



The Role Of Organizational Culture In The Influence Of Knowledge Management Capability And Transformational Leadership On Organizational Performance In Manufacturing Companies

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ABSTRACT

The increasingly competitive market conditions make many manufacturing companies, especially in Batam, initiate changes and adaptations in their business processes by implementing knowledge management capability, the Influence of transformational leadership, and the contribution of organizational culture, and all of them influence organizational performance. This study aims to determine the correlations between the variables mentioned and the extent to which these roles directly or indirectly affect organizational performance. Data collection was carried out quantitatively using the convenience sampling method with employees working in the manufacturing industry as respondents, who were then analyzed using PLS-SEM software. Furthermore, this finding proves the negative effect of the correlation between knowledge management capability and organizational performance. However, transformational leadership positively affects organizational performance. Organizational culture as a mediator also plays an important role in this finding as it significantly mediates both knowledge management capability and transformational leadership variables on organizational performance, respectively. These findings highlight the roles of the variables and how they influence each other so that ways can be found to maintain overall organizational performance. It is also recommended for future research to expand the demographic context to make the research more comprehensive.

INTRODUCTION

Market conditions, especially in the increasingly competitive manufacturing industry, make manufacturing companies in the world must act just as fast so that they require rapid change and adaptation along with the emergence of dynamic market growth (Rifandani et al., 2023). Such conditions demand a high degree of organizational adaptability, defined as an organization's capacity to respond effectively to environmental pressures to ensure survival and long-term sustainability (Panungkelan, 2021). In this context, organizational performance becomes a critical indicator of a firm's ability to adjust to market turbulence. At the macro level, rapid industrial development is also expected to support national economic advancement and enhance public welfare. In Indonesia, the manufacturing sector represents one of the most strategically significant contributors to economic growth, particularly through its substantial role in Gross Domestic Product (GDP) formation.

The manufacturing industry sector plays a crucial role in economic development. Empirical evidence further indicates that from 2000 to 2020, Indonesia's manufacturing industry averaged 12.67% growth, reflecting sustained expansion and dominance within regional economies (Nurhayani, 2022). Regional data reinforce this trend. In the Riau Islands Province, statistical records indicate that the processing industry, an integral component of the manufacturing sector—made the highest contribution to economic growth. A year-on-year comparison between the fourth quarter of 2024 and the same period in 2023 shows a growth contribution of 2.73%, while a quarter-on-quarter comparison between the fourth and third quarters of the same year reveals an even higher contribution of 3.50% (Riau Islands Province Statistics Center Agency, 2022). These figures highlight the strategic importance of enhancing organizational performance within manufacturing firms to sustain both regional and national economic competitiveness.

Organizational performance, however, cannot be separated from the organization's internal capacity to adapt and evolve. Performance reflects the extent to which organizational objectives are achieved and is shaped by multiple interrelated factors, including leadership style and organizational culture (Nugroho & Pudiastuti, 2021). Effective organizational performance is closely linked to employee performance, as employees represent the primary agents through which organizational goals are realized (Trisandri & Iskandar, 2024). Consequently, understanding the organizational mechanisms that foster superior employee and organizational performance remains a central concern in management research, particularly in manufacturing settings characterized by operational complexity and intense competition.

One organizational mechanism that has received growing attention is knowledge management capability. The enhancement of knowledge management capability has been shown to influence various organizational outcomes, including innovation, efficiency, and overall performance (Imaniyah et al., 2018). Knowledge management is shaped by multiple organizational factors, such as structure, culture, technology, strategy, trust, and leadership, although several contextual determinants remain insufficiently explored (Darmawan et al., 2023). In practice, the implementation of knowledge management often encounters significant barriers, including limited financial resources, inadequate employee training, and ineffective utilization of information technology systems, all of which undermine its effectiveness (Mbah & Maduafor, 2020). Moreover, organizational dynamics frequently reveal reluctance among employees to engage in knowledge-sharing activities, driven by fears of job displacement or loss of individual advantage, ultimately constraining organizational performance (Shanti & Manurung, 2020). Similar challenges have been observed in various international contexts, such as Kenya, where increasing client demands for service quality have heightened the need for workforce training and systematic knowledge development (Kigungu et al., 2021).

Alongside knowledge management capabilities, leadership plays a pivotal role in navigating organizational challenges in a globalized, rapidly changing business environment.

While organizations often prioritize competitive survival, insufficient attention to workplace relational dynamics can erode sustainable competitive advantage (Biswas, 2010). Contemporary leadership demands not only technical competence but also strong interpersonal skills, empathy, and adaptability, particularly in increasingly diverse organizational contexts (World Economic Forum, n.d.). Transformational leadership, in this regard, has emerged as one of the most influential leadership approaches, emphasizing mutual engagement between leaders and subordinates to drive organizational transformation (Chitiga, 2018). Empirical studies consistently demonstrate that transformational leadership positively affects employee performance, job satisfaction, and team effectiveness (Pandia & Meilani, 2024).

Transformational leadership is particularly relevant in periods of intense organizational change, as it enhances employee capacity, strengthens intrinsic motivation, and fosters a supportive work environment conducive to productivity and innovation (Indriasari et al., 2023; Khan et al., 2020). Leaders who exhibit transformational attributes are able to inspire employees, align individual goals with organizational vision, and empower subordinates to participate actively in decision-making processes. Conversely, the absence of transformational leadership behaviors such as role modeling, recognition, and reward can result in diminished employee motivation and suboptimal job performance, ultimately impairing organizational outcomes (Tahapary et al., 2018).

Organizational culture constitutes another critical dimension influencing organizational performance. It encompasses shared norms, values, beliefs, and behavioral patterns that guide organizational members in achieving collective goals (Tahapary et al., 2018; Yildiz, 2014). Although the concept of culture is often taken for granted at the national level, its role within organizational contexts has gained increasing prominence in management literature. Organizational culture functions as a double-edged sword: while it can facilitate coordination, collaboration, and goal alignment, it can also become a significant barrier to organizational change when misaligned with strategic objectives (Schlesinger, 2017). Through shared values and mutual understanding, organizational culture shapes both individual behavior and overall organizational effectiveness (Morelli & Wang, 2020). Recent studies increasingly recognize organizational culture as a strategic asset capable of enhancing business performance and employee engagement (Kumar, 2016). Nevertheless, discrepancies often emerge between espoused organizational values and employees' lived experiences, creating cultural gaps that may undermine performance (Iskamto, 2023).

Despite the growing body of literature examining transformational leadership, organizational culture, and organizational performance, limited attention has been paid to the integrative role of knowledge management capability within this relationship, particularly in manufacturing firms. Existing studies tend to examine these constructs in isolation, leaving insufficient understanding of how knowledge management capability interacts with leadership and culture to shape organizational performance. Specifically, empirical evidence remains scarce regarding the mediating role of organizational culture in linking knowledge management capability and transformational leadership to organizational performance, especially within emerging economy contexts.

Accordingly, the novelty of this study lies in its integrative framework, which positions knowledge management capability as a key antecedent of organizational performance, both directly and indirectly through organizational culture. By examining organizational culture as a mediating variable, this research seeks to address existing gaps in the literature and provide a more nuanced understanding of the mechanisms through which knowledge-based and leadership-driven capabilities influence performance outcomes. Therefore, the primary objective of this study is to analyze the role of organizational culture in mediating the effects of knowledge management capability and transformational leadership on organizational performance in manufacturing companies.

LITERATURE REVIEW

The Influence of Knowledge Management Capability on Organizational Performance

Knowledge management capability (KMC) is increasingly recognized as a strategic organizational asset that enables firms to create, integrate, and utilize knowledge to sustain competitive advantage. When knowledge management is conceptualized as a capability, it emphasizes not merely knowledge possession but the organization's ability to systematically develop, disseminate, and apply knowledge to support strategic objectives (Matin, 2015). Empirical evidence suggests that KMC significantly influences organizational performance by enhancing learning, innovation, and decision-making processes (Imaniyah et al., 2018). Furthermore, effective knowledge dissemination allows employees to broaden their perspectives and refine problem-solving skills, which ultimately contributes to improved organizational outcomes (Hsiao & Chen, 2014). However, empirical findings on the direct effect of KMC on organizational performance remain inconsistent. In certain contexts, the influence of KMC appears to be weak or even negative, potentially due to limited organizational awareness regarding the strategic role of KMC or the relatively novel emphasis on "capability" rather than traditional knowledge management practices. Although knowledge management has long been studied, the integration of capability-based perspectives introduces new complexities, particularly in environments where supportive organizational conditions are lacking. Contextual factors, such as misaligned organizational values or weak cultural support, may constrain the effectiveness of KMC, suggesting that knowledge management capability alone may not be sufficient to directly enhance performance. Instead, its impact may depend on complementary organizational mechanisms, especially organizational culture, which facilitates knowledge sharing and utilization.

H1 : Knowledge management capability has a negative effect on organizational performance

The Influence of Transformational Leadership on Organizational Performance

Transformational leadership is considered the most appropriate leadership approach for organizational change, as it can accommodate unexpected changes that may occur at any time. This role makes it possible for leaders to exert their influence to bring organizational change, motivate employees and support innovation to achieve organizational goals (Sahid et al., 2023). Prior studies consistently report a positive relationship between transformational leadership and organizational performance. By inspiring employees and strengthening intrinsic motivation, transformational leaders enhance job engagement and performance, thereby improving organizational outcomes. In manufacturing contexts, where operational efficiency and continuous improvement are critical, transformational leadership plays a vital role in sustaining high performance and organizational resilience.

H2 : Transformational leadership has a positive effect on organizational performance

The Impact of Knowledge Management Capability on Organizational Culture

Knowledge management encompasses systematic processes of knowledge creation, distribution, and utilization. These processes are closely intertwined with organizational culture, as cultures characterized by cooperation, trust, and teamwork are more conducive to effective knowledge sharing (Pérez-Campos, n.d.). Consequently, organizations with strong KMC are more likely to develop cultural attributes that encourage openness, innovation, and collective problem-solving, reinforcing the role of knowledge as a driver of organizational change. Knowledge management encompasses systematic processes of knowledge creation, distribution, and utilization. These processes are closely intertwined with organizational culture, as cultures characterized by cooperation, trust, and teamwork are more conducive to effective knowledge sharing (Pérez-Campos, n.d.). Consequently, organizations with strong KMC are more likely to

develop cultural attributes that encourage openness, innovation, and collective problem-solving, reinforcing the role of knowledge as a driver of organizational change.

H3: Knowledge management capability has a positive effect on organizational culture

The Impact of Transformational Leadership on Organizational Culture

Transformational leadership is a type of leadership that is widely recognized for its significant impact on employees and is also said to have a direct influence on an organization's culture. This type of leadership is conscious of employees' needs and desires to feel included and to reach their potential. Effective communication including commitment and trust is a must for leaders who adopt this type of leadership. Therefore, it is important for leaders to be able to understand the values shared by employees that shape organizational culture (Senjaya & Anindita, 2018). Moreover, transformational leaders actively influence cultural norms by encouraging innovation and adaptability, ensuring that organizational culture evolves in line with strategic objectives and performance expectations. By reinforcing shared values and behavioral standards, transformational leadership contributes to a cultural environment that supports change and organizational effectiveness (Belhaj, 2024).

H4: Transformational leadership has a positive effect on organizational culture

The Influence of Organizational Culture on Organizational Performance

Organizational culture refers to the shared values, beliefs, and norms that guide behavior within an organization. A growing body of literature highlights the strong relationship between organizational culture and organizational performance. Cultural characteristics influence how employees interact, make decisions, and pursue organizational goals, with each industry exhibiting distinct cultural patterns that shape performance outcomes (Shahzad & Luqman, 2024). Understanding organizational culture is therefore essential for achieving collective objectives, as culture aligns individual behavior with organizational expectations and strategic priorities. A strong and adaptive organizational culture enhances coordination, commitment, and efficiency, ultimately leading to superior organizational performance (Marampa et al., 2019).

H5: Organizational culture has a positive effect on organizational performance

The Mediating Role of Organizational Culture in the Relationship between Knowledge Management Capability and Organizational Performance

Previous empirical studies indicate that knowledge management positively influences organizational performance (Puryantini et al., 2018). However, achieving sustainable competitive advantage through knowledge management requires an organizational culture that supports knowledge sharing, learning, and innovation. Although limited research has explicitly examined the mediating role of organizational culture in the relationship between KMC and organizational performance, theoretical arguments suggest a strong interconnection among these variables.

Knowledge management capability contributes to shaping organizational culture by embedding learning-oriented values and collaborative practices. In turn, this supportive culture enables organizations to translate knowledge resources into improved performance outcomes. Therefore, organizational culture is expected to mediate the effect of KMC on organizational performance.

H6: Knowledge management capability has an effect on organizational performance mediated by organizational culture

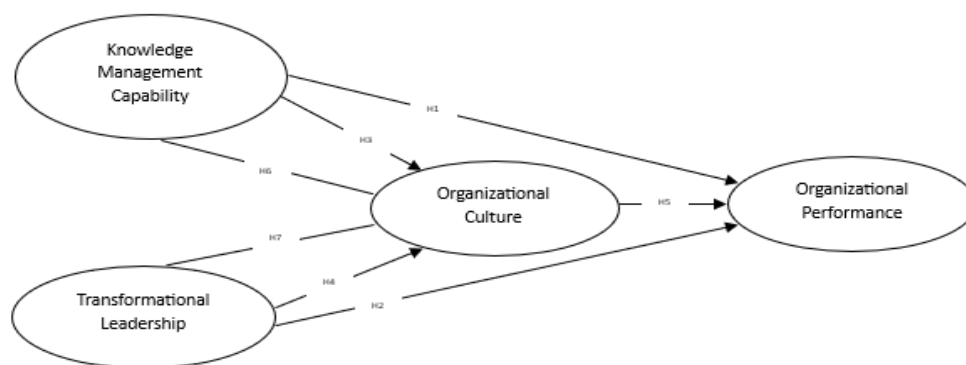
The Mediating Role of Organizational Culture in the Relationship between Transformational Leadership and Organizational Performance

Transformational leadership influences organizational performance not only directly but also indirectly through organizational culture. Empirical findings demonstrate that

transformational leadership significantly shapes employee performance, particularly in practical organizational settings (Farras et al., 2024). To maximize performance outcomes, organizations must cultivate a strong organizational culture that reinforces leadership values and behavioral expectations. Transformational leaders inspire employees and foster a positive work environment through empowerment, collaboration, and shared vision. These leadership behaviors align closely with cultural mechanisms that promote employee satisfaction and organizational commitment. Consequently, organizational culture serves as a critical mediating variable that translates transformational leadership into enhanced organizational performance (To & Job, 2023).

H7: Transformational leadership has an effect on organizational performance mediated by organizational culture

Figure 1. Research Model



METHODS

The research methodology used by this study utilizes one of the research instruments that is often referred to by researchers, namely questionnaires. The study population comprised employees of manufacturing companies to examine the relationships between variables and employee performance in such organizations. Each statement in the questionnaire uses a Likert Scale consisting of five options starting from the "Strongly Disagree" option marked with a number (1) to the "Strongly Agree" option marked with a number (5). Data processing uses Partial Least Square - Structural Equation Modeling (PLS - SEM) in order to test the validity and reliability between variables and indicators in the study. To determine the exact number of samples needed, refer to the Hair et al. formula (Rudi Iskandar, 2018): $N = (5-10) \times \text{the number of indicators used}$. The total number of question indicators is 18. The study employed convenience sampling. The statements in the questionnaire were adjusted with reference to each variable and then developed into several statements that were easy to understand, including:

Table 1 Number of Indicators

Variables	Indicators
Knowledge Management Capability	1. It is important to have operational knowledge and development research within the company you work for 2. It is important to share relevant knowledge among colleagues 3. It is important to share best and relevant managerial practices with each colleague

Transformational Leadership	1. Leaders influence employees' collaborative attitude at work 2. The leader you currently work for is open to employees' different points of view 3. The leader you currently work for highly values employees 4. The leader where you work always supports the decisions made by employees 5. The leader you work for gives you the freedom to express your opinion. 6. Leaders where you work always ensure employees grow with new skills and knowledge.
Organizational Culture	1. Certain types of leadership influence how the work culture is established 2. Organizational culture affects the running of the management process 3. Culture in the organization has a strong influence on employee productivity.
Organizational Performance	1. Achievement of certain performance becomes the company's benchmark in ensuring whether or not employees are fit to work 2. Employee performance is assessed through how employees can develop a product / service with the standards set by the company 3. The ability to work together in a team is the key to success in the organization. 4. Organizational culture affects the running of the management process. 5. Culture in the organization has a strong influence on employee productivity.

RESULTS

Table 2 Respondents Characteristics

Variables	Frequencies	Percentage
Gender		
Male / <i>Pria</i>	64	33.2%
Female / <i>Wanita</i>	129	66.8%
Age		
> 40 Year Old	3	1.6%
18 - 24 Years Old	105	54.4%

25 - 32 Years Old	72	37.3%
33 - 40 Years Old	13	6.7%
Salary Range		
< 3.000.000	5	2.6%
4.000.000 - 7.000.000	138	71.5%
8.000.000 - 10.000.000	36	18.7%
> 10.000.000	14	7.3%
Total	193	100%

Based on the data above, it is known that the majority of respondents who filled in were women with a frequency of 129 or 66.8% followed by men as many as 64 people or 33.2%. The age range owned by the majority of respondents ranged from 18 years - 24 years with a total of 1-5 respondents or 54.4% and the least > 40 years as many as 3 people or 1.6%. The majority of respondents have an income range of 4 million - 7 million rupiah with a total of 138 respondents or 71.5% and the least at < 3 million with a total of 5 respondents or 2.6%.

Common Methods (VIF)

Table 3 Common Methods (VIF)

	VIF
KMC1	1.547
KMC2	1.525
KMC3	1.497
OC1	1.412
OC2	1.503
OC3	1.364
OP1	1.649
OP2	1.516
OP3	1.492
TL1	1.639
TL2	1.980
TL3	1.663
TL4	1.652
TL5	1.661
TL6	1.838

Looking at the results obtained from data processing as stated in the table, it can be seen that all indicators on each variable in the study have a VIF value <5, meaning that the data used has been tested to escape multicollinearity symptoms.

Table 4. Outer Loading Test

	Knowledge Management Capability	Organizational Performance	Organizational Culture	Transformational Leadership
KMC1	0,816			
KMC2	0,825			
KMC3	0,818			
OC1			0,794	

OC2			0,789	
OC3			0,816	
OP1		0,855		

Based on the table above, it can be seen that all instruments used have met the outer loading test criteria by producing an outer loading value greater than 0.70.

AVE (Average Variance Extract)

Table 5. AVE (Average Variance Extract)

	Average Variance Extracted (AVE)
Knowledge Management Capability	0,672
Organizational Performance	0,677
Organizational Culture	0,640
Transformational Leadership	0,556

The table above shows the results of the AVE value above 0.5 so that the data used passes the convergent validity test.

Cross Loading

Table 6. Cross Loading

	Knowledge Management Capability	Organizational Performance	Organizational Culture	Transformational Leadership
KMC1	0.816	0.341	0.418	0.508
KMC2	0.825	0.377	0.439	0.500
KMC3	0.818	0.385	0.424	0.513
OC1	0.470	0.513	0.794	0.483
OC2	0.341	0.458	0.789	0.412
OC3	0.428	0.663	0.816	0.474
OP1	0.416	0.855	0.615	0.487
OP2	0.327	0.810	0.566	0.400
OP3	0.361	0.801	0.523	0.465
TL1	0.489	0.396	0.444	0.722
TL2	0.416	0.309	0.347	0.764
TL3	0.398	0.391	0.360	0.704
TL4	0.506	0.383	0.436	0.747
TL5	0.457	0.461	0.416	0.745
TL6	0.485	0.478	0.522	0.791
OP2	0.327	0.810	0.566	0.400

From the results of data processing stated in the table above, it can be seen that all indicators on each variable in this study have a cross loading of more than 0.7, meaning that the correlation of each variable is valid.

Fornel Lacker**Table 7. Fornel Lacker**

	Knowledge Management Capability	Organizational Performance	Organizational Culture	Transformational Leadership
Knowledge Management Capability	0.820			
Organizational Performance	0.449	0.823		
Organizational Culture	0.521	0.692	0.800	
Transformational Leadership	0.618	0.548	0.573	0.746

In the table above, it can be seen that all variables have a higher correlation value than the value of other variables.

Cronbach's Alpha & Composite Reliability**Table 8. Cronbach's Alpha & Composite Reliability**

	Cronbach's Alpha	Composite Reliability
Knowledge Management Capability	0.756	0.860
Organizational Performance	0.761	0.863
Organizational Culture	0.721	0.842
Transformational Leadership	0.841	0.883

Based on the table above, the results of composite reliability and cronbach's alpha are reliable with variable values above 0.70. This shows the consistency and stability of the instruments used in the study. So that all constructs or variables in this study already have good reliability along with the statements used in measuring each variable.

R-Square**Table 9. R-Square**

	R Square	R Square Adjusted
Organizational Performance	0.514	0.506
Organizational Culture	0.373	0.367

Based on the table above, it can be seen that the R-Square value of the OP variable is 0.514. The R-Square value of 0.514 indicates that the variability of Y that can be explained by the X1 and X2 variables is 51.4%, while the remaining 49.6% is explained by other variables outside the variables studied in this study. Others, the R-Square value obtained by the OC variable is 0.373. The R-Square value of 0.373 indicates that the variability of Z explained by variables X1 and X2 is 37.3% while the remaining 62.7% is explained by other variables outside the variables studied in this study.

Direct Effect**Table 10. Direct Effect**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	P Values
Knowledge Management Capability -	0.028	0.033	0.088	0.321	0.749
> Organizational Performance					
Knowledge Management Capability -	0.270	0.269	0.078	3.440	0.001
> Organizational Culture					
Organizational Culture -> Organizational Performance	0.556	0.548	0.084	6.623	0.000
Transformational Leadership -> Organizational Performance	0.212	0.219	0.094	2.271	0.024
Transformational Leadership -> Organizational Culture	0.406	0.415	0.073	5.548	0.000

The tabel above indicate that Knowledge Management Capability (KMC) does not have a statistically significant direct effect on Organizational Performance, as evidenced by a p-value of 0.794, which exceeds the 0.05 significance threshold. However, KMC is proven to have a significant positive effect on Organizational Culture, with a p-value of 0.001, indicating a strong relationship between knowledge management capability and the development of a supportive organizational culture. Furthermore, Organizational Culture is found to have a significant effect on Organizational Performance, as shown by a p-value of 0.000, confirming its critical role in enhancing organizational outcomes. The findings also demonstrate that Transformational Leadership significantly influences Organizational Performance, with a p-value of 0.024, suggesting that leadership practices oriented toward inspiration and empowerment contribute positively to performance. In addition, Transformational Leadership is proven to have a strong and significant effect on Organizational Culture, as indicated by a p-value of 0.000, highlighting the central role of transformational leaders in shaping cultural values and norms that support organizational effectiveness.

Indirect Effect**Table 11. Indirect Effect**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	P Values
Knowledge Management Capability -> Organizational Culture -> Organizational Performance	0.150	0.146	0.046	3.245	0.001
Transformational Leadership -> Organizational Culture -> Organizational Performance	0.226	0.227	0.054	4.219	0.000

DISCUSSION

The findings above provide several important insights into how these variables interact within the organizational context. First, the results indicate that Knowledge Management Capability does not have a significant direct effect on Organizational Performance ($\beta = -0.028$; $p > 0.05$). This finding contradicts several previous studies that reported a positive relationship between KMC and organizational performance. As stated, among other things, in the conclusions by Mahardika (2024), which found that the Influence of Knowledge Management in general has a positive contribution to Organizational Performance. The insignificant and negative coefficient suggests that in the manufacturing context examined, the existence of knowledge management practices alone is insufficient to improve performance outcomes. This condition may arise because knowledge is not optimally utilized in operational processes, or because employees perceive knowledge-sharing activities as administrative routines rather than as strategic tools. In addition, the dominance of young employees in the sample (aged 18–24 years) may imply limited experience in translating knowledge into measurable organizational performance. Another assumption is that the number of respondents in this study is insufficient to yield comprehensive findings.

However, Knowledge Management Capability has a significant positive effect on Organizational Culture ($\beta = 0.270$; $p < 0.01$). In line with research from Tang (2017), knowledge systems and learning orientation can shape a collaborative and innovative culture. This reinforces the argument that, although KMC has not had a direct impact on performance, it still plays a vital role in shaping values, norms, and work behavior patterns that support organizational effectiveness, provided the culture also supports similar innovations. This finding is consistent with the view that KMC shapes organizational values and norms that emphasize continuous improvement.

Furthermore, Organizational Culture has a strong positive effect on Organizational Performance ($\beta = 0.556$; $p < 0.001$). This supports the findings of Zhao (2018), which confirm that a well-promoted organizational culture is a strategic factor that determines the long-term success of a company. The consistency of these results indicates that a culture oriented toward cooperation, trust, and employee commitment is the primary foundation for increasing productivity in the manufacturing sector. A culture characterized by trust, teamwork, and shared values can enhance coordination, employee commitment, and productivity, ultimately improving organizational outcomes. This result reinforces the argument that culture functions as a strategic asset rather than merely a contextual variable.

Transformational Leadership also shows significant positive effects on Organizational Performance ($\beta = 0.212$; $p < 0.05$) and Organizational Culture ($\beta = 0.406$; $p < 0.001$). The results of this study are also consistent with those of Belhaj (2024) and Nugroho & Pudiastuti (2021), which found that transformational leadership has a positive effect on organizational performance and work culture. Transformational leadership has been proven to encourage employee engagement, strengthen shared values, and create a work environment conducive to higher performance. These indicate that leaders who demonstrate inspirational motivation, individualized consideration, and intellectual stimulation can directly improve performance while simultaneously shaping a positive organizational culture. Transformational leaders serve as role models who instill values, motivate employees, and create an environment that supports innovation and collaboration.

The mediation analysis further reveals that Organizational Culture significantly mediates the relationships between KMC and Organizational Performance ($\beta = 0.150$; $p < 0.01$) and between Transformational Leadership and Organizational Performance ($\beta = 0.226$; $p < 0.001$). These results suggest that KMC and Transformational Leadership Influence performance primarily through the cultural environment they create. In other words, knowledge management practices and leadership behaviors will not yield optimal performance unless they are embedded

in a supportive organizational culture. Overall, the findings emphasize that organizational culture plays a central role in translating intangible organizational resources, such as knowledge and leadership, into tangible performance outcomes. For manufacturing companies, this implies that investments in knowledge systems and leadership development should be accompanied by deliberate efforts to build and sustain a strong organizational culture.

CONCLUSION

Based on the findings of this study, it is concluded that multiple factors determine employees' organizational performance in the manufacturing industry. The findings also confirm that the unique knowledge management capability does not directly affect organizational performance; it has positive implications for performance only when mediated by the existing organizational culture. Transformational leadership, both directly and indirectly mediated by organizational culture, continues to have a positive effect on organizational performance. In this study, organizational culture mediates the relationships between knowledge management capability and transformational leadership, and between transformational leadership and organizational performance. These findings indicate that knowledge management capability and transformational leadership have positive effects on organizational performance indirectly, through organizational culture. A suggestion for further research is to develop indicators to measure these variables and to explore further the significance of the relationship between knowledge management capability and organizational performance, as these variables should be considered mediators. In addition, it is recommended to move from demographic aspects of sector variation to respondents' specific positions and to include a hypothesis of a direct relationship between transformational leadership and knowledge management, to provide a broader perspective and make the research more comprehensive.

LIMITATION

Despite the contributions of this study, several limitations should be acknowledged. First, this research employed a convenience sampling technique, which may limit the generalizability of the findings.

The sample may not fully represent the diversity of manufacturing employees in different regions, organizational sizes, or industrial sub-sectors. Second, the majority of respondents were in the 18–24 age group, indicating a dominance of young and relatively less experienced employees. This demographic characteristic may influence perceptions of knowledge management, leadership, and performance, and may not reflect the views of senior or managerial-level employees. Third, the study relied solely on self-reported questionnaire data, which may be subject to common method bias and social desirability bias. Although the VIF test indicated no serious multicollinearity issues, subjective assessments of performance and culture could still affect the accuracy of the results. Fourth, the cross-sectional design limits the ability to draw causal inferences.

The relationships identified in this study reflect conditions at a single point in time and do not capture dynamic changes in leadership practices, knowledge management implementation, or cultural development. Finally, the indicators used to measure Knowledge Management Capability and Organizational Performance were relatively limited in number. Future studies are encouraged to expand the measurement instruments, include additional variables such as technological readiness or organizational commitment, and apply longitudinal or mixed-method approaches to obtain a more comprehensive understanding of how these constructs influence organizational performance over time.

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