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From Organizational Culture to Service Excellence: The Role of Strategic Leadership, Local Culture, and Work Motivation in Shaping Hospital Employee Performance

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ABSTRACT

This study aims to empirically examine the influence of leadership style, organizational culture, and local culture on employee performance, both directly and indirectly through work motivation as a mediating variable in hospitals in Parepare, Indonesia. A quantitative approach was employed using a cross-sectional survey design. Data were collected through structured questionnaires distributed to 320 employees selected through proportional stratified random sampling from three hospitals (RSUD Andi Makkasau, RS Fatima, and RS dr. Hasri Ainun Habibie). Hypothesis testing was conducted using structural equation modeling (SEM) with AMOS software. The results indicate that leadership style and organizational culture have positive and significant effects on both motivation and employee performance, while local culture has a positive and significant effect on motivation but does not significantly influence employee performance directly. Furthermore, motivation has a positive and significant effect on employee performance. The findings further reveal that motivation fully mediates the relationships between leadership style, organizational culture, local culture, and employee performance, with all indirect effects being statistically significant. Notably, local culture influences employee performance only through the mediating mechanism of motivation. Overall, this study highlights the critical role of motivation as a psychological mechanism that translates organizational factors and cultural values into enhanced employee performance. These findings contribute to human resource management literature by integrating local cultural values into a comprehensive mediation model and provide practical insights for hospital management in developing leadership competencies, strengthening organizational culture, and leveraging local wisdom to foster employee motivation and sustainable performance in healthcare settings.

Keywords: Leadership Style, Organizational Culture, Local Culture, Work Motivation, Employee Performance, Hospital Management, Parepare
JEL Classifications: M31, C83, O33

1. INTRODUCTION

In the modern organizational era, the quality of human resources has become a key determinant of institutional success, particularly in public service sectors such as hospitals. Employee performance, as the frontline of service delivery, is not only influenced by technical competencies but also by various interrelated organizational factors. Hospitals, as complex and dynamic healthcare organizations, require optimal employee performance to ensure quality patient care, patient safety, and overall institutional reputation. In this context, leadership practices, organizational culture, and the influence of local cultural values embedded in employees' social lives become critical factors shaping employees' attitudes, behaviors, and ultimately their performance. Understanding how these factors interact to influence performance is essential for developing effective human resource management strategies in healthcare settings.

Leadership style has been widely recognized as a fundamental factor influencing employee behavior, motivation, and performance.

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Effective leaders are able to establish clear vision, provide strategic direction, build trust, and attend to the individual needs of their subordinates. Robbins and Coulter (2010) explain that leadership style encompasses how a leader provides direction, motivates subordinates, communicates effectively, makes decisions, and fosters collaborative relationships. Previous research has consistently demonstrated that appropriate leadership styles can positively influence employee performance (Nurliah et al., 2023; Bastari et al., 2020). However, other studies have reported non-significant relationships (Insani, 2020), suggesting that these relationships may vary across different organizational contexts, particularly in organizations with unique cultural characteristics and professional demands such as hospitals.

Organizational culture also plays a vital role in shaping how employees think, feel, and behave at work. According to Schein (2010), organizational culture represents a pattern of shared basic assumptions learned by a group as it solves problems of external adaptation and internal integration. Robbins (2007) further describes organizational culture as a system of shared meaning held by members that distinguishes one organization from others, encompassing characteristics such as innovation, attention to detail, results orientation, people orientation, team orientation, aggressiveness, and stability. A strong and supportive organizational culture provides employees with clarity regarding expectations and acceptable behavior, enabling them to align their efforts with organizational objectives. While organizational culture has been extensively studied, its interaction with leadership and local cultural values in shaping employee performance within healthcare organizations remains insufficiently explored.

In the context of Sulawesi Selatan, particularly in the Bugis-Makassar community, local cultural values remain deeply embedded in social life and potentially influence workplace attitudes and behaviors. According to Ismail (2011), local culture encompasses the values, norms, beliefs, customs, and practices that develop within specific communities and are transmitted across generations. Sahabuddin and Syawaluddin (2022) identify four core values of Bugis-Makassar local culture: Sipakatau (mutual humanization and respect regardless of social status), sipakainge' (mutual reminding to maintain moral and ethical standards), sipakalebbi (mutual respect, politeness, and maintaining harmony), and sipatokkong (mutual support, solidarity, and togetherness). These values, when properly accommodated within organizational systems, can potentially strengthen employee loyalty, integrity, solidarity, and performance. However, the integration of local cultural values into formal organizational practices in healthcare settings remains limited and under-researched.

Work motivation has long been recognized as a key psychological mechanism linking organizational practices and employee performance. According to Herzberg's (1959) two-factor theory, motivation is influenced by motivator factors such as achievement, recognition, the work itself, responsibility, and advancement, which can enhance job satisfaction and drive performance. Employees who are motivated tend to demonstrate higher commitment, greater initiative, and more productive work behaviors. Previous studies have examined motivation as a mediating variable, with some finding significant mediation effects (Bastari et al., 2020; Pariesti et al., 2022; Niken et al., 2022), while others reported non-significant mediation (Bahri, 2020; Djatmiko et al., 2023). These inconsistent findings suggest that the mediating role of motivation may vary depending on organizational context and the specific variables involved, highlighting the need for further investigation in integrated models.

Despite the extensive research on individual factors influencing employee performance, empirical evidence from the Indonesian healthcare sector, particularly in hospitals operating within strong local cultural contexts, remains limited. Table 1 presents the distribution of hospital employees in Parepare City, showing significant variation in workforce composition across three hospitals: RSUD Andi Makkasau (Type B hospital with 968 employees), RS Fatima Parepare (Type C hospital with 302 employees), and RS dr. Hasri Ainun Habibie (324 employees). This diversity reflects varying service scales, workloads, and operational complexities that potentially influence employee performance through leadership, organizational culture, and local cultural values operating within each work environment.

Furthermore, empirical evidence from various sources, as summarized in Table 2, indicates that hospital services in Parepare have not yet achieved optimal performance levels. Internal surveys at RSUD Andi Makkasau reported public satisfaction levels around 80%, suggesting room for service quality improvement. Public consultation forums, local parliamentary attention, and unannounced inspections by the Mayor of Parepare have revealed community complaints regarding service quality and healthcare provider attitudes. Previous research at both RSUD Andi Makkasau and RS Fatima has demonstrated significant relationships between service quality and patient satisfaction and trust. Qualitative research has also identified perceptual gaps between patients and healthcare providers regarding service comfort and friendliness. These findings suggest that hospital service problems in Parepare are not merely technical but are closely related to managerial aspects and human resource behaviors, including leadership effectiveness, organizational culture strength, and employee motivation.

Based on the background and identified problems, this study aims to empirically examine the influence of leadership style, organizational culture, and local culture on employee performance in hospitals in Parepare, both directly and indirectly through work motivation as a mediating variable. By applying structural equation modeling (SEM) to data collected from 320 hospital employees, this study seeks to offer a more nuanced understanding of how organizational and cultural factors jointly shape employee performance in healthcare settings characterized by strong local cultural values.

This research contributes to the literature in several significant ways. Theoretically, it integrates leadership, organizational culture, and local culture within a unified mediation model, enriching the discussion on employee performance from a behavioral and cultural perspective. The inclusion of Bugis-Makassar local

Table 1: Distribution of hospital employees in Parepare city

Hospital	Total employees	Notes	Source
RSUD Andi Makkasau (Type B, BLUD)	968	General practitioners (35), dentists (10), specialists (100), pharmacists (13), assistant pharmacists (32), nursing staff (350), midwives (45), support and non-medical staff (282), others (101)	Primary data
RS Fatima Parepare (Type C, social organization)	302	General practitioners (11), specialists (20), pharmacists (4), assistant pharmacists (10), nurses (121), midwives (14), nurse specialists (3), support and non-medical staff (95), others (24)	Primary data
RS dr. Hasri Ainun Habibie	324	General practitioners (12), specialists (19), nurses (133), midwives (15), pharmacists (4), support and non-medical staff (94), others (41)	Primary data

Source: Processed primary data, 2025

Table 2: Summary of empirical findings related to hospital services in Parepare City

No.	Data source	Key findings	Relevance to study
1.	RSUD Andi Makkasau Internal Survey	Public satisfaction with hospital services reported at approximately 80%	Indicates room for performance improvement
2.	RSUD Andi Makkasau Public Consultation Forum	Various criticisms and public inputs regarding service quality and staff attitudes	Reveals gap between patient expectations and actual service practices
3.	Parepare City Regional Parliament	Highlighted unprofessional parking system affecting patient and family comfort	Reflects operational management and service quality issues
4.	Parepare City Government (Mayor's Inspection)	Unannounced inspections conducted to directly evaluate service quality	Shows service quality is a serious concern for policymakers
5.	Research at RS Fatima Parepare	Service quality and hospital image significantly influence in-patient satisfaction	Reinforces relevance of performance and service behavior variables
6.	Research at RSUD Andi Makkasau	Service quality significantly influences inpatient satisfaction and trust	Demonstrates close relationship between service quality and employee performance
7.	Qualitative Research at RSUD Andi Makkasau	Perceptual differences found between patients and healthcare providers regarding service comfort and friendliness	Indicates need for strengthening organizational culture, local culture, and employee motivation

Source: Internal surveys, government reports, and previous research

cultural values (sipakatau, sipakainge', sipakalebbi, sipatokkong) extends existing human resource management frameworks by incorporating indigenous cultural dimensions often overlooked in mainstream organizational research. Empirically, it provides evidence from an underrepresented context—Indonesian regional hospitals operating within strong local cultural environments. Practically, the findings offer insights for hospital management in developing leadership approaches, strengthening organizational culture, and integrating local cultural values into human resource policies and practices to enhance employee motivation and achieve sustainable performance improvements in healthcare delivery.

2. LITERATURE REVIEW

2.1. Leadership Style

Leadership style has been extensively discussed in organizational behavior literature as a critical factor influencing employee attitudes, behaviors, and performance. Burns (1978) conceptualized leadership as a process where leaders induce followers to act toward certain goals that represent the values and motivations of both leaders and followers. Bass (1985) extended this understanding by emphasizing that effective leaders enhance subordinate motivation, morale, and performance through inspirational vision, positive influence, and attention to individual needs. Robbins and Coulter (2010) further operationalized leadership style through five key behavioral indicators: the ability to provide clear direction, motivate subordinates, communicate effectively, make appropriate decisions, and foster collaborative relationships. These perspectives collectively suggest that leadership style fundamentally shapes how employees perceive their work and respond to organizational expectations.

Empirical studies have consistently demonstrated that leadership style significantly influences employee performance. Judge and Piccolo (2004) conducted a meta-analytic review demonstrating that transformational leadership is more strongly associated with performance outcomes than transactional leadership. Nurliah et al. (2023) found that leadership style positively and significantly affects employee performance at the Regional Development Planning Agency of Gowa Regency, with leadership emerging as the dominant factor. Bastari et al. (2020) reported similar findings in a state-owned enterprise context, showing that transformational leadership positively influences job performance. However, other studies have reported inconsistent findings. Insani (2020) found that transformational leadership style did not significantly influence employee performance at PT TASPEN Bandung. These contradictory findings suggest that the relationship between leadership style and performance may vary across organizational contexts, highlighting the need for further investigation in different settings such as healthcare organizations.

Beyond direct effects on performance, leadership style has been shown to influence employee motivation. Khan et al. (2020) demonstrated that transformational leadership positively relates to intrinsic motivation, which subsequently enhances work performance. Bastari et al. (2020) confirmed that transformational leadership significantly affects job motivation, which in turn

influences performance. Pariesti et al. (2022) found that transformational leadership positively and significantly affects employee motivation at the Inspectorate Office of Katingan Regency. However, Nurhuda et al. (2020) reported contrasting findings in a hospital setting, where transformational leadership did not significantly affect motivation. In the Indonesian context, particularly within healthcare organizations, understanding how leadership style influences both motivation and performance remains crucial for developing effective human resource management strategies.

2.2. Organizational Culture

Organizational culture refers to the shared values, beliefs, and norms that guide behavior within an organization. Schein (2010) provided a foundational framework, conceptualizing organizational culture at three levels: artifacts (visible structures and processes), espoused values (strategies, goals, and philosophies), and basic underlying assumptions (unconscious, taken-for-granted beliefs). Robbins (2007) identified seven primary characteristics of organizational culture: innovation and risk-taking, attention to detail, results orientation, people orientation, team orientation, aggressiveness, and stability. Hofstede (1991) further emphasized that national culture influences organizational culture, with dimensions such as individualism-collectivism and power distance shaping how organizations operate and interact. These theoretical perspectives establish organizational culture as a fundamental force shaping employee behavior and organizational effectiveness.

Empirical research has consistently demonstrated the significant impact of organizational culture on employee performance. Denison (1990) found that organizational culture influences four key dimensions directly related to performance: Employee involvement, consistency, adaptability, and mission. Nurliah et al. (2023) reported that organizational culture positively and significantly affects employee performance at BAPPEDA Gowa Regency. Djatmiko et al. (2023) similarly found that organizational culture positively and significantly influences civil servant performance at the Regional Revenue Agency of Malang Regency. However, inconsistent findings have also been reported. Mewahaini and Sidharta (2022) found that organizational culture did not significantly affect employee performance at Mayangkara Group, while Anggraini et al. (2020) reported that organizational culture had no significant effect on either motivation or performance at PT Rama Emerald Multi Sukses. These contradictory findings suggest that the influence of organizational culture on performance may be context-dependent and potentially mediated by other variables such as motivation.

The relationship between organizational culture and employee motivation has also received substantial empirical attention. Djatmiko et al. (2023) demonstrated that organizational culture positively and significantly affects work motivation. Niken et al. (2022) found similar results, showing that organizational culture positively influences motivation at the Education and Culture Office of Pesisir Selatan Regency. However, Anggraini et al. (2020) reported contrasting findings, indicating that organizational culture did not significantly influence work motivation. These inconsistencies suggest that the role of organizational culture in fostering motivation may depend on specific organizational characteristics, cultural contexts, and the presence of other facilitating factors, warranting further investigation in diverse settings.

2.3. Local Culture

Local culture encompasses the values, norms, beliefs, customs, and practices that develop and thrive within specific communities and are transmitted across generations as part of collective identity. Koentjaraningrat (2009) defined culture as the entire system of ideas and actions shared by a community, functioning as a guide for living. In organizational contexts, local culture often enters the workplace through employee attitudes, behaviors, and work ethics derived from their community backgrounds. Ismail (2011) emphasized that local culture has distinct characteristics, including deep internalization within individual identity, determination of thinking and action patterns, and significant influence on social relationships. These perspectives suggest that local cultural values fundamentally shape how individuals perceive their work roles and interact with colleagues in organizational settings.

In the context of Sulawesi Selatan, Bugis-Makassar local culture is characterized by four core values that potentially influence workplace behavior. Sahabuddin and Syawaluddin (2022) identified these values as sipakatau (mutual humanization treating others with respect regardless of social status), sipakainge' (mutual reminding maintaining moral and ethical standards through constructive social control), sipakalebbi (mutual respect emphasizing politeness, respect, and maintaining harmony), and sipatokkong (mutual support solidarity, cooperation, and togetherness in facing challenges). These values, deeply embedded in the social fabric of Bugis-Makassar communities, potentially influence workplace relationships, communication patterns, and collaborative behaviors. When properly integrated into organizational systems, these cultural values may serve as foundations for ethical work behavior, social cohesion, and collective commitment to organizational goals.

Empirical studies examining the influence of local culture on employee outcomes remain limited but suggestive. Nuraida and Suhartini (2025) found that local cultural values positively and significantly influence employee performance at PT Mega Indah Sari in Gowa Regency, with leadership mediating this relationship. Abdillah (2023) reported that local culture significantly influences work motivation among IndiHome managers at PT Telkom Indonesia Parepare Branch. However, both studies focused on direct effects without examining motivational mechanisms that might explain how cultural values translate into performance outcomes. Notably, no previous studies have explicitly tested the mediating role of motivation in the relationship between local culture and employee performance, particularly in healthcare settings where professional standards and local values may interact in complex ways. This gap in the literature provides a significant opportunity for the current investigation.

2.4. Employee Perfomance

Employee performance represents the outcomes achieved by individuals in fulfilling their tasks and responsibilities within

organizations. Mangkunegara (2005) defined performance as the result of work in terms of quality and quantity achieved by an employee in performing tasks according to assigned responsibilities, emphasizing that performance measurement should be based on clear and objective standards. Robbins and Judge (2017) conceptualized performance as the extent to which employees achieve goals established by organizations, reflecting the manifestation of ability, effort, and motivation in work outputs. Performance is not merely viewed as work results but also as a reflection of employee attitudes, motivation, and work behaviors within organizational contexts. In public service organizations such as hospitals, employee performance directly determines service quality, patient satisfaction, patient safety, and overall institutional reputation.

Mangkunegara (2005) identified six key indicators for measuring employee performance: Work quality (the degree of conformity between work results and established standards), work quantity (the amount of work completed within a specific period), timeliness (how quickly and accurately employees complete tasks according to schedules), effectiveness (how well employees utilize resources to accomplish work), work independence (the ability to complete tasks without excessive supervision), and initiative (the ability to take proactive actions in completing work or solving problems). These indicators provide a comprehensive framework for assessing performance across various organizational contexts. Factors influencing employee performance include leadership style, organizational culture, work motivation, competency, discipline, compensation, and work environment (Robbins and Judge, 2017; Mathis and Jackson, 2011; Cameron and Quinn, 2006).

In healthcare organizational contexts, employee performance is particularly critical for ensuring patient safety and service quality. Chen and Chiu (2006) demonstrated that high-performing healthcare workers correlate positively with patient satisfaction, as they tend to provide better service, communicate effectively with patients, and collaborate more productively with colleagues. Bowers et al. (2000) emphasized that adequate facilities and resources also influence performance, with modern medical equipment and sufficient training enabling healthcare workers to perform tasks more effectively. In Indonesian regional hospitals, understanding how leadership style, organizational culture, and local cultural values contribute to employee performance is essential for developing contextually appropriate strategies to enhance healthcare service quality and meet community expectations.

3. METHODOLOGY

3.1. Research Design

This study employed a quantitative research approach using a survey method to examine the relationships among leadership style, organizational culture, local culture, work motivation, and employee performance. The research adopted a cross-sectional design, in which data were collected at a single point in time through structured questionnaires. This study combines both descriptive and explanatory research approaches. The descriptive approach was used to characterize the research variables and respondent profiles through tables, figures, and statistical descriptions of the processed data. The explanatory approach was employed to explain the causal relationships between independent variables (leadership style, organizational culture, local culture) and the dependent variable (employee performance), both directly and indirectly through motivation as a mediating variable.

3.2. Population and Sample

The population of this study consisted of all employees working in hospitals in Parepare City, South Sulawesi, Indonesia. Based on primary data processed in 2025, the total population comprised 1,594 employees distributed across three hospitals: RSUD Andi Makkasau (Type B hospital with 968 employees), RS Fatima Parepare (Type C hospital with 302 employees), and RS dr. Hasri Ainun Habibie (324 employees).

3.3. Data Analysis

Data analysis was conducted using structural equation modeling (SEM) with AMOS version 26 software. SEM was selected due to its ability to simultaneously test multiple relationships among latent variables and to assess both direct and indirect effects within an integrated model. The analysis followed several stages. First, prerequisite assumption testing was conducted, including sample size adequacy (minimum 100-200 for Maximum Likelihood estimation), multivariate outlier detection using Mahalanobis distance (with Chi-square at df = 31 and $P < 0.001$ threshold), normality testing using critical ratio skewness and kurtosis values (within ±2.58 range), and multicollinearity assessment (correlations among exogenous variables <0.9). Second, confirmatory factor analysis (CFA) was performed to validate the measurement models for each latent construct, ensuring that indicators adequately represented their respective constructs. Third, the full structural model was estimated and evaluated for goodness-of-fit.

Model fit was evaluated using commonly accepted goodness-of-fit indices with their recommended cut-off values, as summarized in Table 3. Following Hair et al. (1995) and Ferdinand (2002), a model is considered acceptable when multiple fit indices meet the recommended thresholds, particularly Chi-square probability (>0.05), RMSEA (<0.08), GFI (>0.90), AGFI (>0.90), CMIN/DF (<2.0), TLI (>0.95), and CFI (>0.95). Hypothesis testing was performed based on standardized path coefficients, Critical Ratio (C.R.) values (>1.96 indicating significance at $\alpha = 0.05$), and P-values (<0.05 indicating statistical significance). Mediation effects were assessed by comparing direct and indirect effects, with the Sobel test used to determine the statistical significance of mediation.

Table 3: Goodness of fit indices for structural model

Goodness of fit index	Cut-off value	Model value	Model fit
Chi-square	Expected small	454.609	Fit
Significance probability	≥0.05	0.105	Fit
RMSEA	≤0.08	0.017	Fit
GFI	≥0.90	0.917	Fit
AGFI	≥0.90	0.901	Fit
CMIN/DF	≤2.00	1.088	Fit
TLI	≥0.90	0.995	Fit
CFI	≥0.90	0.995	Fit

Source: Primary data processed, 2026

4. RESULTS AND DISCUSSION

4.1. Structural Equation Model Fit

The structural equation model was evaluated using structural equation modeling (SEM) with AMOS version 26 software to assess the adequacy of the proposed theoretical framework. The analysis followed a two-step approach, beginning with confirmatory factor analysis (CFA) to validate the measurement models for each latent construct, followed by estimation of the full structural model to test the hypothesized relationships among leadership style, organizational culture, local culture, work motivation, and employee performance. The CFA results confirmed that all measurement models achieved acceptable fit after necessary modifications, with all indicators demonstrating significant factor loadings above the recommended threshold of 0.50. Model fit was evaluated using multiple goodness-of-fit indices as recommended by Hair et al. (1995) and Ferdinand (2002), including the Chi-square statistic, probability value, RMSEA, GFI, AGFI, CMIN/DF, TLI, and CFI. Prior to model estimation, all prerequisite assumptions for SEM were satisfied, including adequate sample size (n = 320), absence of multivariate outliers based on Mahalanobis distance analysis, multivariate normality with critical ratio values within acceptable ranges, and no multicollinearity among exogenous variables as indicated by correlation coefficients below 0.90.

Figure 1 presents the full structural equation model with standardized path coefficients. The model was estimated after incorporating modification indices to improve model fit, resulting in connections among error terms based on theoretical considerations and statistical recommendations. The final model demonstrates the complex relationships among the latent constructs, with leadership style, organizational culture, and local culture specified as exogenous variables influencing work motivation (mediating variable) and employee performance (endogenous variable), while motivation also directly affects performance. The modification indices suggested several theoretically justifiable connections among error terms that improved the overall model fit without substantially altering the structural relationships.

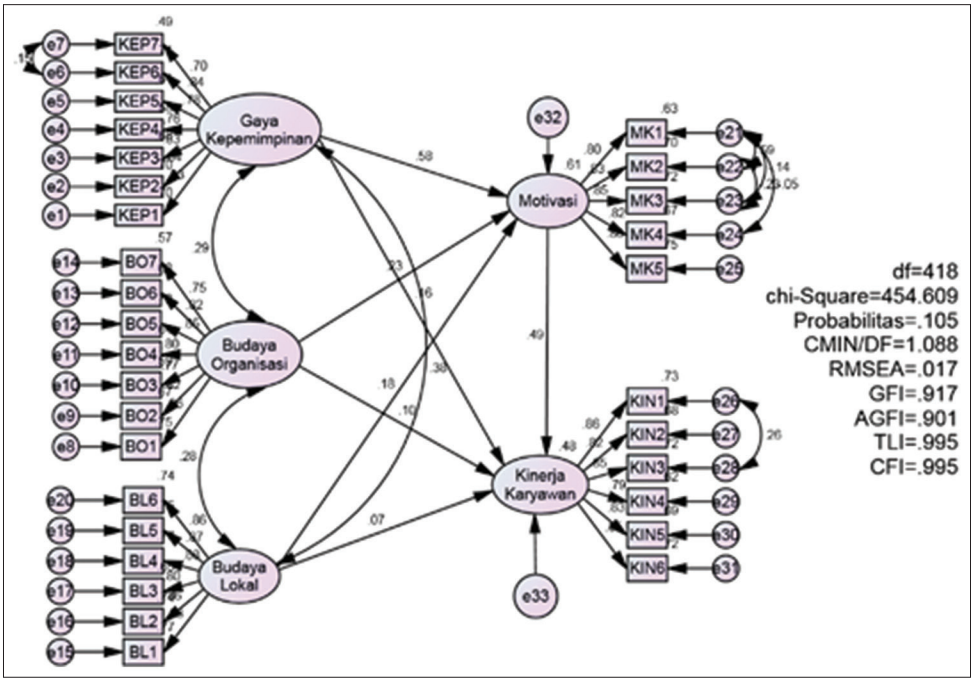
The overall goodness-of-fit indices indicate that the structural model demonstrates an acceptable fit to the empirical data, suggesting consistency between the hypothesized theoretical model and the observed relationships among constructs. As presented in Table 3, all key goodness-of-fit indicators meet or exceed the recommended threshold values, confirming the suitability of the model for hypothesis testing.

The Chi-square value of 454.609 with 418° of freedom (P = 0.105) indicates a non-significant Chi-square statistic, which is desirable as it suggests no significant discrepancy between the predicted and observed covariance matrices. The RMSEA value of 0.017 falls well below the maximum threshold of 0.08, indicating excellent fit. The GFI (0.917) and AGFI (0.901) both exceed the recommended 0.90 level, demonstrating good absolute fit. The CMIN/DF ratio of 1.088 is below the conservative threshold of 2.0, indicating parsimonious fit. The incremental fit indices, TLI (0.995) and CFI (0.995), approach the ideal value of 1.0, confirming excellent comparative fit. Based on these results, the structural model is deemed acceptable for interpreting the hypothesized relationships.

4.2. Hypothesis Testing Results

Hypothesis testing was conducted to examine the structural relationships among the study variables. The significance of each hypothesized path was evaluated using Critical Ratio (C.R.) values and P-values, with C.R. >1.96 and P < 0.05 indicating statistical significance at the 95% confidence level. Based on the results presented in Tables 4 and 5 (pages 214-219), of the ten

Figure 1: Structural equation model



hypotheses proposed, nine were supported and one was rejected. Specifically, all direct effect hypotheses except H_3 were supported, and all mediation hypotheses (H_8, H_9, H_{10}) were supported. Table 4 presents the results of hypothesis testing for direct effects, including standardized path coefficients (estimates), standard errors (S.E.), critical ratios (C.R.), and P-values for H_1 through H_7.

The results indicate that leadership style has a positive and significant effect on employee performance (β = 0.164, C.R. = 2.160, P = 0.031), supporting H_1. Organizational culture also shows a positive and significant effect on employee performance (β = 0.100, C.R. = 1.976, P = 0.048), supporting H_2. However, local culture does not have a significant direct effect on employee performance (β = 0.065, C.R. = 1.280, P = 0.201), thus H_3 is not supported. Regarding effects on the mediating variable, leadership style has a strong positive and significant effect on motivation (β = 0.517, C.R. = 10.297, P = 0.000), supporting H_4. Organizational culture also positively and significantly affects motivation (β = 0.189, C.R. = 5.070, P = 0.000), supporting H_5. Local culture demonstrates a positive and significant effect on motivation (β = 0.150, C.R. = 3.961, P = 0.000), supporting H_6. Furthermore, motivation has a strong positive and significant effect on employee performance (β = 0.579, C.R. = 5.673, P = 0.000), supporting H_7.

The mediation analysis results presented in Tables 5 and 6 reveal important insights regarding the indirect effects through motivation. For H_8, the indirect effect of leadership style on employee performance through motivation is 0.284, which is substantially larger than its direct effect of 0.155, indicating full mediation. The Sobel test confirmed the statistical significance of this mediation effect (P < 0.001). For H_9, the indirect effect of organizational culture on performance through motivation (0.114) exceeds its direct effect (0.104), suggesting full mediation, with the Sobel test confirming significance (P < 0.001). Most notably for H_{10}, although local culture does not have a significant direct effect on performance (0.067, P > 0.05), its indirect effect through motivation (0.090) is positive and statistically significant based on the Sobel test (P = 0.001). This indicates full mediation, meaning that local culture influences employee performance only through the mediating mechanism of work motivation. These results confirm that motivation serves as a full mediator for all three independent variables, playing a crucial psychological role in translating organizational and cultural factors into enhanced employee performance.

The findings of this study provide empirical evidence regarding the relationships among leadership style, organizational culture, local culture, work motivation, and employee performance in hospital settings. The discussion integrates these findings with previous research and provides theoretical explanations for the observed relationships.

Regarding the effect of leadership style on employee performance (H_1), the results demonstrate a positive and significant relationship, consistent with previous studies by Nurliah et al. (2023) and Bastari et al. (2020), who found that leadership style significantly influences employee performance. This finding supports the theoretical argument that effective leaders who provide clear direction, motivate subordinates, communicate effectively, make appropriate decisions, and foster collaborative relationships create conditions that enable employees to perform at higher levels. In the hospital context, where tasks are complex and require coordination among diverse professional groups, effective leadership becomes particularly crucial for guiding employees through challenges and maintaining performance standards. However, this finding contrasts with Insani (2020), who reported that transformational leadership did not significantly affect employee performance. The discrepancy may be attributed to contextual differences, as the current study was conducted in healthcare organizations

Table 4: Hypothesis testing results for direct effects

Hypothesis	Path	Estimate	S.E.	C.R.	P-value	Result
H_1	Leadership style→Employee performance	0.164	0.076	2.160	0.031	Supported
H_2	Organizational culture→Employee performance	0.100	0.051	1.976	0.048	Supported
H_3	Local culture→Employee performance	0.065	0.051	1.280	0.201	Not Supported
H_4	Leadership style→Motivation	0.517	0.050	10.297	0.000	Supported
H_5	Organizational culture→Motivation	0.189	0.037	5.070	0.000	Supported
H_6	Local culture→Motivation	0.150	0.038	3.961	0.000	Supported
H_7	Motivation→Employee performance	0.579	0.102	5.673	0.000	Supported

Source: Primary data processed, 2026

Table 5: Standardized direct effects

Variable	Local culture	Organizational culture	Leadership style	Motivation	Employee performance
Motivation	0.184	0.233	0.583	0.000	0.000
Employee performance	0.067	0.104	0.155	0.487	0.000

Source: Primary data processed, 2026

Table 6: Standardized indirect effects

Variable	Local culture	Organizational culture	Leadership style	Motivation	Employee performance
Motivation	0.000	0.000	0.000	0.000	0.000
Employee performance	0.090	0.114	0.284	0.000	0.000

Source: Primary data processed, 2026

with strong professional hierarchies and service-oriented missions, where leadership may have more pronounced effects on performance.

The positive and significant effect of organizational culture on employee performance (H_2) aligns with findings from Nurliah et al. (2023) and Djatmiko et al. (2023), who demonstrated that organizational culture significantly influences employee outcomes. This result supports Denison's (1990) theoretical framework, which posits that organizational culture affects performance through employee involvement, consistency, adaptability, and mission clarity. In hospital settings, a strong organizational culture characterized by shared values, attention to detail, results orientation, and team collaboration provides employees with clear behavioral guidelines and performance expectations, enabling them to align their efforts with organizational objectives. However, this finding contrasts with studies by Mewahaini and Sidharta (2022) and Anggraini et al. (2020), who found non-significant effects of organizational culture on performance. These inconsistencies may reflect differences in organizational contexts, measurement approaches, or the presence of mediating variables that were not considered in previous studies.

The non-significant direct effect of local culture on employee performance (H_3) represents one of the most important findings of this study. While local cultural values such as sipakatau, sipakainge', sipakalebbi, and sipatokkong are deeply embedded in the social lives of Bugis-Makassar employees, they do not directly translate into measurable performance outcomes in the hospital context. This finding contrasts with studies by Nuraida and Suhartini (2025) and Abdillah (2023), who found significant direct effects of local culture on employee outcomes in different organizational settings. The discrepancy may be explained by the nature of hospital work, which is governed by professional standards, standardized operating procedures, and formal performance indicators that may not directly accommodate local cultural expressions. As Ismail (2011) suggests, local culture primarily functions as a value system that shapes attitudes, social behaviors, and work ethics rather than serving as a direct instrument for achieving formal performance targets. In modern organizations like hospitals, where performance is measured through standardized indicators such as compliance with procedures, service speed, medical accuracy, and target achievement, the influence of local cultural values tends to operate indirectly through psychological mechanisms rather than directly affecting output measures.

The strong positive effect of leadership style on work motivation (H_4) is consistent with findings from Pariesti et al. (2022) and Bastari et al. (2020), who demonstrated that leadership significantly influences employee motivation. Leaders who provide inspiration, recognition, and individualized support create positive psychological work environments that enhance employees' intrinsic motivation. The relatively large coefficient ($\beta = 0.517$) indicates that leadership style is a particularly important predictor of motivation in hospital settings, where employees face high work demands and emotional challenges. This finding aligns with Herzberg's (1959) Two-Factor Theory, which emphasizes that motivator factors such as recognition and responsibility can be activated through supportive leadership practices. However, it contrasts with Nurhuda et al. (2020), who found non-significant effects of leadership on motivation in a hospital setting, suggesting that the effectiveness of leadership in enhancing motivation may depend on specific leadership behaviors and contextual factors.

The positive and significant effect of organizational culture on work motivation (H_5) supports findings from Djatmiko et al. (2023) and Niken et al. (2022), who reported that organizational culture significantly influences employee motivation. A supportive organizational culture characterized by trust, cooperation, and shared values enhances employees' sense of belonging and psychological safety, which in turn fosters intrinsic motivation. When organizational values align with employee needs and aspirations, motivation increases. However, this finding contrasts with Anggraini et al. (2020), who found non-significant effects of organizational culture on motivation. The inconsistency may reflect differences in organizational culture strength or the specific cultural dimensions measured. In the current study, the hospital organizational culture appears to provide sufficient clarity and support to enhance employee motivation.

The positive and significant effect of local culture on work motivation (H_6) aligns with Abdillah (2023), who demonstrated that local cultural values significantly influence work motivation. This finding reveals that Bugis-Makassar cultural values, particularly those emphasizing mutual respect, mutual reminding, mutual appreciation, and mutual support, serve as important sources of intrinsic motivation for employees. These values connect work to broader social meanings, community expectations, and collective identities, fostering a sense of obligation and commitment that translates into increased work motivation. The result supports the theoretical argument that local culture works primarily through psychological mechanisms, enhancing motivation by strengthening employees' sense of purpose, social responsibility, and connection to their work community.

The strong positive effect of work motivation on employee performance (H_7) is consistent with extensive previous research, including Bastari et al. (2020) and Niken et al. (2022), confirming that motivated employees demonstrate higher levels of effort, persistence, and commitment, resulting in enhanced performance outcomes. The large coefficient ($\beta = 0.579$) indicates that motivation is the strongest direct predictor of performance in this study, underscoring its central role in the performance formation process. This finding aligns with Herzberg's (1959) two-factor theory and Vroom's (1964) expectancy theory, which posit that motivation drives individuals to exert effort and persist in goal-directed behaviors.

The mediation findings (H_8, H_9, H_{10}) reveal that work motivation serves as a full mediator for all three independent variables. The indirect effects of leadership style (0.284), organizational culture (0.114), and local culture (0.090) on employee performance through motivation are all statistically significant, and in each case, the indirect effect exceeds the direct effect, indicating full mediation. These results support studies by Bastari et al. (2020)

and Niken et al. (2022), who found significant mediation effects of motivation, while contrasting with Bahri (2020) and Djatmiko et al. (2023), who reported non-significant mediation. Most notably, the full mediation of local culture through motivation explains why the direct effect of local culture on performance was non-significant. Local cultural values enhance performance not directly but by first strengthening employees' intrinsic motivation, which then translates into improved performance outcomes. This finding reveals the psychological mechanism through which deeply held cultural values influence work behaviors in organizational settings.

The integrated findings of this study highlight the central role of work motivation as the key psychological mechanism that translates organizational factors (leadership style and organizational culture) and cultural values (local culture) into enhanced employee performance. Leadership style emerges as the strongest predictor of motivation, followed by organizational culture and local culture, suggesting that effective leadership is particularly important for activating employee motivation in hospital settings. Organizational culture provides the contextual support that reinforces motivation, while local culture contributes by connecting work to broader social meanings and community values. The full mediation model demonstrates that these factors influence performance primarily through their effects on motivation, underscoring the importance of understanding and managing the motivational processes that drive employee behavior. For hospital management, these findings suggest that efforts to improve employee performance should prioritize strategies that enhance work motivation through leadership development, organizational culture strengthening, and integration of local cultural values into human resource practices.

5. CONCLUSION

This study aimed to empirically examine the influence of leadership style, organizational culture, and local culture on employee performance, with work motivation serving as a mediating variable in hospitals in Parepare City, South Sulawesi, Indonesia. Using a quantitative approach with structural equation modeling (SEM) analyzed through AMOS software, data were collected from 320 hospital employees across three hospitals: RSUD Andi Makkasau, RS Fatima Parepare, and RS dr. Hasri Ainun Habibie. The study sought to test both direct and indirect relationships among the variables, providing a comprehensive understanding of how organizational and cultural factors jointly contribute to employee performance in healthcare settings characterized by strong local cultural values.

The findings reveal that leadership style and organizational culture have positive and significant direct effects on employee performance, confirming their importance as key organizational factors influencing work outcomes. However, local culture does not have a significant direct effect on employee performance, indicating that the deeply embedded Bugis-Makassar cultural values do not directly translate into measurable performance outcomes in the hospital context. Furthermore, all three independent variables—leadership style, organizational culture, and local culture—demonstrate positive and significant effects on work motivation, with leadership style emerging as the strongest predictor. Additionally, work motivation has a strong positive and significant effect on employee performance, confirming its central role in the performance formation process.

Regarding mediation effects, the results demonstrate that work motivation significantly mediates the relationships between all three independent variables and employee performance. Notably, motivation serves as a full mediator for each relationship, with indirect effects exceeding direct effects in all cases. The most critical finding is that local culture influences employee performance only through the mediating mechanism of work motivation; its effect is entirely indirect, explaining why the direct path was non-significant. These findings confirm that motivation serves as the crucial psychological mechanism through which leadership practices, organizational values, and local cultural norms translate into enhanced employee performance.

Overall, this study highlights the importance of adopting an integrated approach to human resource management in healthcare organizations, one that simultaneously considers managerial factors (leadership style), organizational values (organizational culture), and social context (local culture), with work motivation as the key psychological mechanism linking these factors to performance outcomes. The findings underscore that efforts to improve employee performance must prioritize strategies that enhance motivation through effective leadership, strong organizational culture, and meaningful integration of local cultural values.

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