

Work Discipline, Work Environment, and Employee Performance: The Mediating Role of Organizational Culture

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Abstract

This study aims to analyze the mediating role of organizational culture on the impact of work discipline and work environment on employee performance in private companies in Denpasar. The sample comprised 50 respondents selected via purposive sampling from various private sector industries, specifically within the retail and service sectors, in Denpasar. Primary data were collected using Likert-scale questionnaires. Statistical analysis was performed using path analysis to test the relationship between the variables studied. The results of the study indicate that work discipline and work environment have a positive influence on employee performance, both directly and indirectly through organizational culture as a mediating variable. Specifically, work discipline has a significant influence on employee performance through organizational culture, with a path coefficient of 0.355. Similarly, work environment has a direct effect on employee performance of 0.519 and an indirect effect through organizational culture of 0.164. Regression analysis shows that this model has a coefficient of determination of 0.809, meaning that 80.9% of the variation in employee performance can be explained by work discipline, work environment, and organizational culture. The findings of this study imply that companies need to focus on improving work discipline and the work environment, as well as building a supportive organizational culture, to enhance employee performance.

Keywords:

Organizational Culture;
Work Discipline;
Work Environment;
Employee Performance

1. Introduction

In a hypercompetitive and ever-changing global business landscape, an organization's success and sustainability no longer depend solely on financial or technological superiority. The most fundamental asset and key differentiating factor is human resources (Riyanto et al., 2021). The quality, competence, and performance of employees are the primary foundations that determine an organization's ability to adapt, innovate, and achieve its strategic objectives (Riyanto et al., 2021; Khan et al., 2023). Individual employee performance, when aggregated, shapes the organization's overall performance, so achieving company goals is highly dependent on the contribution of each individual within it (Jayasri & Annisa, 2023). Therefore, efforts to understand and improve employee performance have become a priority managerial challenge and a key strategic agenda for companies worldwide (Aditya & Deviastri, 2024; Kaliannan et al., 2023).

Employee performance itself is a multidimensional concept that goes beyond simply the quantity of output. This concept encompasses the quality of work results, effectiveness, timeliness, and work behaviors and attitudes that align with organizational values (Hasibuan, 2017; Sulaksono, 2015). Superior performance also encompasses aspects such as integrity, creativity, and adaptability to change,

all of which contribute to the achievement of strategic goals and long-term competitive advantage (Askiyanto et al., 2023; Mentari et al., 2023). Modern management discourse has even shifted from mere “performance management” focused on assessment and rewards, to “engineering human performance.” This holistic approach demands a deep understanding of how various factors in the workplace dynamically interact to shape employee behavior and work outcomes (Sangapan et al., 2025).

In the context of Denpasar City, Bali, as one of Indonesia’s leading economic, tourism, and service centers, this challenge becomes even more relevant. The private sector in Denpasar operates in a highly dynamic and competitive environment, where service quality and operational efficiency are key to survival and growth. Companies are faced with the challenge of continuously optimizing their human resources to maintain competitiveness. A frequently observed phenomenon is the inconsistency of employee performance across companies, despite some implementing strict regulations or providing adequate work facilities. This indicates that other, more complex and fundamental factors play a crucial role in determining performance levels.

Research in human resource management has identified various determinants of performance, including work discipline and the work environment. Work discipline, defined as an individual’s awareness and willingness to comply with company regulations and applicable social norms, is theoretically considered a crucial pillar in ensuring order and achieving targets (Rivai & Sagala, 2013). The work environment, encompassing physical (such as layout and facilities) and psychosocial (such as relationships with coworkers and superiors), is believed to influence employee well-being, motivation, and productivity (Sundstrom et al., 1990; Basalamah & As’ad, 2021).

However, the relationship between these two factors and performance is not as simple as imagined. The scientific literature shows inconsistent findings, particularly regarding work discipline. Most studies find a significant positive relationship between work discipline and performance (Masruddin et al., 2025), but several studies report a negative or insignificant impact (Mentari et al., 2023). This contradiction implies that the effect of work discipline is not universal, but rather depends on the context and other influencing factors. One key study suggests that discipline implemented without “adequate understanding and awareness” from employees can actually decrease performance (Mentari et al., 2023). This suggests that it is not only the existence of rules that is important, but also how they are interpreted, communicated, and internalized by employees.

This is where the central role of organizational culture becomes relevant. Organizational culture, as a system of shared values, beliefs, and assumptions that serves as the “social glue” within a company, serves as an interpretive lens for employees in understanding the organization’s environment and policies (Schein, 1992; Jufrizen et al., 2021). Organizational culture shapes employees’ perceptions of everything from the importance of rules (work discipline) to the meaning of social interactions and the physical conditions of the workplace (work environment). Thus, it can be assumed that the influence of work discipline and the work environment on performance is not direct but rather mediated by organizational culture. A conducive work environment and strict disciplinary rules may not be effective in improving performance if they are not supported by a positive, supportive organizational culture that aligns with employee values.

Although the direct relationship between discipline, environment, and performance has been extensively researched, the specific mediating role of organizational culture within the constellation of these three variables remains underexplored, particularly in the unique socioeconomic context faced by private sector employees in Denpasar (Jufrizen et al., 2021). Existing research in Indonesia often tests different models or focuses on different sectors, leaving a significant research gap (Septa & Erdiansyah, 2024; Basalamah & As’ad, 2021). Therefore, this study aims to fill this gap by empirically testing a mediation model in which organizational culture acts as a key mechanism explaining how work discipline and the work environment can translate into improved employee performance.

Therefore, this study aims to fill this research gap by empirically testing a mediation model in which organizational culture acts as a key mechanism explaining how work discipline and the work environment translate into improved employee performance. Based on the theoretical framework described, this study proposes a conceptual model (as shown in Figure 1) with the following seven hypotheses:

H1 & H2: Work discipline and work environment have a direct positive effect on employee performance.

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

H4 & H5: Work discipline and work environment positively influence organizational culture.

H6: Organizational culture mediates the relationship between work discipline and employee performance.

H7: Organizational culture mediates the relationship between work environment and employee performance.

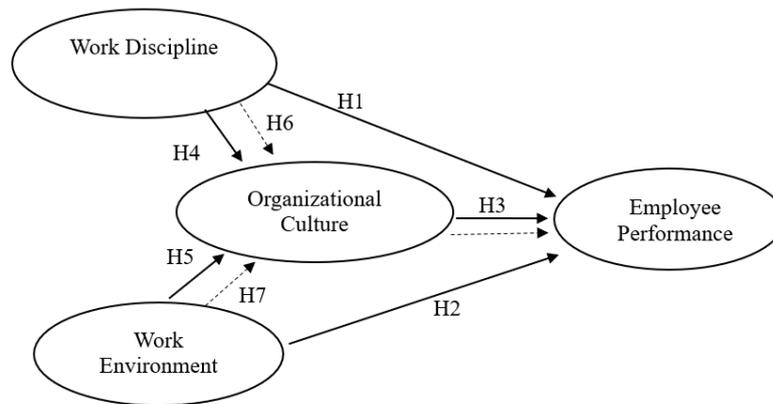


Figure 1. Conceptual Framework

2. Methods

2.1 Research Design

This study employed a quantitative approach with a causal associative design to examine the relationships between variables. The framework was designed to analyze the impact of work discipline and work environment on employee performance, with organizational culture serving as a mediating variable.

2.2 Population and Sampling

The study population consisted of private sector employees in Denpasar City. The sampling technique used was purposive sampling with specific inclusion criteria: permanent employees working in the retail and service sectors in Denpasar for at least one year. The final sample size was 50 respondents. This determination follows the guidelines by Hair et al. (2022) for multivariate analysis, which recommend a minimum sample size of 10 times the number of predictor variables. Given the complexity of the structural model, a sample of 50 is considered adequate and sufficient for hypothesis testing using Path Analysis.

2.3 Data Collection Instruments

Primary data were collected using a structured questionnaire. Each variable Work Discipline, Work Environment, Organizational Culture, and Employee Performance was measured using a 5-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Prior to the main analysis, the instrument underwent quality testing. The results indicated that all items were valid, and the instrument was highly reliable with a Cronbach's Alpha coefficient of 0.967, significantly exceeding the standard threshold of 0.70.

2.4 Data Analysis Procedure

Data were analyzed using Path Analysis with SPSS software to test both direct and indirect hypotheses. Before hypothesis testing, classical assumption tests were conducted to ensure the feasibility of the regression model. These procedures included the normality test (using the One-Sample Kolmogorov-Smirnov method), multicollinearity test (examining Tolerance and Variance Inflation Factor/VIF values), and heteroscedasticity test (using scatterplot analysis).

2.5 Ethical Considerations

This study adhered to ethical principles by ensuring the anonymity of respondents. All participants provided informed consent prior to completing the questionnaire, and the collected data were used strictly for academic research purposes.

3. Results and Discussion

3.1 Results

Data analysis began with validity and reliability testing. The results demonstrated that all instrument items were valid, and the reliability test yielded a Cronbach's Alpha of 0.967, indicating high internal consistency. Classical assumption tests confirmed that the data were normally distributed (One-Sample Kolmogorov-Smirnov $p = 0.194 > 0.05$), free from multicollinearity (all Tolerance > 0.10 ; VIF < 10), and free from heteroscedasticity.

Hypothesis testing was conducted using Path Analysis to determine the direct and indirect effects of the variables. The summary of the path coefficients and hypothesis testing results is presented in Table 1.

Table 1

Summary of Hypothesis Testing Results

Hypothesis	Path Relationship	Direct Effect (β)	Indirect Effect	Total Effect	p-value	Result
H1	Work Discipline -> Employee Performance	0.289	-	0.289	0.046	Accepted
H2	Work Environment -> Employee Performance	0.519	-	0.519	0.001	Accepted
H3	Organizational Culture -> Employee Performance	0.478	-	0.478	0.001	Accepted
H4	Work Discipline -> Organizational Culture	0.355	-	0.355	0	Accepted
H5	Work Environment -> Organizational Culture	0.164	-	0.164	0.138	Rejected
H6	Work Discipline -> Org. Culture -> Performance	-	0.355	-	0.001	Accepted
H7	Work Environment -> Org. Culture -> Performance	-	0.164	-	0.138	Rejected

Source: Processed Data, 2025.

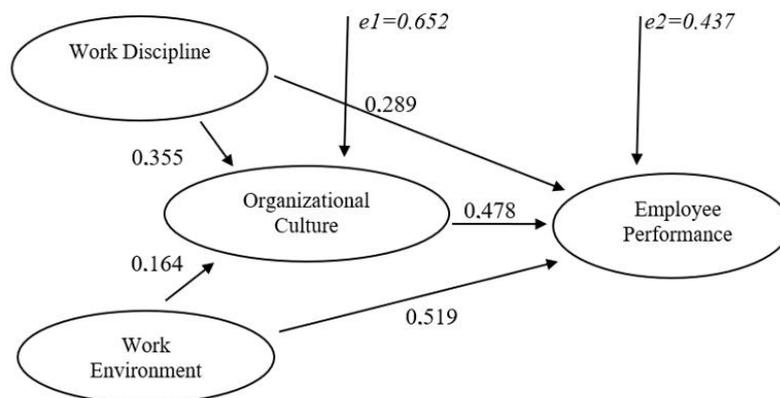


Figure 2. Path Diagram
Source: Processed Data, 2025.

As shown in Table 1 and Figure 2, the model demonstrates a strong predictive ability with a Coefficient of Determination (R^2) of 0.809, meaning that 80.9% of the variation in employee performance is explained by the combination of work discipline, work environment, and organizational culture.

Regarding the direct effects, the analysis confirms that Work Discipline (H1), Work Environment (H2), and Organizational Culture (H3) all have a positive and significant impact on Employee Performance. Furthermore, Work Discipline (H4) acts as a strong predictor for Organizational Culture. However, interestingly, the Work Environment (H5) failed to show a significant influence on Organizational Culture ($p > 0.05$), leading to the rejection of this hypothesis. In terms of mediation, the analysis reveals a full mediation effect for Work Discipline (H6), where the direct influence of discipline becomes less dominant compared to its indirect path through culture. Conversely, since H5 was rejected, the Work Environment (H7) did not show a significant indirect effect, indicating that its impact on performance is direct and pragmatic.

3.2 Discussion

This study successfully reveals a comprehensive yet nuanced picture of the factors that drive employee performance. The findings demonstrate that although work discipline, work environment, and organizational culture are individually significant predictors of performance, their mechanisms of influence operate through different pathways.

3.2.1 Theoretical Implications

The most crucial finding is the full mediation role of organizational culture on the relationship between work discipline and performance (H6 accepted). This confirms that discipline is not merely about compliance but a process of habit formation internalized into shared values. This finding resolves inconsistencies in previous research (e.g., Mentari et al., 2023) by showing that organizational culture is the key mechanism translating disciplinary policies into the “understanding and awareness” required to drive performance. This also reinforces the view of Masruddin et al. (2025) regarding the foundational role of discipline, but adds a new layer of understanding on how it works through culture.

However, a significant theoretical anomaly was found regarding the work environment. The rejection of H5 and H7 challenges the initial framework based on Schein (1992). The study found that a conducive work environment directly improves performance (H2) supporting the findings of Sundstrom et al. (1990) but fails to significantly shape organizational culture (H5) or influence performance through culture (H7). This suggests that in the context of private employees in Denpasar, the work environment operates pragmatically; physical comfort and psychosocial support reduce work resistance directly without needing the slower process of cultural internalization.

3.2.2 Practical Implications

Practically, these findings offer actionable insights for managers. Efforts to improve performance through discipline will be more sustainable if focused on the ultimate goal of establishing a culture of excellence, rather than short-term compliance. Conversely, interventions to improve the work environment (e.g., facilities, lighting, layout) can yield rapid and immediate performance gains. Managers should treat these two variables differently: discipline to build long-term culture, and environment to boost immediate productivity.

Limitations

Despite its contributions, this study has limitations. First, the sample size of 50 respondents, while adequate for Path Analysis, limits the generalizability of the findings to a broader population. Second, the study focuses solely on the retail and service sectors in Denpasar, so the results may not be applicable to other industries or regions with different cultural contexts. Future research should expand the sample size and include diverse sectors to validate these mediation mechanisms.

4. Conclusion

This study successfully fulfills its research objectives by demonstrating that work discipline, work environment, and organizational culture are crucial determinants of employee performance, yet their influence mechanisms operate through distinct pathways. The main findings conclude that the influence of work discipline on performance does not occur directly but is fully transformed (full mediation) through the formation of a strong organizational culture. Conversely, the work environment has been shown to improve employee performance directly and pragmatically, without relying on organizational culture as an intermediary mechanism.

The contribution of this research to the Human Resource Management literature lies in revealing a nuanced influence model. It moves beyond the common assumption that all positive HRM practices automatically build culture, demonstrating that only formative and consistent inputs such as work discipline are effectively internalized into an organization’s DNA. Scientifically, this justifies that discipline forms habits and instills core values (accountability and integrity), whereas the work environment tends to have a more immediate impact by reducing functional barriers to work.

Practically, these findings offer critical implications for managers. Efforts to improve performance through discipline will be far more sustainable if focused on the ultimate goal of establishing a culture of excellence rather than merely enforcing short-term compliance. Conversely, interventions to improve the work environment can yield rapid and immediate performance gains.

Based on the limitations identified, future research should address specific questions to expand this model: (1) Do other psychological variables, such as job satisfaction or employee well-being, mediate the relationship between the work environment and performance? (2) Are these mediation

mechanisms consistent across different industries, such as the creative or manufacturing sectors, compared to the retail/service context of this study? Answering these questions will provide a more holistic understanding of human performance engineering.

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