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Organizational Culture and Competence Effects on Performance with Employee Engagement Moderation

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ABSTRACT

This study analyzes the influence of organizational competence and culture on organizational performance, with employee engagement as a moderating variable. The background emphasizes improving human resources and organizational culture to enhance performance in public institutions, particularly government agencies. Employing a quantitative approach with moderated regression analysis (MRA) via STATA, the study used a saturated sample of 76 respondents. Results show organizational competencies and culture positively and significantly affect employee engagement, which in turn significantly influences organizational performance. However, employee engagement did not significantly moderate the relationship between competencies, organizational culture, and organizational performance. The model explained over 60% of organizational performance variation, indicated by high R-squared values. This study offers novel empirical evidence that employee engagement acts as a mediator, not moderator, in the competence-culture-performance link within Indonesian public sectors—challenging private sector assumptions. Findings urge government agencies to prioritize employee engagement development as a mediating pathway for translating competence and culture investments into performance gains, informing effective human resource strategies for bureaucratic reform.

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INTRODUCTION

Organizational performance is greatly influenced by the quality of its human resources, because humans are the main actors in carrying out organizational strategies, processes, and policies (Armstrong, 2014). According to Carpini, Parker, and Griffin (2017), performance is likely the most important and most researched variable in industrial management and organizational behavior. Armstrong (2014) emphasized that performance not only reflects results but also the process of implementing quality work in accordance with organizational goals.

In the context of public organizations, human resources not only function as policy implementers but also as agents of change that determine the achievement of organizational goals efficiently, transparently, accountably, and responsively to community needs (Sedarmayanti, 2017). The quality of human resources greatly determines the success of bureaucratic reform and the improvement of service performance (Rahmi & Wijaya, 2022; Tahirs et al., 2023; Yaro, 2023). Therefore, investment in competency development, work

engagement, and the formation of a positive organizational culture are crucial factors in improving public sector performance (Gibson et al., 2020).

Keban (2019) stated that the performance of the public sector must be measured based on its ability to meet public needs and expectations through the implementation of effective services. The performance of public sector organizations is currently measured using SAKIP (Government Agency Performance Accountability System) and RB (Bureaucratic Reform), where the assessment indicators lie in planning, performance, performance measurement, performance reporting, internal evaluation, and performance achievements. In 2024, the results of the SAKIP evaluation at the Ministry of ATR/BPN improved from the predicate 'B' or 'Good' with a value of 69.17 in 2023 to the predicate 'BB' or 'Very Good' with a value of 70.54 in 2024. Despite this improvement, the Ministry continues to face challenges in optimizing organizational performance to achieve excellence levels, particularly in ensuring that human resource investments in competence development and culture strengthening effectively translate into measurable performance outcomes.

Research by Dianita, Romus, and Mujtahid (2022) shows a positive influence of Organizational Culture and Competence Effects on employee performance. Robbins (2023) stated that organizational culture is a system of shared meaning embraced by members of the organization, which distinguishes the organization from others. In the public organization sector, State Civil Apparatus (ASN) are required to implement core values as a work culture with AKHLAK (Service-Oriented, Accountable, Competent, Harmonious, Loyal, Adaptive, and Collaborative), which is regulated in the Circular Letter of the Minister of PANRB Number 20 of 2021 and stipulated in Law Number 20 of 2023 concerning the State Civil Apparatus. The implementation of AKHLAK values represents a comprehensive cultural transformation initiative aimed at shifting bureaucratic culture from procedural rigidity toward adaptive, service-oriented professionalism aligned with contemporary public administration demands.

In addition to organizational culture, increasing competence is an organizational strategy for optimizing employee performance (Wibowo, 2016). Suryana, Kurniawan, and Paramarta (2024) examined the influence of competence on the performance of Civil Servants (PNS), finding that competence had a significant and positive effect on the performance of civil servants. Competence as the foundation of human resources is an individual characteristic that can be measured and shows effective or superior performance in a job or situation (Zwell, 2000). According to Spencer and Spencer's competence framework, competence encompasses not only technical knowledge and skills but also behavioral competencies, including attitudes, motives, and personal characteristics that distinguish superior performers from average performers in specific job contexts.

Employee engagement is defined as the extent to which employees feel passionate, dedicated, and engaged in their work (Schaufeli & Bakker, 2004). Research by Saks (2006) found that employee engagement is positively correlated with organizational performance. In this study, employee engagement is hypothesized as a moderating variable that strengthens or weakens the relationship between competencies and organizational culture on organizational performance. The moderation hypothesis suggests that high employee engagement may amplify the positive effects of competence and culture on performance, while low engagement may diminish these effects, creating differential performance outcomes even among employees with similar competence levels and cultural exposure.

Organizational performance is commonly assessed through frameworks like Kaplan and Norton's (2015) Balanced Scorecard, while in Indonesian public administration, SAKIP provides a systematic method for translating strategic objectives into measurable indicators, as applied in evaluating the Ministry of ATR/BPN across dimensions like service quality and process efficiency. Concurrently, Spencer and Spencer's concept of competence, encompassing knowledge, skills, and deeper attributes, underpins this study's measurement of ASN competence based on the ministry's standards for technical, managerial, and socio-cultural proficiency.

Furthermore, organizational culture, defined by Schein (2010) as learned assumptions, is operationalized through the AKHLAK values—a deliberate framework aimed at transforming bureaucratic behavior toward service, accountability, and collaboration within the Indonesian civil service. Employee engagement, characterized by vigor, dedication, and absorption as defined by Schaufeli and Bakker (2004), is recognized as a critical state positively linked to performance, with Saks (2006) distinguishing between engagement in one's job and with the organization.

The relationships between these variables are established in prior research, indicating that competence positively affects engagement and performance (Suryana et al., 2024), and organizational culture significantly influences both engagement and performance (Dianita et al., 2022; Sindakis et al., 2024). Grounded in the Job Demands-Resources theory, employee engagement is posited as a moderating variable that can strengthen or weaken the impact of competence and culture on performance outcomes.

Despite this foundation, significant gaps remain. Theoretically, there is limited systematic investigation into whether employee engagement acts as a moderating mechanism, rather than a simple predictor, particularly within public sector contexts where motivational dynamics differ. Contextually, most research derives from Western corporate settings, leaving a scarcity of evidence from public administrations in developing countries like Indonesia, which are undergoing unique cultural transformations such as the AKHLAK initiative.

Methodologically, few studies employ rigorous moderated regression analysis to test interaction effects, often conflating mediation and moderation pathways. This study addresses these gaps by examining engagement as a moderator within the Ministry of ATR/BPN, offering novelty through its empirical testing of moderation hypotheses, its context-specific evidence from the Indonesian public sector, and its practical insights for resource allocation in bureaucratic reform. The research objectives are to analyze the influences of competency and culture on engagement, the impact of engagement on performance, and the moderating role of engagement in the relationships between competency-culture and organizational performance.

Based on the above background description, this study aims to analyze: (1) the influence of competency on employee engagement; (2) the influence of organizational culture on employee engagement; (3) the influence of employee engagement on organizational performance; (4) the moderating role of employee engagement in the relationship between competencies and organizational performance; and (5) the moderating role of employee engagement in the relationship between organizational culture and organizational performance.

The implications of this study are threefold. Academically, it tests moderation hypotheses in an underexplored context, clarifying theoretical mechanisms. Managerially, it provides evidence-based guidance on whether engagement interventions must accompany competence

and culture programs. For public policy, it offers empirical evidence to inform civil service reform and SAKIP implementation, advising on the integration of engagement initiatives within broader performance improvement frameworks in Indonesia and similar settings.

RESEARCH METHOD

This study used a quantitative approach with a survey method. The research population is all employees within the Organization and Personnel Bureau of the Secretariat General of the Ministry of ATR/BPN which totals 76 people. Using saturated sampling techniques, the entire population was used as a research sample (Sugiyono, 2021), ensuring complete representation of the target population and eliminating sampling error, which is particularly appropriate for small, well-defined populations where comprehensive data collection is feasible.

Data collection was carried out during November-December 2024 through self-administered questionnaires with a Likert scale of 1-5 (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree). Prior to full-scale data collection, respondents were provided informed consent forms explaining the research purpose, voluntary nature of participation, confidentiality protections, and intended use of data. All participants provided written informed consent. The research protocol received ethical clearance from the Ministry's internal research ethics review process, ensuring compliance with research ethics standards for human subjects. Questionnaire administration was conducted during working hours with supervisor approval to ensure adequate response time without disrupting operational duties.

Competency variables are measured using indicators adapted from Spencer and Spencer's competence framework, including knowledge (technical understanding of land administration and spatial planning), skills (ability to execute job tasks effectively and efficiently), and attitudes (professional orientation, service mindset, and ethical conduct). The competence scale comprises 15 items assessing technical, managerial, and socio-cultural competencies relevant to ASN roles in the Ministry of ATR/BPN.

Organizational Culture variables are measured using AKHLAK indicators which include: Service-Oriented (5 items measuring customer focus and service excellence orientation), Accountable (4 items measuring transparency and responsibility for decisions and actions), Competent (4 items measuring professionalism and capability), Harmonious (3 items measuring cooperative relationships and conflict management), Loyal (3 items measuring integrity and organizational commitment), Adaptive (4 items measuring innovation and change readiness), and Collaborative (4 items measuring teamwork and cross-functional cooperation). The organizational culture scale comprises 27 items total, providing comprehensive measurement of AKHLAK cultural dimensions.

Employee Engagement is measured using the Utrecht Work Engagement Scale (UWES-9) from Schaufeli and Bakker which includes three dimensions: vigor (3 items measuring energy, mental resilience, and persistence), dedication (3 items measuring enthusiasm, pride, and sense of significance in work), and absorption (3 items measuring concentration, time distortion, and difficulty detaching from work). UWES-9 is a validated short-form instrument with demonstrated reliability and validity across diverse cultural and occupational contexts.

Organizational performance is measured based on SAKIP indicators which include planning (quality and alignment of strategic and operational plans), measurement (systematic

performance monitoring and indicator tracking), reporting (timeliness and comprehensiveness of performance reporting), and performance evaluation (utilization of evaluation results for continuous improvement). The organizational performance scale comprises 12 items assessing self-reported contribution to bureau-level SAKIP performance across these four dimensions.

The data analysis technique used Moderated Regression Analysis (MRA) with the help of STATA software version 16. Before the main analysis, data quality was assessed through validity testing using Pearson Correlation coefficients (items with $r > 0.361$ considered valid for $n=76$ at $\alpha=0.05$) and reliability testing using Cronbach's Alpha ($\alpha > 0.70$ considered acceptable internal consistency). Classical assumption tests were conducted to ensure appropriateness of regression analysis, including normality tests using Shapiro-Wilk test for residual distribution, multicollinearity tests using Variance Inflation Factor (VIF < 10 indicating acceptable multicollinearity levels), and heteroscedasticity tests using Breusch-Pagan test ($p > 0.05$ indicating homoscedastic residuals).

The regression equation model used is:

Model 1: $EE = \beta_0 + \beta_1 K + \beta_2 BO + \varepsilon$

Model 2: $KO = \beta_0 + \beta_1 K + \beta_2 BO + \beta_3 EE + \varepsilon$

Model 3: $KO = \beta_0 + \beta_1 K + \beta_2 BO + \beta_3 EE + \beta_4 (K \times EE) + \beta_5 (BO \times EE) + \varepsilon$

Where: EE = Employee Engagement, K = Competence, BO = Organizational Culture, KO = Organizational Performance, K×EE = Competency Interaction and Employee Engagement, BO×EE = Organizational Culture Interaction and Employee Engagement.

RESULTS AND DISCUSSION

Characteristics of Respondents

Of the 76 respondents from the Organization and Personnel Bureau, 53.9% (41 respondents) were male and 46.1% (35 respondents) were female, indicating relatively balanced gender representation. Most respondents were aged 31-40 years (46.1%, 35 respondents), followed by 21-30 years old (26.3%, 20 respondents), 41-50 years old (19.7%, 15 respondents), and over 50 years old (7.9%, 6 respondents). This age distribution reflects a predominantly mid-career workforce with substantial organizational experience balanced by younger employees, bringing fresh perspectives.

Educational attainment is dominated by bachelor's degree (S1) graduates (59.2%, 45 respondents), followed by master's degree (S2) holders (27.6%, 21 respondents), diploma (D3) graduates (7.9%, 6 respondents), and high school graduates (5.3%, 4 respondents). The high proportion of university-educated employees reflects government sector requirements for professional qualifications in administrative and policy roles.

Length of service varied across the sample, with the majority serving 1-10 years (44.7%, 34 respondents), followed by 11-20 years (32.9%, 25 respondents), and more than 20 years (22.4%, 17 respondents). This distribution indicates a mix of relatively newer employees still developing organizational knowledge and longer-tenured employees with deep institutional memory and expertise. The diversity in tenure provides valuable variation for examining how competence, culture, and engagement relationships may vary across career stages.

Validity and Reliability Test

Validity testing using Pearson correlation coefficients demonstrated that all questionnaire items achieved correlation values (r) exceeding the critical value of 0.361 (r-table for n=76, α=0.05, two-tailed), confirming that all items validly measure their intended constructs. Specifically, competence items showed correlations ranging from r=0.412 to r=0.782 with total competence scores; organizational culture items showed correlations ranging from r=0.389 to r=0.856 with total culture scores; employee engagement items showed correlations ranging from r=0.445 to r=0.791 with total engagement scores; and organizational performance items showed correlations ranging from r=0.401 to r=0.808 with total performance scores. These results confirm adequate construct validity across all measurement instruments.

Reliability assessment using Cronbach's Alpha produced the following results: Competency scale (α = 0.928), Organizational Culture scale (α = 0.956), Employee Engagement scale (α = 0.941), and Organizational Performance scale (α = 0.935). All Cronbach's Alpha values substantially exceed the conventional threshold of 0.70, indicating excellent internal consistency reliability for all measurement instruments. These high reliability coefficients confirm that scale items consistently measure their respective constructs with minimal random measurement error, providing confidence in the stability and precision of measurements.

Classic Assumption Test

Normality testing using the Shapiro-Wilk test for regression residuals yielded the following results: Model 1 residuals (W = 0.987, p = 0.612), Model 2 residuals (W = 0.983, p = 0.481), and Model 3 residuals (W = 0.985, p = 0.537). All p-values exceed 0.05, indicating that residuals are normally distributed and do not violate the normality assumption required for valid parametric regression inference. Normal probability plots (not shown) further confirmed approximate normality of residual distributions.

Multicollinearity assessment using Variance Inflation Factor (VIF) statistics revealed the following: Competence (VIF = 2.31), Organizational Culture (VIF = 2.45), Employee Engagement (VIF = 2.18), K×EE interaction (VIF = 3.67), and BO×EE interaction (VIF = 3.82). All VIF values remain well below the conventional threshold of 10, indicating that multicollinearity is within acceptable limits and does not severely inflate standard errors of regression coefficients. The moderate VIF values for interaction terms (3.67 and 3.82) are expected and acceptable given that interaction terms are mathematical functions of main effect variables, which naturally induces some collinearity.

Heteroscedasticity testing using the Breusch-Pagan test for residual variance homogeneity produced the following results: Model 1 ($\chi^2 = 3.42$, p = 0.181), Model 2 ($\chi^2 = 4.67$, p = 0.197), and Model 3 ($\chi^2 = 6.23$, p = 0.285). All p-values exceed 0.05, indicating failure to reject the null hypothesis of homoscedastic residuals. This confirms that residual variance is constant across levels of predicted values, satisfying the homoscedasticity assumption for ordinary least squares regression. Visual inspection of residual plots (not shown) corroborated these statistical test results, showing no systematic patterns of increasing or decreasing variance. Collectively, these classical assumption tests confirm that the data satisfy fundamental requirements for valid regression analysis, lending confidence to subsequent hypothesis testing and interpretation of regression coefficients.

Regression Analysis Results

Table 1 shows the results of regression analysis for Model 1 which examines the influence of Competencies and Organizational Culture on Employee Engagement. The results showed that Competency had a significant positive effect on Employee Engagement (β=0.378, p<0.001) and Organizational Culture also had a significant positive effect on Employee Engagement (β=0.512, p<0.001). The value of $R^2 = 0.691$ indicates that 69.1% of the variation in Employee Engagement can be explained by Competencies and Organizational Culture.

Table 1. Regression Model 1 Results (Effect on Employee Engagement)

Variable	Coefficient	t-value	p-value
Competencies	0,378	4,52	0,000***
Organizational Culture	0,512	6,13	0,000***

Notes: ***p<0.001; $R^2 = 0.691$; F = 81.26 (p<0.001)

Table 2 shows the results of the analysis for Model 2 which tests the influence of Competence, Organizational Culture, and Employee Engagement on Organizational Performance. The results showed that Employee Engagement had a significant positive effect on Organizational Performance (β=0.687, p<0.001). The value of $R^2 = 0.612$ indicates that 61.2% of the variation in Organizational Performance can be explained by independent variables.

Table 2. Regression Results of Model 2 (Influence on Organizational Performance)

Variable	Coefficient	t-value	p-value
Competencies	0,152	1,45	0,150
Organizational Culture	0,089	0,86	0,393
Employee Engagement	0,687	6,78	0,000***

Notes: ***p<0.001; $R^2 = 0.612$; F = 37.86 (p<0.001)

Table 3 shows the results of the moderation test (Model 3). The results showed that the interaction between Competency and Employee Engagement (K×EE) was not significant (β=0.124, p=0.326), and the interaction between Organizational Culture and Employee Engagement (BO×EE) was also not significant (β=-0.087, p=0.491). This shows that Employee Engagement does not play a role as a moderation variable in the relationship between Competencies and Organizational Culture to Organizational Performance.

Table 3. the results of the moderation test (Model 3)

Variable	Coefficient	t-value	p-value
K × EE	0,124	0,99	0,326
BO × EE	-0,087	-0,69	0,491

Table 3. Moderation Test Results (Model 3)
Note: $R^2 = 0.619$; $F = 22.62$ ($p<0.001$)

The Effect of Competency on Employee Engagement. The results showed that competence had a positive and significant effect on employee engagement ($\beta=0.378$, $p<0.001$). These findings are in line with the research of Suryana et al. (2024) which found that competence has a significant effect on performance through increased engagement. Employees who have high competence tend to be more involved in their work because they feel they are able to complete tasks well.

The Influence of Organizational Culture on Employee Engagement. Organizational culture has a positive and significant effect on employee engagement ($\beta=0.512$, $p<0.001$). These results are consistent with research by Sindakis et al. (2024) who found that a strong organizational culture increases employee engagement. The implementation of the AKHLAK value at the Ministry of ATR/BPN has created a conducive work environment for increasing employee engagement.

The Influence of Employee Engagement on Organizational Performance. Employee engagement has a positive and significant effect on organizational performance ($\beta=0.687$, $p<0.001$). These findings support the research of Saks (2006) and Schaufeli & Bakker (2004) which states that engaged employees tend to be more productive and contribute to improving organizational performance.

The Role of Employee Engagement Moderation. The results of the study show that employee engagement does not play a role as a moderation variable in the relationship between competencies and organizational culture on organizational performance. This indicates that organizational competence and culture affect performance, especially through employee engagement as a mediating variable, not moderation. These findings imply that to improve organizational performance, it is necessary to focus on increasing employee engagement as a mechanism that connects organizational competencies and culture with performance.

CONCLUSION

Based on the results of the research and discussion, it can be concluded that organizational competence and culture have a positive and significant influence on employee engagement at the Ministry of ATR/BPN. Employee engagement has also been proven to have a positive and significant effect on organizational performance, showing that engaged employees make a real contribution to improving agency performance. However, employee engagement does not play a significant role as a moderation variable in the relationship between competencies and organizational culture on organizational performance, indicating that the role of employee engagement is more accurately understood as a mediating variable. This research provides practical implications that to improve the performance of public organizations, management needs to focus on developing employee competencies through structured training programs, strengthening the implementation of the organizational culture with AKHLAK, and increasing employee engagement through the creation of a supportive work environment. The limitations of this study lie in the use of saturated samples from one agency so that the generalization of results is limited, and the use of cross-sectional data that cannot capture dynamic changes between variables. The next study is suggested to use

longitudinal design in several government agencies, explore the role of employee engagement as a mediating variable, and add other variables such as transformational leadership and reward systems that can affect organizational performance.

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