

THE INFLUENCE OF DIGITAL CULTURE AND LEADERSHIP STYLE ON EMPLOYEE PERFORMANCE WITH WORK MOTIVATION AS A MEDIATION VARIABLE AT FINNS BALI

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Abstract — Digital transformation has encouraged organizations to establish a strong digital culture and implement effective leadership practices to improve employee performance. However, the success of these initiatives is often influenced by employees' work motivation. This study aims to examine the effects of digital culture and leadership style on employee performance, with work motivation serving as a mediating variable at FINNS Bali. A quantitative approach was employed using a survey method involving employees of FINNS Bali. The data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The findings indicate that digital culture has a positive and significant effect on work motivation but does not directly influence employee performance. Leadership style positively and significantly influences both work motivation and employee performance. Furthermore, work motivation has a positive and significant effect on employee performance and mediates the relationship between digital culture and employee performance, as well as the relationship between leadership style and employee performance. These findings highlight the importance of strengthening work motivation through the implementation of digital culture and effective leadership practices to enhance employee performance within the hospitality industry.

Keywords — Digital Culture, Employee Performance, Leadership Style, PLS-SEM, Work Motivation.

INTRODUCTION

The development of digital technology has transformed the way organizations conduct business, including human resource management. Digital transformation is not only about implementing technology but also requires changes in organizational culture so that employees can adapt to increasingly digitalized work systems. In the hospitality industry, this change is increasingly crucial because service quality depends heavily on employees' ability to utilize technology while maintaining high-quality customer service. Digital transformation has changed the organizational paradigm in managing human resources, where the success of technology implementation is not only determined by investment in digital infrastructure, but also by the readiness of the organizational culture and the ability of individuals to adapt to change. Organizations that successfully build a digital culture tend to have better levels of collaboration, innovation, and decision-making, thereby increasing the company's competitiveness. Pangarso et al. (2022) added that digital culture is also characterized by the implementation of a digital-first mindset, technology-based collaboration, and data-driven decision-making that supports organizational effectiveness. Therefore, digital transformation must be viewed as an organizational change that encompasses aspects of technology, people, business processes, and work culture as a whole (Martinez-Caro et al., 2020; Mihalache & Volberda, 2021; Vial, 2019).

In the hospitality industry, the success of digital transformation increasingly depends on an organization's ability to integrate adaptive leadership with a work culture that supports innovation. Leaders serve not only as decision-makers but also as change agents capable of building trust, increasing employee engagement, and fostering continuous learning as the organization navigates technological change (Buil et al., 2019; Cortellazzo et al., 2019; Qalati et al., 2022). FINNS Bali is a hospitality company that has implemented various digital systems in its operations, such as the Human Resource Information System (HRIS), Enterprise Resource Planning (ERP), Learning Management System (LMS), Opera Property Management System (PMS), Symphony Point of Sales (POS), and various other digital applications. The implementation of these technologies requires all employees to have a high level of adaptability to changes in work processes and organizational culture. However, the level of digital readiness of each employee varies, potentially impacting their work motivation and performance. Besides digital culture, leadership style is also a crucial factor in improving employee motivation and performance. Leaders play a key role in providing direction, support,

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communication, and building a work environment that fosters enthusiasm. Challenges remain in several operational units at FINNS Bali, including suboptimal communication, coaching, and feedback, potentially impacting employee motivation. This demonstrates that the success of digital transformation is determined not only by technology but also by the effectiveness of leadership in managing organizational change.

Internal company data also shows variations in Key Performance Indicator (KPI) achievement across job levels, as well as the continued failure of employees to complete the three-month evaluation period from 2023 to 2025. This phenomenon indicates challenges in adapting to a digital culture, leadership effectiveness, and work motivation, which can ultimately impact employee performance. defined Aguinis et al. (2024) as a series of work behaviors that contribute to achieving organizational goals. Therefore, performance measurement is based not only on final results but also on how individuals perform their work. Therefore, understanding the factors that influence employee performance is crucial for organizations to improve their effectiveness and competitiveness. Various previous studies have shown that digital culture, leadership style, and work motivation are closely related to improved employee performance. However, the results of previous studies still show discrepancies, particularly regarding the direct influence of digital culture on employee performance. Therefore, this study aims to analyze the influence of digital culture and leadership style on employee performance, with work motivation as a mediating variable, at FINNS Bali, thus providing an empirical contribution to the development of human resource management in the hospitality industry.

RESEARCH METHODS

This study uses a quantitative approach with a survey method to analyze the relationship between digital culture, leadership style, work motivation, and employee performance at FINNS Bali. The study was conducted at one of the largest hospitality companies in Bali that has implemented digital transformation in various aspects of the company's operations. The study population was all FINNS Bali employees, while the sample was determined using a purposive sampling technique based on the criteria for employees who met the requirements as research respondents. Primary data was obtained through a questionnaire using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The research instrument consisted of four constructs: digital culture, leadership style, work motivation, and employee performance, developed based on indicators from previous research. Prior to hypothesis testing, the instrument was first evaluated through validity and reliability tests to ensure that all indicators were suitable for use in the analysis. Data analysis was performed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with the help of SmartPLS software. According to Hair et al. (2022) Evaluation of the measurement model (outer model) was carried out through testing outer loading, Average Variance Extracted (AVE), Composite Reliability, Cronbach's Alpha, Fornell-Larcker Criterion, and Heterotrait-Monotrait Ratio (HTMT). Furthermore, evaluation of the structural model (inner model) was carried out using the R-Square (R^2), Q-Square (Q^2), Effect Size (f^2) values, as well as hypothesis testing based on the path coefficient, t-statistic, and p-value (Henseler et al., 2015). The mediating effect of work motivation was analyzed through indirect effect testing and confirmed using the Sobel test. Hypothesis testing was carried out at a significance level of 10% ($\alpha = 0.10$).

RESULTS AND DISCUSSION

Respondent Characteristics

This study involved 100 respondents who were FINNS Bali employees. Based on age characteristics, the majority of respondents were between 18 and 25 years old (44%), followed by those aged 26 and 35 years old (31%), those aged 45 and over (13%), and those aged 36 and 45 years old (12%). This composition indicates that the majority of the workforce is in the productive age group, which is relatively easy to adapt to developments in digital technology.

TABLE I
CHARACTERISTICS BASED ON AGE

Characteristics	Category	Frequency (n)	Percentage (%)
Age	18-25 years old	44	44
	26-35 years old	31	31
	36-45 years	12	12
	>45 years	13	13
	Total	100	100

Evaluation of Measurement Model (Outer Model)

Prior to hypothesis testing, the measurement model was evaluated through validity and reliability testing. After the model refinement process, all constructs met the convergent validity criteria with Average Variance Extracted (AVE) values above 0.50, namely Digital Culture (0.521), Leadership Style (0.619), Employee Performance (0.523), and Work Motivation (0.500). The Composite Reliability values for all constructs also exceeded the minimum limit of 0.70, thus declaring the research instrument reliable and suitable for use in structural model testing.

TABLE II
MEASUREMENT MODEL EVALUATION RESULTS

Variables	AVE	Composite Reliability	Information
Digital Culture	0.521	0.811	Valid & Reliable
Leadership Style	0.619	0.756	Valid & Reliable
Work motivation	0.500	0.799	Valid & Reliable
Employee performance	0.523	0.766	Valid & Reliable

Structural Model Evaluation (Inner Model)

The structural model evaluation shows that the R^2 value for Employee Performance is 0.374, while for Work Motivation it is 0.261. These results indicate that Digital Culture, Leadership Style, and Work Motivation are able to explain 37.4% of the variation in Employee Performance, while Digital Culture and Leadership Style explain 26.1% of the variation in Work Motivation. The Q^2 value of 0.537 indicates that the model has good predictive relevance. Furthermore, the Goodness of Fit (GoF) value of 0.403 is considered high, indicating that the model is considered to be a good fit for explaining the relationships between variables in the study. The results of the Effect Size (f^2) test show that Work Motivation provides the largest contribution to Employee Performance ($f^2 = 0.256$), followed by Digital Culture on Work Motivation ($f^2 = 0.192$). Conversely, the direct influence of Digital Culture on Employee Performance has a very small effect size ($f^2 = 0.008$).

Evaluation of Measurement Model (Outer Model)

The measurement model evaluation was conducted to ensure that each indicator was able to reflect the latent construct validly and reliably. Testing included convergent validity, discriminant validity, and construct reliability. Based on the analysis results using SmartPLS, all indicators in the final model met outer loading values above the required minimum limit and were therefore declared valid. Furthermore, all constructs had Average Variance Extracted (AVE) values above 0.50 and Composite Reliability (CR) values exceeding 0.70, indicating that the research instrument met convergent validity and good reliability.

TABLE III
MEASUREMENT MODEL EVALUATION RESULTS

Variable s	Outer Loadin g	AVE	CR	Cronba ch's Alpha	Note:
Digital Culture	0.624 – 0.814	0.521	0.811	0.695	Valid & Reliable
Leadershi p Style	0.596 – 0.940	0.619	0.756	0.744	Valid & Reliable
Work motivatio n	0.597 – 0.755	0.500	0.799	0.688	Valid & Reliable
Employee performa nce	0.664 – 0.815	0.523	0.766	0.543	Valid & Reliable

Furthermore, discriminant validity was evaluated using the Fornell-Larcker Criterion and the Heterotrait-Monotrait Ratio (HTMT). The test results showed that the square root of the AVE for each construct was greater than the correlation between the other constructs, while all HTMT values were below the recommended maximum limit. Thus, each construct was able to differentiate itself from other constructs in the research model, thus fulfilling discriminant validity.

TABLE IV
DISCRIMINANT VALIDITY

Variables	√AVE	HTMT	Information
Digital Culture	Fulfil	<0.90	Valid
Leadership Style	Fulfil	<0.90	Valid
Work motivation	Fulfil	<0.90	Valid
Employee performance	Fulfil	<0.90	Valid

Hypothesis Testing

TABLE V
HYPOTHESIS TESTING RESULTS

Relationship between variables	β	t	p	Decision
Digital Culture →Employee Performance	0.082	0.786	0.432	Rejected
Digital Culture →Work Motivation	0.399	2,928	0.003	Accepted
Leadership Style →Employee Performance	0.198	2,242	0.025	Accepted

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Work Motivation Leadership Style→	0.215	2,000	0.046	Accepted
Employee Performance Work Motivation→	0.466	4,531	0,000	Accepted

Furthermore, the results of the mediation test show that Work Motivation plays a significant role in mediating the relationship between Digital Culture and Leadership Style on Employee Performance.

TABLE VI
MEDIATION TEST RESULTS

Mediation Relationship	β	p	Types of Mediation
Digital Culture →Motivates →Employee Work Performance	0.186	0.028	Full Mediation
Leadership Style, →Work Motivation, →Employee Performance	0.100	0.068	Partial Mediation

TABLE VII
DIRECT EFFECT TEST RESULTS

Hypothesis	Hub. Between Variables	Decision
H1	Digital Culture →Employee Performance	Rejected
H2	Digital Culture →Work Motivation	Accepted
H3	Leadership Style →Employee Performance	Accepted
H4	Work Motivation Leadership Style→	Accepted
H5	Employee Performance Work Motivation→	Accepted

TABLE VIII
INDIRECT EFFECT TEST RESULTS

Hypothesis	Mediation Relationship	Decision
H6	Digital Culture → Motivates → Employee Work Performance	Accepted
H7	Leadership Style, → Work Motivation, → Employee Performance	Accepted

Discussion

The Influence of Digital Culture on Employee Work Motivation and Performance.

The results of the study indicate that Digital Culture has a positive and significant effect on Work Motivation, but does not directly impact Employee Performance. This finding suggests that the implementation of digital culture at FINNS Bali can increase employee morale, enthusiasm, and readiness to work through the use of digital technology, but has not directly resulted in improved individual performance. In other words, the existence of digital culture plays a more important role as a factor that drives employee psychological conditions before impacting performance achievement. This situation can be explained by the characteristics of the hospitality industry, which relies on direct interaction between employees and customers. Although companies have implemented various digital systems, such as Human Resource Information Systems (HRIS), Enterprise Resource Planning (ERP), Learning Management Systems (LMS), Opera Property Management Systems (PMS), and Symphony Point of Sales (POS), performance remains influenced by employees' ability to utilize these technologies effectively. Therefore, digital transformation alone is insufficient to improve performance without increased work motivation.

These findings align with research Ferdian & Rahmawati (2019) suggesting that digital culture contributes to improving the quality of the work environment and organizational readiness for digital transformation. However, the results also indicate that the influence of digital culture on performance is not always direct, necessitating the need for other factors to bridge the relationship. In this study, work motivation was shown to act as a mediating variable. This was also demonstrated by Bethabara et al. (2024) those who demonstrated that implementing digital transformation does not automatically improve employee performance, but rather requires the support of digital leadership and adequate digital capabilities to optimize the benefits of technology. This indicates that the success of an organization's digitalization is determined not only by the implementation of technology, but also by the readiness of human resources and a work environment capable of encouraging increased employee motivation and performance.

The Influence of Leadership Style on Employee Work Motivation and Performance.

This study demonstrates that leadership style has a positive and significant impact on employee motivation and performance. These findings demonstrate that effective leadership can boost morale, provide clear direction, foster effective communication, and motivate employees to achieve organizational targets. In the context of FINNS Bali, the role of leadership is increasingly crucial as the company undergoes a digital transformation that requires high levels of adaptability from all employees. Leaders serve not only as decision-makers but also as change facilitators, providing support, coaching, and motivation to their subordinates. Effective leadership helps employees understand changes in work systems, reduces uncertainty, and increases confidence in carrying out their duties.

The results of this study are consistent with research by Buil et al. (2019), Cortellazzo et al. (2019), and others Nurjenal et al. (2024), which states that effective leadership can improve employee motivation and performance through good communication, empowerment, and employee involvement in the organization. The positive influence of leadership style on motivation and performance indicates that transformational leadership remains a relevant approach in modern organizations (Fajar, 2025). The results of this study are also supported by Arifuddin et al. (2023) findings that leadership style and work motivation simultaneously have a positive effect on employee performance. Furthermore, Assa & Dachi (2023) they state that effective leadership style, coupled with high work motivation, is a crucial factor in improving employee performance. These results further strengthen the study's findings that organizational success is determined not only by a leader's ability to direct subordinates but also by their ability to build sustainable work motivation.

The Role of Work Motivation on Employee Performance.

Work motivation has been shown to have a positive and significant impact on employee performance. These results indicate that the higher an employee's motivation, the higher their performance achievement. Highly motivated employees tend to demonstrate commitment, responsibility, initiative, and a willingness to provide the best service to customers (Bandhu et al., 2024; Vo et al., 2022). In the hospitality industry, work motivation plays a crucial role because service quality depends heavily on employee behavior and interactions with customers. Motivated employees are not only able to complete tasks according to operational standards but also demonstrate extra-role behaviors that contribute to a better customer experience. This finding supports research Chien et al. (2020) which explains that work motivation is one of the main factors determining the success of improving employee performance in the hospitality and tourism industry.

The Mediating Role of Work Motivation.

The results of the mediation test indicate that work motivation mediates the relationship between digital culture and employee performance, as well as the relationship between leadership style and employee performance. This finding indicates that successful implementation of digital culture and leadership effectiveness do not automatically improve performance, but rather require increased employee work motivation. This mediating role suggests that work motivation is a psychological mechanism explaining how digital culture and leadership style influence performance (Qalati et al., 2022). A work environment that supports digital transformation and effective leadership can increase employee readiness, enthusiasm, and commitment to work (Azra et al., 2024). This increased motivation, in turn, drives better performance (Djaja & Zainurrafiqi, 2021). The practical implication of the results of this study is that companies not only need to invest in digital technology, but also need to build an adaptive organizational culture and develop leadership competencies to be able to maintain employee work motivation during the digital transformation process.

CLOSING

Conclusion

This study demonstrates that Digital Culture and Leadership Style play a significant role in enhancing employee work motivation at FINNS Bali. Digital Culture has been shown to have a positive and significant effect on work motivation, but not a direct and significant effect on employee performance. Conversely, Leadership Style has a positive and significant effect on both work motivation and employee performance. Furthermore, work motivation also has a positive and significant effect on employee performance.

The research results also show that work motivation acts as a mediating variable in the relationship between digital culture and employee performance, as well as the relationship between leadership style and employee performance. These findings indicate that improving employee performance depends not only on the implementation of digital culture and leadership effectiveness, but also on the company's ability to build and maintain employee motivation. Therefore, organizations need to integrate digital transformation with effective leadership development to create a work environment that can improve employee motivation and performance.

Suggestion

Based on the research findings, FINNS Bali is advised to strengthen the implementation of digital culture through increased digital literacy, ongoing training, and optimizing the use of existing information systems. Furthermore, the company needs to develop leadership competencies, particularly in communication, coaching, and providing feedback to employees. These efforts are expected to increase work motivation, thereby impacting sustainable employee performance.

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