

THE EFFECT OF GREEN TRANSFORMATIONAL LEADERSHIP, COMPENSATION, AND ORGANIZATIONAL CULTURE ON SUSTAINABLE EMPLOYEE PERFORMANCE THROUGH WORK MOTIVATION AS A MEDIATING VARIABLE IN PT JASA RAHARJA CABANG KALIMANTAN TIMUR

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Abstract

This study examines the effect of green transformational leadership, compensation, and organizational culture on sustainable employee performance with work motivation as a mediating variable at PT Jasa Raharja East Kalimantan Branch. With a quantitative approach and survey method, this study involved 67 employees selected with saturation technique. Data were collected through questionnaires and analyzed using Structural Equation Modeling (SEM) with SmartPLS. The results showed that green transformational leadership and compensation have no direct effect on sustainable employee performance, while organizational culture has a positive and significant effect. Green transformational leadership, compensation, and organizational culture have a positive effect on work motivation, which in turn increases sustainable employee performance. Work motivation acts as a full mediation in the relationship between green transformational leadership and compensation on sustainable employee performance, while in the relationship between organizational culture and sustainable employee performance, work motivation acts as a partial mediation.

Keywords: Green Transformational Leadership, Compensation, Organizational Culture, Work Motivation, Employee Continuous Performance.

INTRODUCTION

Sustainability has emerged as a central theme in organizational management, requiring companies to balance economic growth, environmental responsibility, and employee well-being (Darsan et al., 2023; Al-Abbadi, 2021). The concept of sustainable employee performance (SEP) reflects the ability of employees to consistently deliver optimal results while maintaining long-term health, resilience, and productivity (Fu et al., 2023). This perspective is strongly aligned with the Sustainable Development Goals (SDGs), particularly SDG 8, which emphasizes decent work and sustainable economic growth. In this context, employees are no longer viewed solely as production factors but as strategic partners in achieving organizational sustainability (Hamsinah et al., 2023).

However, achieving SEP is not without challenges. Recent studies suggest that traditional performance indicators, such as financial or budget achievement, may not fully capture the dimensions of sustainability (Perez et al., 2023; Aulia & Nawangsari, 2023). Excessive focus on short-term financial targets can reduce employee motivation and engagement, ultimately leading to lower sustainable outcomes (Sadiqin, 2023). For instance, organizational performance systems that prioritize efficiency and budget realization often overlook the importance of motivation, well-being, and cultural alignment, which are critical in sustaining long-term employee performance (Hartono, 2022).

PT Jasa Raharja, a state-owned enterprise in Indonesia's insurance sector, illustrates this phenomenon. Although budget achievement targets at the East Kalimantan branch were consistently met over the last five years, employee performance evaluation scores showed a declining trend. A preliminary

survey revealed that most employees perceived budget-oriented measures as limiting their ability to perform sustainably, particularly in balancing effectiveness, productivity, and well-being. This condition indicates a performance gap between financial achievement and sustainable employee outcomes, underscoring the need to examine underlying organizational factors.

Extant literature identifies leadership, compensation, organizational culture, and work motivation as key determinants of SEP (Aulia & Nawangsari, 2023; Hamsinah et al., 2023; Sadiqin, 2023). In particular, green transformational leadership has gained attention for its role in promoting sustainable behavior and aligning organizational practices with environmental and social goals (Kautish et al., 2023). Compensation, when perceived as fair and transparent, can strengthen motivation and long-term commitment (Hartono, 2022), while organizational culture provides shared values that foster sustainable practices (Robbins & Judge, 2019; Perez et al., 2023). Work motivation, as both a direct driver and mediating factor, plays a critical role in translating leadership, culture, and compensation into sustainable performance (Hamsinah et al., 2023). Nevertheless, the preliminary findings at PT Jasa Raharja East Kalimantan suggest that these factors have not yet been optimized, presenting a unique context for further investigation.

Despite the growing body of research, gaps remain in the literature. Most prior studies have examined employee performance in general, with limited attention to its sustainability dimension, which emphasizes long-term effectiveness, resilience, and employee well-being (Fu et al., 2023; Darsan et al., 2023). Moreover, the application of green transformational leadership has been widely studied in manufacturing and environmentally sensitive industries (Kautish et al., 2023), but rarely in service-based public enterprises such as insurance, especially in the context of developing countries. Another gap lies in the limited empirical evidence on the mediating role of work motivation in linking leadership, compensation, and organizational culture with sustainable employee performance.

Therefore, the novelty of this research lies in its contextual focus on PT Jasa Raharja, a state-owned enterprise in Indonesia, where budget achievement is prioritized but sustainable employee performance appears to be declining. By examining the roles of green transformational leadership, compensation, and organizational culture with work motivation as a mediating variable, this study contributes to expanding the theoretical and practical understanding of how human resource management can foster sustainable employee performance in service-oriented public enterprises.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

The theoretical basis used in this study is Transformational Leadership Theory (Bass, 1985), Motivation Theory (Herzberg, 1959; Vroom, 1964; Deci & Ryan, 2000), Organizational Culture Theory (Schein, 2010; Robbins & Judge, 2019), and Agency–Stewardship Theory (Jensen & Meckling, 1976; Davis, 1997).

According to Bass (1985), transformational leadership theory explains that leaders can inspire and motivate followers to transcend personal interests for the sake of collective goals. In the context of sustainability, Robertson and Barling (2013) introduced the concept of *green transformational leadership*, emphasizing the leader's role in embedding environmental values into organizational behavior. Leaders with strong vision and inspiration provide positive signals to employees, enhancing their sustainable performance.

Motivation theory also provides a foundation for this study. Herzberg's Two-Factor Theory (1959) highlights the importance of intrinsic and extrinsic factors in driving work motivation. Vroom's Expectancy Theory (1964) emphasizes that employees will be motivated if they believe effort leads to performance and rewards. Deci and Ryan's Self-Determination Theory (2000) further explains that intrinsic motivation—stemming from autonomy, competence, and relatedness—plays a central role in achieving long-term, sustainable employee performance.

Organizational culture theory (Schein, 2010) suggests that shared values, norms, and beliefs shape employee behavior and performance. Robbins and Judge (2019) reinforce that culture acts as the “social

glue” binding members together, influencing their motivation and productivity. A culture that prioritizes sustainability creates an environment where employees feel committed to long-term organizational goals.

Finally, agency theory and stewardship theory are employed in the context of organizational governance and employee behavior. Agency theory (Jensen & Meckling, 1976) emphasizes the potential conflict between principals (owners) and agents (managers), where motivation and incentives become necessary to align interests. Conversely, stewardship theory (Davis, 1997) assumes that managers act as stewards whose behavior is aligned with organizational goals, prioritizing the collective interest over personal gains. These perspectives are relevant to this study as they explain how leadership, compensation, and culture influence employee motivation and performance in a sustainable manner.

Green Transformational Leadership

Transformational leadership theory (Bass, 1985) explains that leaders who inspire, motivate, and act as role models can improve employee attitudes and behaviors. When adapted to the environmental context, green transformational leadership integrates sustainability values into leadership practices, influencing employees to adopt pro-environmental behaviors and achieve sustainable performance (Robertson & Barling, 2013).

Previous studies found that transformational leadership positively influences employee performance by fostering trust, commitment, and motivation (Diyannah, Suharto, & Rokhman, 2024; Deddy, 2022). In particular, Aulia and Nawangsari (2023) showed that green transformational leadership has a significant positive effect on sustainable employee performance.

H1: Green transformational leadership has a positive and significant effect on sustainable employee performance.

Compensation

According to equity theory (Adams, 1965), fair and adequate compensation increases employee motivation and performance because employees perceive rewards as recognition of their contributions. Compensation is not only limited to salary but also includes benefits, incentives, and other rewards that strengthen employee commitment to organizational goals.

Empirical studies confirm the positive link between compensation and employee performance. Sari and Nurani (2024) found that higher compensation improves employee performance significantly. Fair and adequate compensation encourages employees to remain motivated and engaged in achieving sustainable outcomes.

H2: Compensation has a positive and significant effect on sustainable employee performance.

Organizational Culture

Organizational culture theory (Schein, 2010) highlights that shared values, beliefs, and norms influence how employees behave and perform. A strong culture creates a supportive environment that fosters long-term commitment and productivity.

Research by Reza, Mintarti, and Adhimursandi (2022) showed that organizational culture has a significant positive effect on employee performance. A supportive culture encourages employees to work productively and achieve sustainable results.

H3: Organizational culture has a positive and significant effect on sustainable employee performance.

Work Motivation

Motivation theory (Herzberg, 1959) emphasizes that leadership style is a key factor shaping employee motivation. Leaders who provide inspiration and support can increase intrinsic motivation and employee engagement. Green transformational leaders communicate sustainability-oriented visions, thereby motivating employees to contribute beyond expectations. Studies by Famdan and Hartono (2022)

and Rahmatullah & Kasmir (2023) revealed that leadership positively influences employee motivation. Similarly, Liu (2022) and Du & Yan (2022) found that green transformational leadership enhances proactive behavior and motivation toward organizational environmental goals.

H4: Green transformational leadership has a positive and significant effect on work motivation.

Expectancy theory (Vroom, 1964) states that employees are motivated when they believe that effort will lead to performance and rewards. Compensation serves as an external motivator that reinforces this belief. Research supports this relationship: Sultan (2021) showed that higher compensation significantly increases employee motivation at PT Trikarya Cemerlang. Compensation, including salary, incentives, and benefits, creates positive motivation for employees to perform better.

H5: Compensation has a positive and significant effect on work motivation.

According to Herzberg's Two-Factor Theory (1959), the work environment strongly affects job satisfaction and motivation. A positive organizational culture creates psychological safety, involvement, and shared meaning, which enhance motivation.

Gunawan, Ferdinand, and Syamsudin (2022) confirmed that organizational culture significantly influences employee motivation. When employees adopt organizational values, they feel more committed and motivated.

H6: Organizational culture has a positive and significant effect on work motivation.

Self-Determination Theory (Deci & Ryan, 2000) argues that intrinsic motivation leads to higher engagement and sustainable performance. Motivated employees work harder, show persistence, and contribute more effectively to organizational goals. Studies confirm this relationship: Ernanda et al. (2021) showed that motivation positively influences employee performance. Hoxha & Ramadani (2024) found that intrinsic motivation enhances sustainable extra-role performance, while Shahzad et al. (2022) demonstrated that motivated employees are more involved in green initiatives.

H7: Work motivation has a positive and significant effect on sustainable employee performance.

Agency theory (Jensen & Meckling, 1976) highlights that leadership behavior can align employee interests with organizational goals through motivation. Green transformational leaders inspire employees to pursue sustainability goals, which enhances motivation and sustainable performance. Rahmatullah & Kasmir (2023) found that leadership improves employee performance through motivation. Nusraningrum et al. (2024) confirmed that work motivation mediates the effect of green transformational leadership on sustainable employee performance.

H8: Work motivation mediates the effect of green transformational leadership on sustainable employee performance.

According to Porter and Lawler's Motivation Model (1968), compensation affects performance indirectly through motivation. Employees who receive fair rewards feel valued, leading to higher motivation and sustainable performance. Sadiqin (2023b) found that compensation affects employee performance through motivation, proving the mediating role of motivation.

H9: Work motivation mediates the effect of compensation on sustainable employee performance.

Kahn's Engagement Theory (1990) explains that psychological safety and meaningful work foster motivation and engagement. A strong organizational culture creates these conditions, thereby enhancing motivation and performance. Sadiqin (2023b) found that organizational culture significantly affects employee performance through motivation. Thus, work motivation serves as a key mediator in this relationship.

H10: Work motivation mediates the effect of organizational culture on sustainable employee performance.

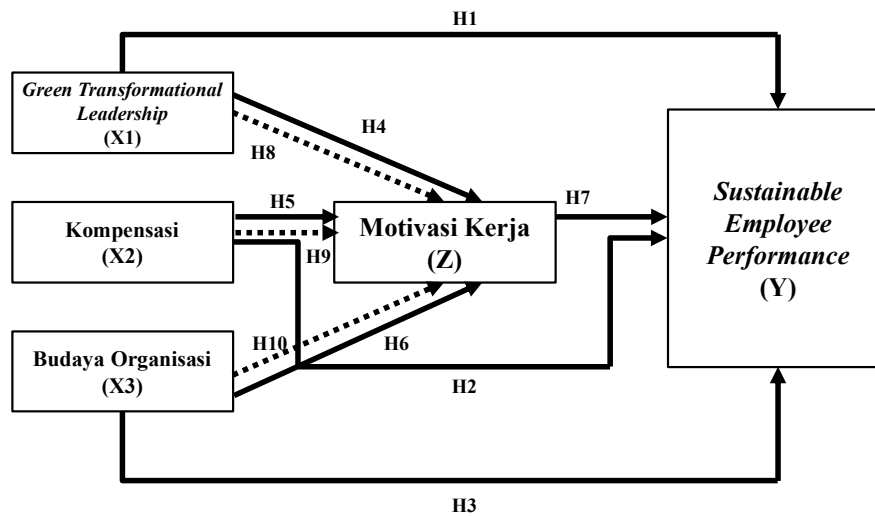


Figure 1. Framework

RESEARCH METHODS

This research employs a quantitative approach with a survey method to examine causal relationships between variables. The population consists of employees of PT Jasa Raharja Branch of East Kalimantan, with samples determined through purposive sampling based on criteria of permanent employment and work experience of more than one year. Data were collected using structured questionnaires with a Likert scale, complemented by secondary data from employee performance assessment reports between 2019 and 2023. The variables studied include green transformational leadership, compensation, and organizational culture as independent variables, work motivation as a mediating variable, and sustainable employee performance as the dependent variable. Data analysis was conducted through descriptive statistics, validity and reliability tests, classical assumption tests, and hypothesis testing using SEM-PLS to examine both direct and mediating effects.

Table 1. Operational Definition of Variables

Variable	Dimension / Indicator	Measurement Scale
Green Transformational Leadership (X1)	<i>Environmental Vision, Inspirational Motivation, Intellectual Stimulation, Individualized Consideration, Green Role Modeling</i>	5-point Likert scale
Compensation (X2)	<i>Salary, benefits, incentives, allowances</i>	5-point Likert scale
Organizational Culture (X3)	<i>Detail-Oriented, Innovative, Aggressive, Outcome Oriented, Stable, People Oriented</i>	5-point Likert scale
Work Motivation (Z)	<i>Intrinsic motivation, extrinsic motivation</i>	5-point Likert scale

Sustainable Employee Performance (Y)	Contextual performance, Adaptive performance	5-point Likert scale
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RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The descriptive statistics analysis shows the overall distribution of respondents' perceptions of each variable. The results indicate that all variables have relatively high mean values (>3.5 on a 5-point scale), suggesting positive perceptions from employees, although variations are observed across indicators.

Measurement Model (Validity and Reliability)

Convergent validity was assessed through Average Variance Extracted (AVE), and reliability through Cronbach's Alpha. As shown in Table 1, all constructs meet the required thresholds (AVE > 0.50; Alpha > 0.70), indicating valid and reliable measurements.

Table 2. Measurement Model Results

Structural Model (Hypothesis Testing)

The structural model was tested using bootstrapping. The R² value for Motivation was 0.762, and for Sustainable Employee Performance was 0.732, both indicating strong explanatory power.

Table 3. Path Coefficients

Hypothesis	Path	β	t	p	Result
H1	X1 → Y	-0.040	0.225	0.411	Not Significant
H2	X2 → Y	0.098	0.682	0.248	Not Significant
H3	X3 → Y	0.347	1.791	0.037	Significant

Construct	AVE	Cronbach's alpha	Hasil
Green Transformational Leadership (X1)	0.838	0.951	Valid & Reliable
Compensation (X2)	0.618	0.873	Valid & Reliable
Organizational Culture (X3)	0.696	0.912	Valid & Reliable
Work Motivation (Z)	0.712	0.911	Valid & Reliable
Sustainable Employee Performance (Y)	0.768	0.949	Valid & Reliable

Hypothesis	Path	β	t	p	Result
H4	$X1 \rightarrow Z$	0.373	2.727	0.003	Significant
H5	$X2 \rightarrow Z$	0.254	2.844	0.002	Significant
H6	$X3 \rightarrow Z$	0.354	2.502	0.006	Significant
H7	$Z \rightarrow Y$	0.508	2.523	0.006	Significant
H8	$X1 \rightarrow Z \rightarrow Y$	0.189	1.688	0.046	Significant
H9	$X2 \rightarrow Z \rightarrow Y$	0.129	1.701	0.045	Significant
H10	$X3 \rightarrow Z \rightarrow Y$	0.179	1.973	0.024	Significant

Discussion

The results show that organizational culture has a direct positive and significant effect on sustainable employee performance. In contrast, green transformational leadership and compensation do not directly influence sustainable performance, but both variables significantly affect motivation, which in turn enhances performance. This confirms that motivation acts as a strong mediating variable.

These findings are consistent with prior research (Aulia & Nawangsari, 2023; Hoxha & Ramadani, 2024; Sadiqin, 2023), highlighting that sustainable performance is best achieved when leadership and compensation strategies are aligned with motivation. Moreover, the strong R^2 values demonstrate that the proposed model effectively explains variations in sustainable employee performance.

CONCLUSION

This study's results demonstrate that organizational culture and work motivation significantly influence sustainable employee performance, whereas green transformational leadership and compensation do not exert a substantial direct impact. However, both leadership and compensation indirectly affect performance through motivation, confirming its mediating role.

The results also indicate that motivation is the strongest predictor of sustainable employee performance, highlighting the need for organizations to focus on strategies that enhance employee motivation to achieve long-term organizational goals.

Managers and HR practitioners can utilize this research to understand the significance of fostering organizational culture, developing motivational systems, and aligning compensation and leadership practices with employee engagement. Organizations should prioritize motivation-enhancing policies to sustain productivity and employee well-being.

This study is limited to one state-owned company branch in East Kalimantan; future research could incorporate broader samples across industries and regions. Additionally, subsequent research may integrate external factors such as digital transformation or environmental regulations to expand the model of sustainable employee performance.

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