



THE IMPACT OF ORGANIZATIONAL CULTURE AND EMPLOYEE ENGAGEMENT ON EMPLOYEE PERFORMANCE IN BALI'S HOSPITALITY INDUSTRY

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Abstract

This study aims to examine the relationship between organizational culture, employee engagement, and employee performance, and explore the mediating role of employee engagement in the relationship between organizational culture and employee performance. The study's main instrument for collecting information was a questionnaire, and a sample of Bali hotel staff members was chosen via simple random sampling. Data were analyzed using first-order path analysis with structural equation modelling (SEM) in SmartPLS software. The findings showed that employee engagement and performance are significantly improved by company culture; employee performance is dramatically enhanced by employee engagement. Furthermore, employee performance and company culture are mediated in a complementary way by employee engagement. Organizational culture greatly improves employee engagement, thus positively impacting employee performance. By offering fresh perspectives on the connections among corporate culture, employee engagement, and employee performance, this study advances the Social Exchange Theory (SET). The findings support the SET principles by showing how organizational culture affects employee engagement and performance in the hotel sector.

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INTRODUCTION

Bali, one of Indonesia's most popular tourist destinations, is renowned for its natural beauty and the quick growth of its hotel infrastructure. To be competitive in the increasingly cutthroat hospitality sector, top hotels must maximize their human resources (HR) management. (Arya et al., 2024). The success of the hospitality business is strongly influenced by customer loyalty, which is formed through service quality that can create positive perceptions and attachment to the brand or company. (Ruqaishi & Rais, 2023). Tourist arrivals, hotel occupancy levels, and Gross Regional Domestic Product (GRDP) contribute positively and significantly to the increase in local government revenue (PAD) across regencies and cities within Bali Province. (Ariani & Utama, 2024) One of the main challenges hotels face is maintaining and improving employee performance, which plays a direct role in the company's sustainability. (Siswanto et al., 2021) However, achieving and maintaining optimal performance is not an easy. Therefore, management needs to understand and manage employee engagement levels in their work, given that low engagement can negatively impact overall company performance. (Riyanto et al., 2021). Consequently, since employee performance reflects the accomplishment of quantity and quality of work that can be measured within the scope of individuals, groups, and organizations, HR management must be continuously improved and adjusted to the organization's demands. (Hasan et al., 2020).

In Bali's hospitality industry, employee engagement and organizational culture are essential in improving employee performance. (Paramarta et al., 2024; Sugianingrat et al., 2019; Suwandana & Dwipayanti, 2021). However, some challenges arise amidst the fierce competition in the hospitality industry. Improving employee performance standards is crucial to meeting guest expectations. (Mouzaek et al., 2021; Unguren & Arslan, 2021), especially in service speed, friendliness, and problem-solving ability. On the other hand, employee performance is often unstable, especially during busy periods or peak seasons. Slower service, less politeness, and more reservations and service delivery mistakes are all signs of inconsistent employee performance at busy times. High workloads and poor coordination frequently result in the slow handling of guest complaints. Labor shortages also tend to lower standards of neatness and cleanliness.

In addition, employee stress and motivation fluctuate. (Destianti et al., 2021; Olafsen et al., 2025), resulting in a decline in service quality and guest satisfaction. Employees believe they have no control over their work, which further diminishes their sense of ownership of the company and merely runs them, and this is made worse by the lack of employee involvement in decision-making. It has been demonstrated that employee engagement mediates the beneficial effects of psychological capital on performance and that both elements strongly contribute to increased organizational performance. (Ngwenya & Pelsler, 2020) The positive and considerable impact of employee engagement on performance confirms the value of employees' active participation in the workplace. (Heslina & Syahrani, 2021).

A less supportive organizational culture and low levels of employee engagement are also considerable challenges. Ineffective communication and a lack of respect for staff members can affect their loyalty and performance, and some hotels still struggle to establish a healthy work atmosphere. On the other hand, a positive corporate culture can create a productive workplace, boost motivation, and motivate staff to perform effectively to achieve the best possible work outcomes. (Juliati, 2021). Sharing cultures, like using uniforms to keep things tidy and monthly community service projects that foster order, collaboration, and harmony within the company, are one type of supportive organizational culture. (Diana et al., 2021). Research conducted by Abdullahi et al. (2021) Also revealed that the literature on the connection between organizational culture, employee engagement, and performance is enhanced by the fact that it helps to improve employee performance and can lessen bad behavior through the partial mediation of work attitudes.

Furthermore, organizational culture factors influence employee engagement, clan culture, adhocracy culture, and market culture. (Alias et al., 2022). Organizational culture contributes to increased job performance and employee engagement, as seen by the positive association between the two. (Mirji et al., 2023). The study by Abduraimi et al. (2023) Demonstrated a favorable correlation between three aspects of employee engagement—passion, devotion, and absorption—and several organizational culture components. Therefore, it can be inferred that organizational culture directly and indirectly impacts employee engagement. Employee performance is positively and significantly affected by company culture and employee engagement, according to the research findings that have been provided (Abdullahi et al., 2021; Heslina & Syahrini, 2021; Juliati, 2021; Ngwenya & Pelsner, 2020). In addition, employee engagement is positively and significantly impacted by corporate culture. (Abduraimi et al., 2023; Alias et al., 2022; Mirji et al., 2023) Consequently, this study will also investigate how employee engagement functions as a mediating variable in the relationship between employee performance and organizational culture.

Organizational culture and employee engagement are two essential elements in raising employee performance in the hospitality sector. (Paramarta et al., 2024; Sugianingrat et al., 2019). However, little is known about how employee engagement mediates this interaction.

Although previous studies have confirmed the significant impact of organizational culture on employee engagement and performance, there remains a limited understanding of how employee engagement functions as a mediating mechanism, particularly regarding the underlying psychological and behavioral processes. Employee engagement is appropriately utilized as a mediating variable, encapsulating the psychological and behavioral mechanisms through which organizational culture influences employee performance. Employee engagement reflects the extent to which employees feel emotionally and intellectually connected to their work, shaped by the organization's values, norms, and support. (Ngwenya & Pelsner, 2020). Thus, using employee engagement as a mediating variable is not merely intended to demonstrate a statistical relationship, but to reveal how organizational culture is translated into actual employee outcomes. A strong organizational culture fosters engagement by promoting a sense of purpose, motivation, and belonging, enhancing individual and organizational performance. However, this limited understanding of the mediation process constrains the development of practical strategies to optimize human resource management through cultural alignment. To address this gap, the present study examines how employee engagement is a key linking mechanism between organizational culture and performance, offering theoretical and practical insights into the effective utilization of human capital.

Blau (1964) Emphasizes that the foundation of social connections is the idea of exchange, in which people engage with one another to gain tangible and intangible advantages. An imbalance in trade might create a power structure where the party with more significant resources tends to dominate. Additionally, the theory clarifies how social trade influences organizations, social norms, and group dynamics that uphold power disparities. Blau's view aligns with the perspective of Cook et al. (2013), which highlights that Exchange theory influences the formation of larger social structures and the individual level. Groups and social networks are primarily formed and altered by social interactions based on resource exchange. Therefore, the theory significantly advances our understanding of social dynamics in sociology and social psychology.

Organizational culture positively and significantly influences employee performance (Kuswati, 2020; Oskooee & Wooton, 2020). Organizational leadership culture plays a vital role in shaping and enhancing employee performance (Arisanti et al., 2024). However, some studies show mixed results regarding the effect of organizational culture on employee performance. For example, Sabuhari et al. (2020) found that organizational culture adaptation did not significantly affect employee performance. Meanwhile, Wahjoedi (2021) revealed that the direct effect of organizational culture on employee performance is insignificant. In contrast, other studies show that in a direct relationship, organizational

culture significantly affects employee performance (Anisya et al., 2021; Diana et al., 2021). Employee performance is crucial in successfully attaining organizational objectives (Ningsih & Wahyuni, 2023). The disparate conclusions highlighted the need for additional research to comprehend how corporate culture fully enhances worker performance. Therefore, this research formulates the following hypothesis:

H₁: Organizational culture has a significant positive effect on employee performance.

Alias et al. (2022) Three aspects of organizational culture, clan, adhocracy, and market culture, affect employee engagement. This finding aligns with research conducted by Mirji et al. (2023); Abduraimi et al. (2023) This showed a positive relationship between organizational culture and employee engagement. The consistency of these findings is reinforced by research conducted by Sofiyanti & Najmudin (2023) This shows that employee engagement in the garment industry in Bandung is also influenced by organizational culture. This demonstrates that corporate culture has a significant impact on raising employee engagement across a range of industries. Researchers will further investigate organizational culture and employee engagement by developing the hypothesis :

H₂: Organizational culture has a significant positive effect on employee engagement.

Employee engagement significantly positively affects employee performance and mediates the relationship between psychological capital and employee performance. (Ngwenya & Pelsler, 2020). In addition, work engagement also has a significant impact on employee performance. (Fidyah & Setiawati, 2020; Siswanto et al., 2021). Similar findings were put forward by. Ali et al. (2022), who stated that employee engagement contributes significantly to their performance. Research conducted by Heslina & Syahrini (2021) Further proves that employee engagement positively and significantly influences performance at the Makassar City Regional Revenue Agency. In addition, employee engagement also shows a positive relationship with performance, where engagement directly affects and plays a role in explaining employee performance. (Hasan et al., 2020). The hypothesis that employee engagement improves employee performance will be developed to investigate further the relationship between employee engagement and performance in light of the public findings. Therefore, this study establishes the following hypothesis:

H₃: Employee engagement has a significant positive effect on employee performance.

Several studies have demonstrated that a strong corporate culture that aligns with workers' values and objectives can boost their engagement at work. (Alias et al., 2022; Mirji et al., 2023). In addition, employee engagement has been shown to positively influence employee performance as an independent factor and mediator in various industry contexts. (Heslina & Syahrini, 2021; Ngwenya & Pelsler, 2020). Previous research also indicates that a positive organizational culture can increase employees' vigor, dedication, and emotional and cognitive engagement, which improves their performance. (Abduraimi et al., 2023; Sofiyanti & Najmudin, 2023). This study will investigate further how employee engagement mediates the relationship between corporate culture and employee performance in light of these findings. Therefore, this study formulates the following hypothesis:

H₄: Organizational culture significantly positively affects employee performance, with employee engagement as a mediating variable.

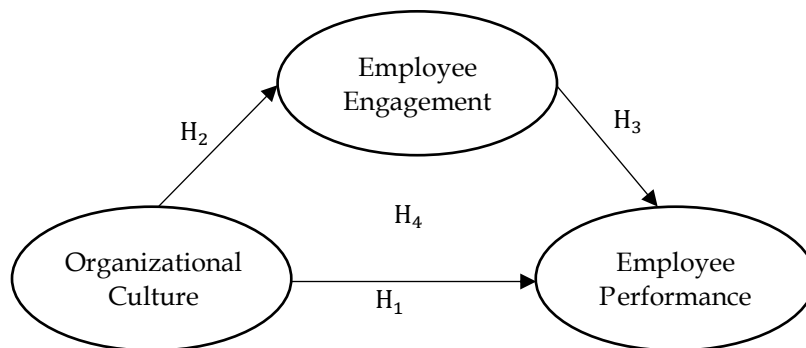
RESEARCH METHODS

The whole workforce of Bali's hospitality sector is represented in the sample used in this investigation. The following formula is used to find the minimum sample size for an unknown population. (Riduwan, 2019):

$$n = \left(\frac{z\alpha \times \sigma}{e} \right)^2 \dots\dots\dots(1)$$

$$n = \frac{(1,96) \times (0,25)^2}{(0,05)^2} = 96,04 \approx 97 \dots\dots\dots (2)$$

This study has a minimum sample size of 97 participants. The basic random sample technique will be employed in the sampling process to guarantee high representativeness. Using a Google Form, an electronic questionnaire is circulated over social media sites like Facebook, Instagram, WhatsApp, and others to collect data. Researchers will also distribute surveys directly (offline) to collect more detailed data, ensuring that the responses are more accurate and varied. Following data collection, the researcher used the SPSS tool to assess the questionnaire's validity and reliability. Additionally, this study employs first-order route analysis as a data analysis method using SmartPLS software and Structural Equation Modeling (SEM). The descriptive statistical test is the first step in the SEM-PLS data analysis procedure. Furthermore, outer model testing and inner model testing are carried out. (Hair et al., 2019). Hair et al. (2019) The outer model also has three criteria: convergent validity, discriminant validity, and composite reliability. The inner model's hypothesis is evaluated using the goodness of fit test with the adjusted R-squared determinant, and the path analysis test is used to evaluate the hypothesis in the inner model. Then, this study will analyze the type of mediation that occurs, which includes two categories of non-mediation and three categories of mediation. (Hair et al., 2017): Direct-only non-mediation, No-effect non-mediation, Complementary mediation, Competitive mediation, and finally Indirect-only mediation.



Source: Research Data, 2025

Figure 1. Conceptual Framework

RESULT AND DISCUSSION

Based on the respondents' characteristics data, most were male (77,61 percent), with only 22,39 percent female. The largest age group is from 25 to 35 (43,28 percent), with the second smallest group under 25 (29,85 percent). Regarding education, most respondents have a high school diploma (43,28 percent), while only 1,49 percent reached a master's degree. Most respondents worked 6-10 years, while 27,61 percent worked for less than 1 year. The data shows that the majority of employees in this study are male, mostly have secondary education, are at a productive age, and have sufficient work experience.

Table 1.
Respondent Characteristics

Characteristics	Category	Total	Percentage (%)
Gender	Male	104	77,61%
	Female	30	22,39%
Age	< 25 Years	40	29,85%
	25 - 35 years old	58	43,28%
	36 - 55 Years	28	20,90 %
	>55 Years	8	5,97 %
Length of Service	< 1 Year	37	27,61 %
	1 - 5 Years	29	21,64 %
	6 - 10 Years	46	34,33%
	>10 Years	22	16,42%
Education	SMA/SMK	58	43,28%
	D1	22	16,42%
	D2	6	4,48%
	D3	20	14,93%
	S1/D4	26	19,40
	S2	2	1,49%

Source: Research Data, 2025

After evaluating the reliability and validity of the instrument using SPSS, the analysis results show that each item on the indicator used has a correlation coefficient higher than the r table value, which is 0,1697 for $df = 132$, with a significance level of less than 0,05. Thus, all items in the questionnaire used in this study were declared valid. Furthermore, a reliability test was carried out to measure the consistency of the research instrument. The test results show that all instruments have a Cronbach's Alpha value above 0,60, which verifies the instrument's reliability. Therefore, the research can move forward to the measurement model evaluation stage.

The Outer Loading table displays the results of the convergent validity evaluation for organizational culture, employee engagement, and employee performance variables. Based on the analysis, all indicators show a loading factor value exceeding 0,70 and a p -value $< 0,05$. Therefore, it can be inferred that all indicators fulfill the criteria for convergent validity.

Table 2.
Outer Loading & Cross Loading Value of Research Indicator

Item	Cross Loading			Outer Loading	
	Organizational Culture (X)	Employee Engagement (M)	Employee Performance (Y)	Original Sample (O)	P-Values
O11	0,813	0,663	0,739	0,813	0,000
O12	0,841	0,624	0,716	0,841	0,000
O21	0,827	0,669	0,717	0,827	0,000
O22	0,867	0,716	0,758	0,867	0,000
O23	0,827	0,634	0,688	0,827	0,000
O24	0,870	0,694	0,704	0,870	0,000
O31	0,837	0,580	0,664	0,837	0,000
O32	0,836	0,539	0,672	0,836	0,000
O33	0,830	0,611	0,681	0,830	0,000
O34	0,803	0,646	0,715	0,803	0,000
O41	0,763	0,480	0,652	0,763	0,000
O42	0,842	0,587	0,744	0,842	0,000
O43	0,874	0,667	0,772	0,874	0,000

Item	Cross Loading			Outer Loading	
	Organizational Culture (X)	Employee Engagement (M)	Employee Performance (Y)	Original Sample (O)	P-Values
O44	0,840	0,652	0,730	0,840	0,000
E11	0,582	0,803	0,610	0,803	0,000
E12	0,626	0,865	0,687	0,865	0,000
E21	0,523	0,829	0,518	0,829	0,000
E22	0,633	0,858	0,709	0,858	0,000
E23	0,661	0,819	0,676	0,819	0,000
E24	0,672	0,849	0,627	0,849	0,000
E31	0,723	0,874	0,695	0,874	0,000
K11	0,702	0,741	0,872	0,872	0,000
K12	0,744	0,768	0,912	0,912	0,000
K21	0,749	0,737	0,888	0,888	0,000
K22	0,757	0,682	0,894	0,894	0,000
K31	0,714	0,588	0,814	0,814	0,000
K32	0,787	0,640	0,892	0,892	0,000
K41	0,779	0,640	0,862	0,862	0,000
K42	0,680	0,468	0,758	0,758	0,000
K51	0,547	0,624	0,773	0,773	0,000
K52	0,769	0,646	0,820	0,820	0,000

Source: Research Data, 2025

A variable is said to fulfill discriminant validity if the cross-loading value of each indicator on the variable under study is higher than the cross-loading value on other latent variables. Based on the analysis results in the Cross-Loading Table, it can be seen that the cross-loading value of each latent variable is greater than that of the other latent variables. Thus, it can be concluded that this study's latent variables have met the discriminant validity criteria.

Table 3.
Average Variance Extracted (AVE) & Composite Reliability

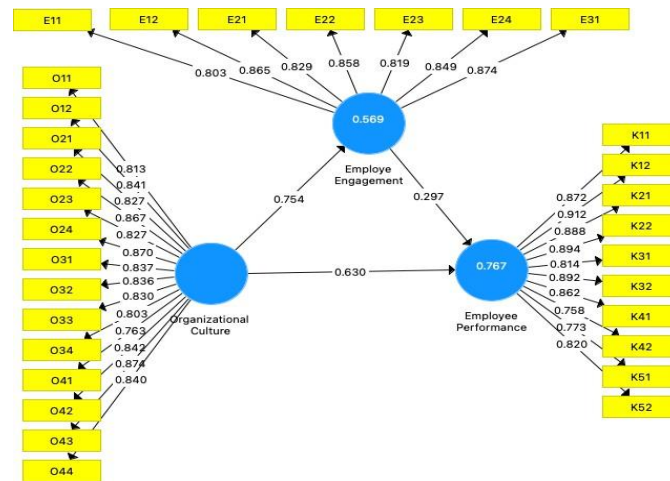
	Average Variance Extracted (AVE)	Composite Reliability		Description
		Cronbach's Alpha	Composite Reliability	
Organizational Culture (X)	0,696	0,966	0,970	Reliabel
Employee Engagement (M)	0,710	0,932	0,945	Reliabel
Employee Performance (Y)	0,723	0,957	0,963	Reliabel

Source: Research Data, 2025

In addition, discriminant validity can also be evaluated through the Average Variance Extracted (AVE) value, where the AVE value must be more than 0,50 to indicate that the construct under study fits its indicators well. The analysis results in the Average Variance Extracted (AVE) table show that all variables have an AVE value above 0,50; therefore, it can be determined that the discriminant validity in this study has been well met.

Evaluation of construct reliability in measurement models with reflective indicators can be done through the Composite Reliability test and supported by Cronbach's Alpha value. A construct is considered reliable if the Composite Reliability and Cronbach's Alpha values reach at least 0,70. The findings of the instrument reliability analysis displayed in the Composite Reliability Table show that all constructs have a Composite Reliability and Cronbach's Alpha value above 0,70. Thus, it can be concluded that each construct in this research model is reliable.

After completing the analysis of the outer model, the next step is to test the inner model. This test aims to analyze the relationship between constructs, assess significance, and identify the R-squared and Adjusted R-squared values generated from the research model. The results of this analysis are presented visually in the following figures and tables.



Source: Research Data, 2025

Figure 2. Structural Model

Referring to the R-Square Table, the Adjusted R-squared value for the employee performance variable reaches 0,764. This indicates that 76.4 percent of the variability in employee performance is influenced by the organizational culture and employee engagement variables used in the research model. Meanwhile, the remaining 23,6 percent is influenced by other variables not included in the model. Meanwhile, organizational culture may account for 56,9 percent of the variation in employee engagement, according to the R-squared value for employee engagement, which is 0,569. In comparison, other factors outside the research model influence the remaining 43,1 percent.

Table 4. R-square

Construct	R Square Adjusted	R Square
Employee Engagement	0,565	0,569
Employee Performance	0,764	0,767

Source: Research Data, 2025

In addition to assessing the model through R-squared and Adjusted R-squared, model performance is assessed using Q-squared. Q-Square is used to measure the predictive relevance of the structural model by evaluating the accuracy of parameter estimates and the accuracy of observations in the model. A Q-Square value greater than 0 indicates that the model has good predictive relevance, while a value equal to or less than 0 indicates that the model has no predictive relevance. The calculation of the Q-Square value as a measure of predictive significance can be determined based on the R-Square Table as follows:

$$\begin{aligned}
 CapCapQ^2 &= 1 - (1 - R_1^2)(1 - R_2^2) \\
 Q^2 &= 1 - (1 - 0,764^2)(1 - 0,569^2) \\
 Q^2 &= 1 - (1 - 0,584)(1 - 0,324) \\
 Q^2 &= 1 - (0,416)(0,676) \\
 Q^2 &= 1 - 0,281 \\
 CapCapQ^2 &= 0,719
 \end{aligned}$$

The calculation results indicate that the Q^2 value is 0,719, greater than 0. This suggests that the model has good predictive ability with a contribution of 71,9 percent. Thus, changes in the intention to visit variable can be significantly explained by the organizational culture and employee engagement variables used in the model. Meanwhile, other factors not included in the model contributed 28,1 percent to the remaining variation.

Hypothesis testing aims to examine the relationship between variables in the study. This process is carried out by comparing the p-value with the specified significance level (alpha), which is 5 percent. If the p-value obtained is smaller than 0.05, then the research hypothesis is accepted. The analysis shows that organizational culture has a significant positive effect on employee performance directly with a coefficient of 0,630, a T-statistic value of 11.163 (greater than 1.977), and a p-value of 0,000 (less than 0,05), which means that H1 is accepted. In addition, organizational culture also positively affects employee engagement directly with a coefficient of 0,754, a T-statistic value of 19.856, and a p-value of 0,000, so H₂ is accepted, which means that this relationship is statistically significant. Employee engagement is proven to positively impact employee performance directly with a coefficient of 0,297, a T-statistic value of 4.399, and a p-value of 0,000, so H₃ is accepted, which shows a significant positive relationship. However, the effect is smaller than that of organizational culture on employee performance.

Furthermore, the analysis results also show that organizational culture can indirectly affect employee engagement through employee engagement, with a coefficient value of 0,224, a T-statistic value of 4.393, and a p-value of 0,000, confirming that employee engagement is a mediator in the relationship. Thus, it can be concluded that organizational culture not only directly improves employee performance but also increases employee engagement as a mediating factor. Based on the mediation criteria put forward by Hair *et al.* (2017) The employee engagement variable acts as a complementary mediator in the relationship between organizational culture and employee performance. Therefore, research hypothesis H₄ is accepted.

Table 5.
Direct Effect & Indirect Effect

Variables	Coefficient	T Statistik (O/STDEV)	P-value
Direct Effect			
Organizational Culture (X) -> Employee Performance (Y)	0,630	11,163	0,000
Organizational Culture (X) -> Employee Engagement (M)	0,754	19,856	0,000
Employee Engagement (M) -> Employee Performance (Y)	0,297	4,399	0,000
Indirect Effect			
Organizational Culture (X) -> Employee Engagement (M) -> Employee Performance ->(Y)	0,224	4,393	0,000

Source: Research Data, 2025

The findings of the analysis show that organizational culture has a significant positive impact on employee performance in the hospitality industry in Bali. This perception shows that the stronger the organizational culture in this industry, the higher the employee performance. According to the Social Exchange Theory developed by Blau (1964), the social exchange principle can explain the relationship between organizational culture and employee performance. According to this theory, everyone in an organization seeks material and non-material benefits. A positive organizational culture creates a better work environment where employees feel valued and rewarded. When employees feel valued and appreciated by their company, they are better at their jobs. Conversely, if the company does not have a good work culture, employee loyalty and productivity may decrease, leading to an imbalance in social relations that is detrimental to both parties. This finding aligns with previous studies showing that organizational culture is strongly related to employee performance (Kuswati, 2020; Oskooee & Wooton,

2020). In addition, organizational culture directly affects employee performance (Anisya et al., 2021; Diana et al., 2021).

According to the analysis, organizational culture positively and significantly impacts employee engagement in Bali's hospitality sector. According to this research, employee involvement in their jobs and responsibilities is positively correlated with the strength and positivity of the corporate culture in the Bali hotel sector. A supportive work environment, more loyalty, and increased intrinsic motivation among employees to contribute more to the company are all benefits of a positive organizational culture. The viewpoint of social exchange theory can be used to describe this strategy. This principle creates social bonds in organizations, where people connect for tangible and intangible rewards. Employee engagement is likely to rise if the organization loves its workers, fosters a positive work environment, and rewards them for their efforts. Put another way, workers will be more inclined to actively engage in their work when employers commit to their growth and well-being.

Previous studies have also shown a positive relationship between organizational culture and employee engagement. (Mirji et al., 2023). A positive relationship between organizational culture and employee engagement was found. Research by Abduraimi et al. (2023) Reinforced these findings by showing that some components of organizational culture correlate with the three dimensions of employee engagement. In addition, Sofiyanti & Najmudin (2023) Further, this research found that organizational culture is very important for increasing employee participation. The findings validate that a robust corporate culture enhances employee engagement in a certain industry sector and in numerous other industries.

The analysis concludes that employee engagement positively and significantly impacts worker performance in Bali's hospitality sector. According to this result, employees perform better when they are more engaged. Employee engagement in the workplace demonstrates a degree of commitment, zeal, and active participation. Ultimately, this interaction improves output and service quality in the hotel sector. These results can be supported by social exchange theory. Employees in the hospitality sector typically react better when employers foster a work culture that encourages employee involvement by offering incentives, acknowledgment, and a comfortable workplace. This theory also clarifies how social exchange imbalances might impact worker motivation and productivity. As a result, hospitality organizations that implement strategies to increase employee engagement are more likely to create long-lasting and mutually rewarding working relationships.

This conclusion can be supported by specific earlier research, such as the research results from Ngwenya & Pelser (2020) It was found that employee engagement has a significant positive impact on their performance and even serves as a mediator in the relationship between employee performance and psychological capital. This finding is reinforced by Siswanto et al. (2021) and Fidyah & Setiawati (2020), who found that employee engagement significantly improved employee performance. In addition, Ali et al. (2022) Found that more engaged employees tend to have higher productivity. Furthermore, Heslina & Syahrini (2021) It was stated that employee engagement positively and significantly impacts employee performance. Similarly, the research results by Hasan et al. (2020) Found that employee engagement significantly improves employee performance directly and tangibly.

This study found that employee engagement mediates the relationship between organizational culture and employee performance. Therefore, organizational culture improves employee performance directly and contributes indirectly through increased employee engagement as a mediating factor. Based on the mediation criteria by Hair et al. (2017), employee engagement in this study acts as a complementary mediation. The Social Exchange Theory supports this observation, which holds that social contact is a form of exchange in which people contribute to the organization, hoping to receive comparable returns. When businesses create a positive work environment and promote employee involvement, workers in the hospitality sector typically respond by performing better. According to the hypothesis, social exchange imbalances may also impact employee productivity. Therefore,

organizational strategies prioritizing employee engagement will be more successful in creating long-lasting and mutually beneficial working relationships.

This study's results align with the results of studies conducted by Alias *et al.* (2022) and Mirji *et al.* (2023), which revealed that a strong organizational culture aligning with employees' values and goals could encourage increased work engagement. Furthermore, employee engagement has been shown to impact performance directly and positively as a mediator. (Heslina & Syahrani, 2021; Ngwenya & Pelsler, 2020). Similar findings were also put forward in previous research, which showed that a positive organizational culture can increase employee vigor, dedication, and absorption. Ultimately, these factors contribute to improving their performance. (Abduraimi *et al.*, 2023; Sofiyanti & Najmudin, 2023). Thus, this study shows that employee engagement is a complementary mediator that directly and indirectly connects organizational culture with employee performance.

CONCLUSION AND SUGGESTIONS

This study confirms that organizational culture positively and significantly impacts employee performance and engagement in Bali's hospitality industry. In addition, organizational culture and employee engagement have also been shown to have a positive and significant effect on employee performance. The results show that employee engagement is a complementary mediator between organizational culture and employee performance. This means that organizational culture improves performance directly and increases employee engagement. This finding supports the Social Exchange Theory perspective, where a positive work environment encourages employees to be more engaged and contribute to the organization. Therefore, the hospitality industry in Bali needs to strengthen an organizational culture that supports employee engagement as a foundation for improving performance and achieving competitive advantage. This strengthening can be realized through various strategic steps that can be taken by hotel managers, such as providing appreciation for employee achievements, building open and constructive communication, providing access to relevant training programs, involving employees in decision-making, and implementing a practical and inspiring leadership style that not only motivates and guides employees to achieve their best potential, but also contributes to improving overall well-being.

This study has several limitations that need to be considered. First, the sample size used is relatively small, namely 100 respondents, so this study's results may not fully represent the employee population in the hotel industry as a whole. Second, the data obtained came from self-reported questionnaires, which have the potential to cause standard method bias. Third, the cross-sectional research design only collected data at one point in time, thus limiting the ability to draw definitive causal conclusions. Referring to these limitations, further research is recommended to use larger and more heterogeneous samples to increase the representativeness of the research results. In addition, applying more diverse data collection methods, such as a mixed-method approach, in-depth interviews, or observations, can minimize the potential bias arising from self-reported data. Future research should also adopt a longitudinal design to allow for more accurate identification of causal relationships. Furthermore, future studies can broaden the focus by exploring how various factors influence employee engagement and productivity. Moreover, research can examine the impact of digitalization on staff engagement and hotel competitiveness in the increasingly evolving hotel industry.

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