



Work Environment as Moderating Variable, Impact of Transformational Leadership and Organizational Culture on Employee Performance

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Abstract

This study aims to determine the effect of transformational leadership on the work environment, the influence of organizational culture on the work environment, the impact of the work environment on work performance, the effect of transformational leadership on work performance through the work environment, and the influence of organizational culture on work performance through the work environment. Quantitative research using questionnaire data collection method. The population in this study were all employees at Non-Bank Islamic Financial Institutions (LKSNB), using a saturated sampling technique of 45 employees. Using path analysis with external model measurements, mediation tests, and internal model measurements. The results showed that transformational leadership had a significant positive effect on the work environment, organizational culture had a significant negative impact on the work environment, and work environment had a significant positive effect on work performance. The work environment can mediate the influence of transformational leadership on work performance. In comparison, the work environment has yet to mediate organizational culture's effect on performance. This research contributes to the relationship between transformational leadership behavior, organizational culture, work environment, and employee performance. Various variables are tested to provide results and a more comprehensive understanding of employee performance factors. Therefore, institutional leaders must have transformational abilities, work culture, and the environment by obtaining good information about their employees to achieve expected or significant results.

Keywords : *Employee Performance; Organizational Culture; Transformational Leadership; Work Environment.*

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INTRODUCTION

The strategic role of the sharia non-bank financial industry (NBFIs) in Indonesia is to support the smooth flow of the payment system, the transmission of monetary policy, achievements in the financial system, and contribute to economic growth (OJK, 2022). The wealth value of sharia NBFIs grew by 10.15% to Rp. 116.27 trillion in 2020. The value of wealth in question came from a market share of 4.61% of the total wealth of NBFIs, with a total of 2,521.71 trillion IDR (Investor. id, 2022). The functions carried out by NBFIs are different from conventional NBFIs. This can be seen in several tasks including asset transmutation, transaction, liquidity, and efficiency (Afrianty, Isnaini, & Oktarina, 2020)

To achieve effectiveness, the leader conveys the organization's vision and can manage human resources (HR) well. HR management focuses on employee competence. Leaders must be able to stimulate employees to meet organizational goals (A. S. Supriyanto & Ekowati, 2019). Leaders are also required to provide job satisfaction and improve employee performance. Therefore, leading an organization and managing resources in a company involves leadership aspects that can transform the vision and mission of the leader into employees (Widianto & Supriyono, 2018).

According to Bass and Burn, transformational leadership seeks followers to have higher confidence and sensitivity to achieve goals (Ritawati, 2013; Khan *et al.*, 2020). This research adopts the transformational leadership model from Bass because it is closer to the leadership model in Islam (A. Supriyanto, Ekowati, Machfudz, & Rosyidah, 2020). Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration are ways for leaders to transform their leadership into employees (A. S. Supriyanto *et al.*, 2018).

Some research findings from (Mahmood, Uddin, & Fan, 2019; Mariam, 2009; Ritawati, 2013; Widianto & Supriyono, 2018; Sariful & Zaim, 2020; Hilton *et al.*, 2023) show that transformational leadership has a positive influence on employee performance. Meanwhile, research findings (Wahyuniardi & Nababan, 2018) show that transformational leadership has no significant impact on employee performance. Some of the field findings have contradictory results. Therefore, further research is needed to explain the theoretical data conceptually and empirically.



Organizational culture is one indicator of the success of an organization. This idea became an essential factor in the study of organizational behavior. Generally, organizational culture is identified based on symbolic interaction between individuals in social rules (Meyer & Gash, 2016). Organizational culture is recognized as a way based on symbolic interaction between individuals in social practices (Cronley & Kim, 2017). A solid organizational culture supports the company's goals. Otherwise, it will hinder company goals (Prof. Dr. H. Edy Sutrisno & Media, 2019).

Some research findings from (Dunggio, 2020; Jufrizen & Rahmadhani, 2020; Ritawati, 2013; Trang, 2013; Wardani, Mukzam, & Mayowan, 2016; Widiyanto & Supriyono, 2018) that employee performance is influenced by culture organization. However, research findings from (Lutfi & Siswanto, 2018; Wahyuniardi & Nababan, 2018; Zainul, 2017) show that the contribution of organizational culture still needs to improve employee performance. From several research findings due to conflicting results, further research is required to obtain theoretical and empirical explanations.

One of the determinants of employee performance is the work environment. The work environment refers to the entire work area and employee infrastructure around the workplace that affects how employees work (Aruan Stevani & Fakhri, 2015). A safe work environment positively impacts business continuity, and an unsafe work environment hurts business continuity (Pawirosumarto, Sarjana, & Gunawan, 2017).

Some research findings from (Ferawati, 2017; Januar & Chaidir, 2020; Mudayana & Suryoko, 2016; Ngalimun, 2019; Siagian & Khair, 2018; Suwondo & Sutanto, 2015; Zainul, 2017) the Work environment has a positive impact on employee performance. Research (Hanafi & Yohana, 2017) shows that the work environment does not significantly affect the ability of employees to do their jobs. Some of these studies have conflicting results and also suggest further research, so further research is needed to obtain results that support the theory conceptually and empirically.

Human resources need to be improved effectively and efficiently to ensure optimal productivity. Therefore, to achieve company goals, leaders must encourage employees and create an atmosphere that allows them to maximize

their skills and abilities, especially in terms of productivity (Sitinjak *et al.*, 2021). Employee performance productivity is interpreted as the result of the relationship between effort, knowledge, and Awareness of the tasks assigned to achieve organizational success, with the qualifications and abilities of employees by the obligations imposed under certain conditions. Sometimes employees also experience periods of incompetence at work, which is a task for management to complete. There is more to be done to understand human resource management for further study. There are differences in the results from previous studies and suggestions, so it is interesting for researchers to examine and re-analyze *The Work Environment As Moderating Variable Impact Of Transformational Leadership And Organizational Culture On Employee Performance* (Study on the Non-Bank Islamic Financial Institutions in Banyuwangi).

LITERATUR REVIEW

Transformational Leadership

Leadership is the ability of a leader to influence a group to achieve its goals (Ekowati, Surachman, Sumiati, & Sudiro, 2017). Leadership is the quality of individuals who inspire followers to achieve common goals. It is the process by which a person influences other people, inspires them, motivates them, and directs activities to achieve organizational goals (Bojovic & Jovanovic, 2020). Transformational leadership changes Awareness, increases morale, and inspires employees to achieve organizational goals without pressure (Khan, Rehmat, Butt, Farooqi, & Asim, 2020). Transformational leadership practices stimulate followers into productivity. Transformational leadership practices involve change. So, to initiate change, one needs to know how to lead people (Iroegbulam, 2021). Therefore leadership is an essential concept in the corporate governance system (Hilton, Madilo, Awaah, & Arkorful, 2023).

Based on several opinions, transformational leadership is a process of influencing group activities by encouraging and motivating employees to make extra efforts to achieve organizational goals, namely by growing the importance and value of tasks in employees' eyes. Leaders motivate employees to sacrifice their interests for the group or organization's interests.



According to Bass & Avolio, there are at least four standards that a leader must have, including (Mahmood *et al.*, 2019; Khan *et al.*, 2020:

1. Idealized Influenced

It is the mental capacity of a great leader to inspire employees when they do their job. Employees trust the leader because a leader is believed to have a perspective, values, and goals that he believes are good and right.

2. Inspirational Motivation

Leader inspiration can stimulate employee enthusiasm for group assignments. A leader's behavior can increase employee confidence in the employee's ability to complete tasks on time.

3. Intellectual Stimulation

Leaders motivate employees to think about methods, value systems, beliefs, expectations, and self-development that are innovative and creative in problem-solving to achieve organizational goals or targets.

4. Individualized Considerations

Taking individual differences into account means maintaining direct face-to-face contact and open communication with employees. Personal influence and face-to-face relationships between superiors and employees are of the utmost importance.

Organizational Culture

Organizational culture is a basic example of a hypothesis designed by a particular group (Wardani *et al.*, 2016). Organizational culture is a pattern of employee perceptions and how that perception creates beliefs, values, and expectations (Abadiyah, 2016). Organizational culture, also referred to by many as corporate or company culture, is a set of qualities that distinguishes one institution from others by establishing its distinctiveness (Abane, Adamtey, & Ayim, 2022).



And they argued that organizational culture determines employees' readiness for a change initiative. Change aligned with the organizational culture can be embraced and implemented in a fast-paced spirit (Engida, Alemu, & Mulugeta, 2022).

From several opinions, organizational culture is a system in which Islamic values, beliefs, and norms influence a person's behavior, attitudes, habits, and beliefs. The goal is to organize learning to deal with problems caused by external adaptation. A strong organizational culture will have a significant impact on organizational effectiveness.

Referring to the theory (Taliziduhu, 2005), the indicators in determining the measurement of organizational culture are: 1) Habits, including Awareness of rights and obligations; freedom or authority and responsibility; 2) Regulations, including order and convenience; and 3) Values, including harmony and balance in work and appreciation of right and wrong.

Work Environment

The work environment where individuals and organizations carry out various activities has become even more critical. It is generally accepted that developing a creative working environment has a better effect (Ishiyama & Matsumoto, 2021). Employees can carry out their activities as healthy, safe, and comfortably as possible and achieve the best results if the environmental conditions are good (Putri, Ekowati, & Supriyanto, 2019). The work environment is the infrastructure of all workspaces and employees around the workplace. This environment includes the workplace, supporting facilities, cleanliness, lighting, tranquillity, and local interpersonal relationships (Aruan Stevani & Fakhri, 2015).

According to experts, the work environment is a tangible and intangible environment that can create an impression of happiness, safety, and calm for employees and influence their performance. A good work environment reduces boredom at work. This comfort can affect morale and employee satisfaction because a conducive environment is needed to bind employees loyal to the company.

The work environment usually includes both physical and non-physical environments. Physical work environment refers to all physical conditions in the workplace that can directly or indirectly affect workers. All conditions relevant



to the employment relationship between supervisors, employees, and employees are considered immaterial work environments (Sedarmayanti, 2011; Fithri *et al.*, 2019; Sari & Erlina, 2021; Salam *et al.*, 2022; Teunuleh *et al.*, 2022).

Work Performance

Employee performance is a measure of the success of an organization in fulfilling its mission and completing its tasks or work, and a person must have a certain level of competence (Riniwati, Hakim, Press, & Media, 2016). Performance is achieved by workers' efforts to develop their abilities under certain conditions (A. S. Supriyanto *et al.*, 2018). Performance results from carrying out one's duties with the quality and quantity of work and responsibilities (Mangkunegara & Prabu, 2001).

Thus, employee performance is the result of the relationship between effort, ability, and Awareness of the tasks assigned to achieve organizational success with the qualifications and skills of employees by the obligations given under certain conditions. Stephen Robbins suggests that organizational leaders can use three techniques to improve employee performance: increasing competence, increasing motivation, and providing employee development opportunities (Shaleh, Batjo, & Firman, 2018).

The benchmarks used to determine whether the given task has carried out an employee's performance can be determined by three criteria, namely: 1) Quantity, namely the amount of work that must be done; 2) Quality, namely the quality produced; 3) Punctuality, namely the suitability and arrangement of working time (Mangkunegara & Prabu, 2001; Nguyen *et al.*, 2020).

The Relationship of Transformational Leadership to the Work Environment

Research findings from (Mardiana & Sudiarditha, 2019; Development & Jabbar, 2020 Sirait, 2021) show that transformational leadership positively influences the work environment. These findings support the theory that transformational leadership functions impact the work environment. Thus, based on previous research, the researcher proposed the first hypothesis as follows:

H₁: There is an effect of transformational leadership on the work environment

The Organizational Culture to the Work Environment

Research findings from (Pranitasari, Diah; Trianah, L & Taufik, 2018), The findings of organizational culture positively affects the work environment. Thus, based on previous research, the researcher proposes the second hypothesis as follows:

H₂: There is a significant positive effect of organizational culture on the work environment

The Work Environment to Employee Performance

Research findings (Pawirosumarto *et al.*, 2017; Nasir, 2019; Putri *et al.*, 2019; Januar & Chaidir, 2020; Sari & Erlina, 2021; Salam *et al.*, 2022) show that the work environment has a positive effect on employee performance. Findings from (Hanafi & Yohana, 2017; Sudiarmo, 2022) show that the work environment does not significantly affect employee performance. Thus, based on previous research, the researcher proposes a third hypothesis as follows:

H₃: There is a significant positive effect of the work environment on job satisfaction.

The Transformational Leadership to Employee Performance Through the Work Environment

Research findings from (Mardiana & Sudiarditha, 2019). The results show that transformational leadership does not positively impact employee involvement in the work environment as a mediator, with a probability value. Thus, the researcher proposes the fourth hypothesis as follows:

H₄: Work environment mediates transformational leadership on employee performance

The Organizational Culture to Employee Performance Through the Work Environment

Research findings (Widianto & Supriyono, 2018) show that organizational culture significantly affects employee performance. Meanwhile, organizational



culture through job satisfaction as an intervention has no significant positive effect on employee performance. Findings from (Zainul, 2017; Nguyen *et al.*, 2020), show that organizational culture does not significantly affect employee performance.

H₅: Work environment mediates Organizational Culture on employee performance

RESEARCH METHOD

This study uses a quantitative approach. The population of this study was eight sharia Non-Bank Islamic Financial Institutions in the Banyuwangi district that met the criteria as research objects, namely: KSPPS BMT Al-Yaman Muncar Center, KSPPS BMT Al-Yaman Tegaldlimo Branch, Kopontren Bank Minhajut Thullab, Micro Waqf Bank Minhajut Thullab, KSPPS BMT UGT Nusantara Sub-Branch Muncar, KSPPS BMT UGT Nusantara Sub-Branch Tegaldlimo, KSPPS BMT UGT Nusantara Sub-Branch Purwoharjo, and KSPPS BMT UGT Nusantara Sub-Branch Jajag. The number of samples was as many as 45 respondents using a saturated sampling technique.

The independent variables of this study are transformational leadership (X_1) and organizational culture (X_2), the dependent variable is employee performance (Y), and the mediating variable is the work environment (Z). The instrument test is in the form of a validity test and reliability test, as well as data analysis using path analysis. Then the tests carried out include the linearity assumption test, structural model test (*inner mode*), and structural model hypothesis testing (*outer model*) with the help of Smart PLS software version 3.3.

RESULTS AND DISCUSSION

In this study, three criteria of analytical methods are used to evaluate the value of the outer model: convergent validity, discriminant validity, and composite reliability.



Table 1 Convergent Validity Value

Variable	Loading Factor	Mean	P-Value	Result
X _{1,1}	0,560	4.044	0,000	Valid
X _{1,2}	0,784	4.267	0,000	Valid
X _{1,3}	0,732	4.178	0,000	Valid
X _{1,4}	0,778	4.311	0,000	Valid
X _{1,5}	0,653	4.111	0,000	Valid
X _{1,6}	0,749	4.467	0,000	Valid
X _{1,7}	0,865	4.311	0,000	Valid
X _{1,8}	0,613	4.267	0,000	Valid
X _{1,9}	0,833	4.222	0,000	Valid
X _{1,10}	0,602	4.111	0,000	Valid
X _{1,11}	0,641	3.711	0,000	Valid
X _{1,12}	0,743	4.089	0,000	Valid
X2.1	0,702	4.289	0,000	Valid
X2.2	0,825	3.911	0,000	Valid
X2.3	0,823	4.400	0,000	Valid
X2.4	0,911	3.800	0,000	Valid
X2.5	0,838	4.222	0,000	Valid
X2.6	0,773	4.000	0,000	Valid
X2.7	0,801	4.200	0,000	Valid
Z.1	0,801	4.200	0,000	Valid
Z.2	0,670	4.333	0,000	Valid
Z.3	0,787	3.711	0,000	Valid
Z.4	0,687	4.200	0,000	Valid
Z.5	0,770	4.378	0,000	Valid
Z.6	0,830	4.244	0,000	Valid
Y1	0,660	4.111	0,000	Valid
Y2	0,892	4.044	0,000	Valid
Y3	0,696	4.178	0,000	Valid
Y4	0,775	4.222	0,000	Valid
Y5	0,882	3.889	0,000	Valid
Y6	0,825	4.044	0,000	Valid

Source: data processed by SmartPLS 3



According to Chin, a loading factor scale of 0.5 to 0.6 is considered sufficient. Therefore, this study used a loading factor of 0.50 (Ghozali, 2006). Convergent validity results in table 1 Display the results of all indicator items for all variables having a value > 0.5. This means that this research variable item is declared valid.

Table 2 Discriminant Validity Value

	X ₁	X ₂	Y	Z
X _{1,1}	0,611	0,560	0,530	0,352
X _{1,2}	0,784	0,726	0,615	0,641
X _{1,3}	0,732	0,672	0,560	0,673
X _{1,4}	0,778	0,611	0,636	0,544
X _{1,5}	0,653	0,623	0,548	0,266
X _{1,6}	0,749	0,592	0,625	0,541
X _{1,7}	0,865	0,781	0,704	0,692
X _{1,8}	0,613	0,253	0,457	0,655
X _{1,9}	0,833	0,647	0,656	0,641
X _{1,10}	0,602	0,368	0,409	0,357
X _{1,11}	0,641	0,541	0,322	0,237
X _{1,12}	0,743	0,394	0,471	0,501
X _{2,1}	0,516	0,702	0,495	0,408
X _{2,2}	0,605	0,825	0,564	0,395
X _{2,3}	0,681	0,823	0,593	0,611
X _{2,4}	0,741	0,911	0,699	0,620
X _{2,5}	0,624	0,838	0,581	0,397
X _{2,6}	0,589	0,773	0,723	0,313
X _{2,7}	0,691	0,813	0,710	0,486
Y ₁	0,660	0,565	0,801	0,708
Y ₂	0,615	0,739	0,670	0,368
Y ₃	0,515	0,654	0,787	0,498
Y ₄	0,456	0,571	0,687	0,429
Y ₅	0,580	0,480	0,770	0,612
Y ₆	0,674	0,593	0,830	0,742
Z ₁	0,648	0,558	0,507	0,660
Z ₂	0,609	0,366	0,572	0,892
Z ₃	0,477	0,440	0,548	0,696
Z ₄	0,545	0,368	0,597	0,775
Z ₅	0,616	0,447	0,692	0,882
Z ₆	0,694	0,617	0,714	0,825

Source: data processed by SmartPLS 3

A discriminant validity model is considered good when the loading factor value of each latent variable is greater than that of the other variables. From the data in Table 2, it can be concluded that compared with the loading factor values of other variables, each latent variable indicator item has the largest loading factor value. This means that discriminant validity was satisfied in this study.

Table 3 Composite Reliability Value

	Composite Reliability	Information
X_1	0,927	Reliable
X_2	0,932	Reliable
Z	0,910	Reliable
Y	0,891	Reliable

Source: data processed by SmartPLS 3

Based on table 3 above, all configurations of Composite Reliability values have met the requirements. This result is indicated by the Composite Reliability value > 0.70 as the recommended criterion.

Table 3 R-Square Value

No	Variable	R Square
1	Z	0,580
2	Y	0,593

Source: data processed by SmartPLS 3

This study uses two variables influenced by other variables: transformational leadership (X_1) and organizational culture (X_2). Based on the data, Table 4 shows an R-square value of 0.580 or 58% for the work environment variable (Z). The R-square value for the work performance variable (Y) is 0.593 or 59.3%.

Furthermore, the Goodness of Fit test results from the Q-Square Prediction Relevance (Q^2) value. The R^2 value of the dependent variable in this study is the



Z value of 0.580 and the Y value of 0.593. Then the value of Q-Square Prediction Relevance (Q^2) is obtained by the formula:

$$Q^2 = 1 - (1 - 0,580)(1 - 0,593)$$

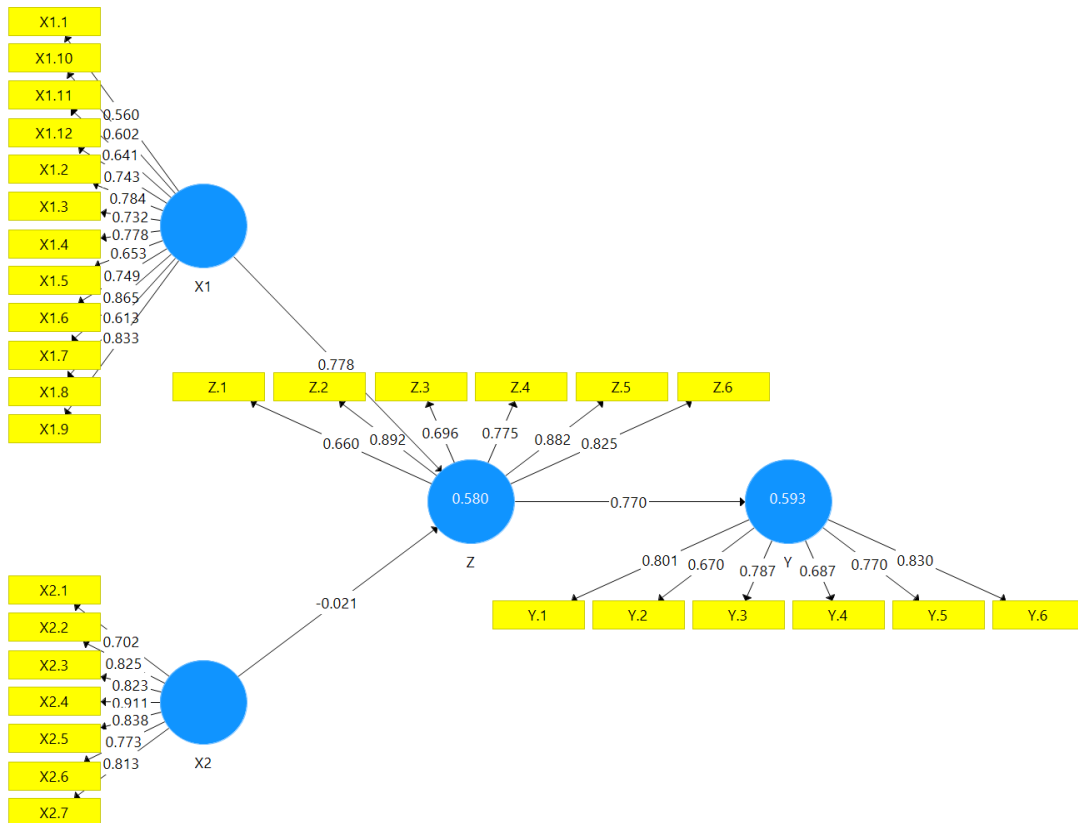
$$Q^2 = 1 - (0,420)(0,407)$$

$$Q^2 = 1 - (0,17094)$$

$$Q^2 = 0,82906$$

From the data processing results, the Prediction Relevance value is 0.82906 or 82.90%. Thus, this model is feasible as a relevant predictive value and identifies the data information contained in the model by 82.90%, and other variables explain the rest. This result is good because it explains 82.90% of the overall information.

Figure 1 Algorithm Mediation Test



Source: data processed by SmartPLS 3

Table 6 Value of Inner Weight

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/ST-DEV)	P Values
X1 -> Y	0,599	0,606	0,159	3,772	0,000
X1 -> Z	0,778	0,773	0,196	3,963	0,000
X2 -> Y	-0,016	0,002	0,166	0,097	0,923
X2 -> Z	-0,021	0,001	0,209	0,100	0,920
Z -> Y	0,770	0,784	0,041	18,739	0,000

Source: data processed by SmartPLS 3

The statistical test uses simulation to perform each hypothetical relationship. The technique used on the sample is bootstrapping.

Testing the first hypothesis showed that the relationship between the transition-guiding variable (X_1) and work environment (Z) had a path coefficient of 0.778 and a p-value of $0.000 < 0.50$. That is, the higher the transformational leadership, the higher the level of the work environment. Thus, the first hypothesis is that transformational leadership has a significant positive relationship with the work environment. Then ***Hypothesis 1 is accepted.***

Four indicators form the transformational leadership variable: idealized influence, inspirational motivation, intellectual stimulation, and Individual Consideration (Khan *et al.*, 2020; Mahmood *et al.*, 2019b). Based on the test results, transformational leadership significantly positively affects the work environment. Field conditions align with the findings (Mardiana & I Ketut R Sudiarditha, 2019; Development & Jabbar, 2020; Sirait, 2021).

Most respondents' assessment of the transformational leadership variable perceives it to be perfect. This means that empirical facts show that employees' perceptions of leadership behavior are very good. Transformational leadership substantially influences employee involvement in the creative process (Mahmood *et al.*, 2019). Positive results indicate favorable environmental conditions, which have implications for employees so that they can carry out their activities in a healthy, safe, and comfortable manner and achieve optimal results (Putri *et al.*,



2019). To achieve effectiveness in the non-bank Islamic finance industry, leaders can provide good inspirational motivation to employees to foster a spirit of good performance. When employees feel comfortable and there is support from their social environment, employees will be encouraged to work well.

Leaders must be able to lead well so that the organization's goals are achieved, understand the characteristics of employees, and adjust the situation and conditions of the organization's environment so that leaders can provide direction and enthusiasm to their employees. Leaders must also be able to make innovative steps to make employees feel comfortable, enthusiastic, and happy. A good leader determines the performance of his employees to achieve the desired organizational goals.

The results of testing the second hypothesis show that the relationship between organizational culture variables (X_2) and the work environment (Z) shows a path coefficient of -0.021 with a p -value of $0.920 > 0.50$. This means that the higher the organizational culture, the lower the level of the work environment. Thus, organizational culture has an insignificant negative relationship with the work environment and is not by the second hypothesis. Then *Hypothesis 2 is rejected*.

The organizational culture variable comprises three indicators: habits, regulations, and values. Based on the test results, organizational culture negatively influences the work environment. This study rejects research findings from (Pranitasari, Diah, Triana, L & Taufik, 2018) that organizational culture positively affects the work environment.

Organizational culture can enhance organizational performance (Victoria, Olalekan, & Evangeline, 2021). Leaders play a crucial role and are closely related to organizational culture because they help provide a competitive advantage. (Gordon & DiTomaso, 1992), A company must have an adaptive culture with a risk-taking, trusting, and proactive approach. A good organizational culture is expected to create a good work environment because organizational culture is an essential factor in determining how one adapts to the organizational context in the non-bank Islamic finance industry in Banyuwangi. Because in principle in practice, cultural values based on Islamic teachings are required to become organizational values with a priority scale.



The results of testing the third hypothesis indicate that the relationship between work environment variables (Z) and work performance (Y) shows a path coefficient of 0.770 with a p-value of $0.000 < 0.50$. This means that the higher the work environment, the higher the level of work performance. Thus, the work environment has a significant positive relationship with work performance, according to the third hypothesis. Then ***Hypothesis 3 is accepted.***

Two indicators from the work environment variable: are the physical work environment and the non-physical work environment (Maya Sari & Erlina, 2021; Salam & Ketenagakerjaan, n.d.; Sedarmayanti, 2018). The test results show that the work environment positively affects employee performance. This study supports research (Ferawati, 2017; Josephine & Harjanti, 2017; Zainul, 2017; Siagian & Khair, 2018; Nasir, 2019; Ngalimun, 2019; Januar & Chaidir, 2020; Sari & Erlina, 2021; Salam *et al.*, 2022), that employee performance influenced by the work environment. The findings of this study reject research (Hanafi & Yohana, 2017; Sudiarso, 2022).

The work environment is one of the indicators that affect employee performance. The physical arrangement of space, tools, noise, materials, and employees is the physical form of the work environment (Fithri, Engineering, & Andalas, 2019; Teunuleh *et al.*, 2022). in carrying out its activities according to what has been done by the leadership of non-bank Islamic financial institutions in managing their work environment. All of these play an essential role and positively impact the quality of employee performance. The work environment includes all human activities in space and time. Allah SWT has given all for humankind's benefit to maintain its survival. Humans are given the responsibility to manage the universe. In his guilt, man must protect nature.

Based on mediation tests conducted, the results show that the work environment mediates the effects of transformational leadership on employee performance. Based on test results of the relationship between transformational leadership variables and job performance (a), the coefficient value is 0.599 and sig $0.000 < 0.050$ (both variables have a significant relationship). Transformational leadership variable on work performance (b) coefficient value 0.354 and sig $0.031 < 0.050$. The relationship of transformational leadership to the work environment (c) coefficient value is 0.778 and sig $0.000 < 0.050$. (both variables have a significant



relationship. Illustrated: the relationship (c) and (d) is significant, and the value of (a) is significant at 0.599; value (b) is significant at 0.778; then the value of (a) < (b), it can be concluded that the work environment as a partial mediation variable influences transformational leadership on work performance. Furthermore, it is indicated by the significant value of transformational leadership on work performance which is $0.000 < 0.50$ (significant), and the work environment on work performance is $0.000 < 0.50$ (significant), then **Hypothesis 4 is accepted**.

Ideal influence, inspirational motivation, intellectual stimulation, and personal considerations are all indicators that are proven to impact employee performance indirectly through the work environment (Mahmood *et al.*, 2019) (Mahmood *et al.*, 2019). The results of the field study support the conclusions of (Mardiana & Ketut R Sudiarditha, 2019; Development & Jabbar, 2020; Sirait, 2021). Its transformative leadership positively affects employee involvement in the work environment as a parametric variable. This research also supports the findings (Mahmood *et al.*, 2019a) that transformational leadership significantly impacts the participation of employees' creative processes. Transformational leadership has a significant impact on the involvement of employees' creative processes.

From the results that have been described, leadership impacts the performance produced by employees. In comparison, the work environment is the supporting factor so that employees are more comfortable doing their jobs. Based on the results of observations, most of the institutions in this study are located in Islamic boarding schools, and also most of the employees have educational backgrounds in Islamic boarding schools, which means that the environment and employees in Islamic boarding schools have a significant impact and results on company performance.

Based on the mediation tests conducted, the results show that the work environment does not mediate the impact of organizational culture on employee performance. Based on test results of the relationship between organizational cultural variables and job performance (a), the coefficient value is -0.016 and sig $0.923 > 0.050$. (both variables have no significant relationship). The relationship of organizational culture variables to work performance (b) coefficient value is 0.526 and sig $0.001 < 0.050$. (both variables have a significant relationship). The relationship between organizational culture and the work environment (c)

coefficient value -0.021 and $\text{sig } 0.920 > 0.050$. (both variables have no significant relationship). Illustrated: the relationship (c) and (d) is not significant, and (a) significant, the work environment is not a mediating variable of the influence of organizational culture on work performance. Furthermore, it is shown that the significant value of organizational culture on work performance is $0.923 > 0.50$ (not significant), and the work environment on work performance is $0.000 < 0.50$ (significant), then *Hypothesis 5 is rejected*.

Habits, regulations, and values (Taliziduhu, 2005) have not been able to have an impact on employee performance with the work environment as a variable. The outcomes of this take a look at rejecting the outcomes of research (Dunggio, 2020; Jufrizen & Rahmadhani, 2020; Ritawati, 2013; Wardani *et al.*, 2016; Widiyanto & Supriyono, 2018) that organizational culture has a significant positive effect on employee performance, and job satisfaction as an intermediate organizational culture does not have a significant positive effect on employee performance.

While the research findings support the results (Wahyuniardi & Nababan, 2018; Zainul, 2017; Nguyen *et al.*, 2020), organizational culture cannot influence employee work performance. Following the findings (Lutfi & Siswanto, 2018), organizational culture's contribution still needs to improve employee performance. Therefore, the study's results reject the hypothesis that the work environment as a mediating variable is the relationship between organizational culture and employee job performance. In this case, the leaders of non-bank Islamic financial institutions in the future need to re-evaluate in making a policy so that the performance of employees improves.

CONCLUSION

This study aims to determine the effect of transformational leadership on the work environment, the influence of organizational culture on the work environment, the influence of the work environment on work performance, the influence of transformational leadership on work performance through the work environment, and the influence of organizational culture on work performance through the work environment. We are using quantitative methods with questionnaire data collection methods. The population in this study were all employees in the Non-Bank Islamic Financial Institutions in Banyuwangi, with a



saturated sampling technique of 45 employees. Use path analysis with external model measurements, mediation tests, and internal model measurements. The results of the research are as follows:

Transformational leadership had a significant positive effect on the work environment, organizational culture had a significant negative effect on the work environment, and the work environment had a significant positive effect on work performance. The work environment can mediate the influence of transformational leadership on work performance. Meanwhile, the work environment has yet to mediate organizational culture's influence on performance.

Based on these conclusions, some suggestions can be given as follows:

For the Islamic finance industry leaders, this research has proven theories that are believed to be scientifically correct. It is hoped that it can be used as one of the basic considerations in developing a managed sharia financial industry, especially in improving employee work performance.

For employees, This study proved that the role of transformed leaders in implementing an idealized influence, Inspirational Motivation, Intellectual Stimulation, and Individual Consideration has a good impact on improving performance, so if employee work performance increases, it will have a significant effect on the progress of the company.

This study uses quantitative methods with limited variables for other researchers to discuss the influence of transformational leadership and organizational culture on employee performance, with the work environment. as an intermediate variable. It is proven that the large R Square of this research on the work environment variable (Z) is 0.580 or 58%, and the work performance variable (Y) is 0.593 or 59.3%. This means that the remainder is influenced by other factors not included in this study, so other researchers should pursue development research using other relevant variables that affect employee performance.

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