Discriminant Validity**

Heterotrait-Monotrait (HTMT)						
	LEAD	MTV	OC	COMP	JS	EP
LEAD						
MTV	<b>0.765</b>					
OC	0.731	<b>0.578</b>				
COMP	0.737	0.712	<b>0.705</b>			
JS	0.618	0.646	0.814	<b>0.717</b>		
EP	0.655	0.762	0.632	0.737	<b>0.724</b>	
Fornell Larcker Criterion						
	LEAD	MTV	OC	COMP	JS	EP
LEAD	<b>0.693</b>					
MTV	0.585	<b>0.733</b>				
OC	0.533	0.455	<b>0.733</b>			
COMP	0.560	0.571	0.559	<b>0.745</b>		
JS	0.499	0.542	0.680	0.602	<b>0.818</b>	
EP	0.520	0.633	0.520	0.611	0.634	<b>0.806</b>

Source: Data Analysis using Smart-PLS, 2025.



**Figure 2:** Structural Model (Path Coefficient)  
**Source:** Data Analysis using Smart-PLS, 2025.

### Structural Model Evaluation

The structural model was evaluated through  $R^2$  values,  $f^2$  effect sizes, and model fit indices. Table 7 presents the  $R^2$  and adjusted  $R^2$  values for each endogenous construct. Job satisfaction ( $R^2 = 0.533$ ) and competence ( $R^2 = 0.466$ ) demonstrate moderate explanatory power, whereas employee performance ( $R^2 = 0.484$ ) reflects a considerable proportion of variance accounted for by the predictor variables. Effect sizes ( $f^2$ ) were calculated to assess the individual contribution of each exogenous variable to the endogenous constructs. As indicated in Table 7, organisational culture exerts the most substantial impact on both competence ( $f^2 = 0.161$ ) and job satisfaction ( $f^2 = 0.061$ ), while competence significantly influences employee performance ( $f^2 = 0.214$ ). Leadership and motivation contribute to competence and job satisfaction to a lesser extent, yet their effects remain meaningful. Several indices were used to assess model fit, including Chi-Square statistics, SRMR, NFI, d\_ULS, and d\_G. The SRMR values for the saturated model (0.077) and the estimated model (0.084) fall below the recommended threshold of 0.08, indicating a satisfactory model fit. Additional indices, such as NFI (0.682) and the Chi-Square statistics, further confirm the adequacy and robustness of the model.

**Table 7: R Square, F Square, and Model Fit Indices**

R-Square						
	R-Square			R-Square Adjusted		
COMP	0.466			0.458		
JS	0.533			0.526		
EP	0.484			0.479		
F-Square						
	LEAD	MTV	OC	COMP	JS	EP
LEAD				0.052	0.005	
MTV				0.109	0.095	
OC				0.118	0.405	
COMP						0.161
JS						0.214
EP						
Model Fit						
	Saturated Model			Estimated Model		
SRMR	0.077			0.084		
d ULS	2.554			3.098		
d G	0.912			0.949		
Chi-Square	1015.184			1035.715		
NFI	0.682			0.676		

Source: Data Analysis using Smart-PLS, 2025.

## Hypothesis Testing

The final phase of this study involves hypothesis testing, aimed at evaluating the causal relationships among the constructs based on the theoretical framework and insights from prior research. Employing the PLS-SEM methodology, the analysis simultaneously examines the interrelationships between latent variables, considering both direct effects and the contribution of each construct to the dependent variable. The validity and significance of these relationships are assessed through path coefficients, t-statistics, and p-values, which collectively indicate the strength and reliability of the structural model (Ketchen, 2013; Kline, 2016). To determine the acceptance or rejection of the proposed hypotheses, a significance threshold of 5 percent ( $\alpha = 0.05$ ) is applied. The p-value serves as the primary criterion for evaluating the statistical significance of each relationship. Relationships with p-values under 0.05 were deemed significant, supporting the alternative hypothesis, while values above 0.05 indicated non-significance, retaining the null. This approach ensured a robust evaluation of the model's hypothesised relationships.

Table 8 outlines the main hypothesis of the structural model, analysing how leadership, motivation, organisational culture, and competence influence job satisfaction and employee performance in Soppeng Regency's local economic institutions. Out of eight tested hypotheses, seven were supported with p-values below 0.05, confirming

significant relationships among constructs. Organisational culture showed the strongest impact on job satisfaction ( $\beta = 0.525$ ;  $p = 0.000$ ), followed by job satisfaction's effect on employee performance ( $\beta = 0.417$ ;  $p = 0.000$ ). Leadership's influence on job satisfaction ( $\beta = 0.063$ ;  $p = 0.372$ ) was non-significant, suggesting the need for a more participatory and context-sensitive leadership style (Adam & Kamase, 2019; Paais & Pattiruhu, 2020).

**Table 8: Summary of Results**

Hypothesis	Coefficients	STDEV	P Values	Results
Leadership has a positive effect on employee competence.	0,221	0,092	0,017	Accepted
Leadership has a positive effect on employee job satisfaction.	0,063	0,071	0,372	Rejected
Motivation has a positive effect on employee competence.	0,303	0,067	0,000	Accepted
Motivation has a positive effect on employee job satisfaction.	0,266	0,072	0,000	Accepted
Organizational culture has a positive effect on employee competence.	0,303	0,087	0,001	Accepted
Organizational culture has a positive effect on employee job satisfaction.	0,525	0,066	0,000	Accepted
Competence has a positive effect on employee performance.	0,360	0,068	0,000	Accepted
Job satisfaction has a positive influence on employee performance.	0,417	0,070	0,000	Accepted

Source: Data Analysis using Smart-PLS, 2025.

## DISCUSSION

This research corroborates earlier findings that highlight motivation and competence as pivotal determinants of employee job satisfaction and performance. Previous studies (Adam & Kamase, 2019; Afuan et al., 2024; Arifin, 2015) indicate that intrinsic motivation and technical competence directly enhance performance, particularly within public institutions and community contexts. Consistent with this, the present study demonstrates that motivation significantly influences both competence and job satisfaction. Moreover, these results align with the work of Mehale et al. (2021) and Zein et al. (2025), who underscore the strategic role of training and development in improving the competitive capacity of local institutions.

However, this study identifies a notable divergence from conventional literature regarding the impact of leadership. While transformational leadership is often regarded as a primary driver of job satisfaction and performance (Bass & Avolio, 1994; Paais & Pattiruhu, 2020; Udin et al., 2023), its effect on job satisfaction within community economic institutions in Soppeng is found to be non-significant. This suggests that

leadership approaches that are non-contextual or overly bureaucratic may hold limited relevance in participatory, community-oriented work environments. These findings challenge the assumption of universal leadership efficacy and highlight the need to tailor leadership strategies to local social and cultural norms (Jo, 2025; Miciko & Nusraningrum, 2024). Research by Boyd and Larson (2023), Stojanović et al. (2020), and Pavlova (2020) has established that collaborative and inclusive organisational cultures enhance employee engagement. The present study not only confirms these observations but further demonstrates that, within community-based institutions, organisational culture exerts the strongest influence on job satisfaction ( $\beta = 0.525$ ). Consequently, this research extends organisational culture theory by emphasising collective values and a sense of belonging as central elements in the design and functioning of local institutions.

## **THEORETICAL IMPLICATIONS**

From a theoretical perspective, this study advances the organisational behaviour literature by highlighting the critical role of contextualisation in leadership frameworks and workplace culture. The observation that leadership does not exert a significant effect on job satisfaction suggests that leadership effectiveness is highly contingent upon alignment with local cultural norms and social structures (Bass & Avolio, 1994; Mayfield & Mayfield, 2016; Shuck & Herd, 2012). Moreover, the pronounced association between organisational culture and job satisfaction provides empirical support for Schein (2010) theory, emphasising the significance of shared values and psychological safety within organisations.

## **PRACTICAL IMPLICATIONS**

From a practical standpoint, the findings of this study offer strategic guidance for enhancing the effectiveness of local economic institutions. Policymakers and institutional leaders should prioritise the cultivation of a collaborative, community-oriented organisational culture, as it has been shown to significantly drive both employee satisfaction and performance (Boyd & Larson, 2023; Pavlova, 2020; Stojanović et al., 2020). Training and competence development initiatives should be specifically adapted to local requirements, in line with recommendations by (Dudin et al., 2017; Mehale et al., 2021). Furthermore, motivational systems should be designed to emphasise intrinsic factors, such as social contribution and the long-term sustainability of organisational initiatives (Boryshkevych & Yakubiv, 2023; Delaney & Royal, 2017; Monnot, 2018).

## **RESEARCH LIMITATIONS**

This study presents several limitations that should be acknowledged. The cross-sectional research design restricts the capacity to observe how organisational behaviour

and leadership dynamics evolve over time. Moreover, the reliance on a quantitative methodology limits the exploration of the social and psychological subtleties that shape respondents' perceptions of leadership and organisational culture. The exclusive focus on Soppeng Regency further constrains the generalisability of the findings to regions with differing social and economic contexts. Additionally, perceptual biases towards leadership figures and varying levels of organisational literacy among participants may influence the external validity of the results.

## CONCLUSIONS

This study provides empirical evidence of the significant role that motivation, organisational culture, and competence play in shaping employee job satisfaction and performance within community-based economic institutions in Soppeng Regency. The analysis reveals that organisational culture exerts the strongest influence on job satisfaction, while job satisfaction itself serves as the primary predictor of employee performance. These findings indicate that inclusive, collaborative, and emotionally supportive work environments are critical for enhancing institutional effectiveness. Competence also emerges as a key determinant of performance, underscoring the importance of skill mastery and role clarity in local institutions that prioritise community service and empowerment. In contrast, leadership did not demonstrate a significant effect on job satisfaction, suggesting a misalignment between the leadership approaches employed and the socio-cultural expectations of the local context. This highlights the necessity of adopting a more adaptive, context-sensitive leadership model that accounts not only for formal organisational structures but also for local values, participatory practices, and empathy. Developing a leadership framework grounded in local culture and participatory principles could bridge the gap between institutional systems and the psychosocial needs of employees, thereby enhancing the effectiveness of community-based economic organisations rooted in social cohesion and collective responsibility.

Priority should be given to fostering a supportive organisational culture, advancing employee competence, and implementing motivational systems that align with the characteristics and values of the local community. Leadership development programmes should also be adapted to local socio-cultural conditions to cultivate more harmonious and productive workplace relationships. Academically, this study contributes to the literature on organisational behaviour in non-Western contexts, particularly within community-based institutions, and presents an analytical framework that may be applied in similar research across other regions. Nevertheless, the study has several limitations. Focusing on a single region limits the generalisability of the findings to areas with differing socio-economic characteristics. Future research employing longitudinal approaches is recommended to track the evolution of leadership and institutional performance more thoroughly. Comparative studies across regions could

further enrich understanding of context-specific organisational frameworks. Additionally, qualitative methods could be employed to examine employees' subjective experiences that quantitative data may not fully capture, providing a more comprehensive and practically relevant understanding of community-based institutional effectiveness.

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