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# EXPLORING THE RELATIONSHIP BETWEEN ORGANIZATIONAL CULTURE, HUMAN RESOURCE PRACTICES, AND BUSINESS PERFORMANCE: THE MEDIATING ROLE OF EMPLOYEE ENGAGEMENT IN THE CONSTRUCTION INDUSTRY

By

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## ABSTRACT

Over the past two decades, Indonesia's construction industry has expanded rapidly due to infrastructure investment, urbanization, and economic growth. This study examines the influence of organizational culture and Human Resource Management (HRM) practices on employee engagement and business performance, as well as the mediating role of employee engagement. Using a quantitative approach, data were collected from 249 respondents out of 710 employees in office and project divisions, selected with Krejcie and Morgan's sampling method. Structural Equation Modeling with Partial Least Squares (SEM-PLS) using SMART-PLS was applied for analysis. The results indicate that both organizational culture and HRM practices significantly affect employee engagement and business performance. Moreover, employee engagement mediates these relationships, reinforcing their impact on business outcomes. The study's novelty lies in integrating the Resource-Based View (RBV) and the job demands-resources model, providing empirical evidence that intangible resources can be transformed into sustainable competitive advantage through employee engagement

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## 1. INTRODUCTION

In the last two decades, Indonesia's construction industry has undergone significant expansion, primarily influenced by infrastructure development, rapid urbanization, and sustained economic growth. This progress has captured the interest of domestic and global stakeholders, with the sector being largely dominated by state-owned enterprises such as PT Wijaya Karya and PT Pembangunan Perumahan, as well as leading private corporations like PT Agung Podomoro Land and PT Lippo Karawaci. For instance, Wika has demonstrated robust financial performance, evidenced by its Q3 2023 revenue of Rp 27.03 trillion (USD 1.85 billion) and net profit of Rp 1.38 trillion (USD 95 million). Similarly, PP reported revenue of Rp 17.59 trillion (USD 1.2 billion) and a net profit of Rp 555.8 billion (USD 38.1 million) during the same period, underscoring the financial prowess of these industry leaders. The Indonesian government's ambitious infrastructure initiatives, notably the Trans-Java Toll Road and the Nusantara new capital city project, have significantly propelled the industry forward, attracting substantial investments and fostering opportunities for both domestic and foreign participants. For instance, Wika's involvement in constructing the Trans-Java Toll Road has notably contributed to its financial growth (Indonesian Ministry of Public Works and Housing, 2023).

Indonesia's sustained economic growth continues to create momentum for the expansion of its construction sector, particularly through government support, technological adoption, and an increasing emphasis on sustainability. However, structural challenges, including shortages of skilled labor and bureaucratic inefficiencies, remain critical barriers to achieving sustainable and inclusive development (Maricourt, 2023). Within this context, PT Wijaya Karya (Persero) Tbk (WIKA), established in 1961, has emerged as one of the most prominent state-owned enterprises, specializing in Engineering, Procurement, and Construction (EPC) services. With a broad portfolio spanning infrastructure, energy, industrial facilities, and real estate, WIKA plays a pivotal role in advancing national infrastructure development. Nevertheless, its financial performance from 2020 to 2024 indicates relatively unsatisfactory outcomes, highlighting the need for stronger financial strategies and organizational resilience.

In 2024, PT Wijaya Karya (Persero) Tbk (WIKA) experienced a notable decline in financial performance, with net revenue and total assets dropping by 15% and 4%, respectively, compared to the prior year. This downturn was largely driven by unprecedented challenges that heavily impacted the construction industry, WIKA's core business area. Pandemic-related disruptions, such as supply chain interruptions, labor shortages, and project delays, severely constrained the company's revenue generation and overall profitability. Additionally, ongoing economic uncertainty and weakened market demand further intensified these financial difficulties. Consequently, WIKA faced significant obstacles in maintaining financial stability while navigating unfavorable market conditions.

The recovery of PT Wijaya Karya (WIKA)'s financial performance is closely tied to strategic initiatives that include proactive cost management, operational efficiency, and adaptive responses to evolving market conditions. Government-led stimulus packages and infrastructure development programs have also played a crucial role in reinforcing WIKA's revenue base during challenging economic conditions (Rangkuti et al., 2023; Chiang et al., 2024). While financial indicators highlight positive growth, fluctuations in revenue and profit continue to pose significant challenges due to macroeconomic volatility, regulatory complexities, and industry-level competition. These conditions underscore the necessity of comprehensive strategic responses such as operational streamlining, diversification of revenue streams, and investments in technology and human capital development (Kaur, 2018).

Over the last three years, WIKA has demonstrated steady financial growth, with revenues reaching Rp. 32.2 trillion (US\$2.2 billion) in 2024, marking a 12.7% year-on-year increase. Profit after tax rose by 43.2% to Rp. 1.6 trillion (US\$110 million), highlighting the firm's resilience and diversification capacity in a volatile market. However, human capital management indicators showed fluctuations, particularly in employee training participation and engagement levels. The Employee Engagement Index (IKK) declined by 2% in 2024 compared to the previous year, suggesting the need for more consistent engagement strategies.

The literature emphasizes that human resource practices are strongly correlated with employee engagement and organizational outcomes in the construction sector. Effective HR strategies, including competitive rewards, structured career development, continuous training, and inclusive policies, contribute positively to workforce motivation and performance (Mansoor, 2021; Kavyashree & Kulenur, 2022). Engaged employees are typically more productive, demonstrate stronger organizational commitment, and deliver superior service quality, ultimately enhancing organizational competitiveness (Jaiswal, 2018).

Equally important is the role of organizational culture in driving performance outcomes. A strong organizational culture aligns employees with company values, fosters trust in leadership, and ensures alignment with organizational goals (Naido, 2024; BravoWell, 2024). Studies show that positive cultural attributes are associated with higher levels of employee engagement, while negative or toxic cultures can significantly erode workforce motivation (Hofstede Insights, 2024). LSA Global (2024) further identified that cultural components such as alignment with goals, trust in senior leadership, and recognition of employee value are critical predictors of engagement levels.

Employee engagement also acts as a mediating variable in the relationship between HR practices, organizational culture, and business performance. Research by Dorrian et al. (2022) and Lopez (2023) highlights that engagement translates HRM practices and cultural values into improved firm outcomes by enhancing productivity, innovation, and organizational sustainability. In the construction industry, this mediating role is particularly significant due to the sector's reliance on human capital as a driver of project performance and long-term competitiveness. Further evidence shows that effective HRM practices, when aligned with business strategies, can improve employee satisfaction, organizational commitment, and overall productivity (Wang et al., 2019; Zhang et al., 2018). Li et al. (2017) emphasize that employee involvement and fair reward systems foster greater effort and accountability, reinforcing the connection between HR strategies and business outcomes. This body of research underscores the importance of integrating HRM, organizational culture, and employee engagement into a coherent framework to achieve sustained performance in the construction sector.

In summary, prior studies converge on the view that human resource management, organizational culture, and employee engagement are mutually reinforcing elements that critically shape business performance in construction. HR practices create the structural and developmental foundation, organizational culture provides the values and



alignment, and employee engagement translates these inputs into productivity and innovation. This triadic relationship not only strengthens organizational resilience but also positions firms such as WIKA to sustain competitiveness amid external challenges.

## **2. LITERATURE REVIEW**

### **Human Resources**

Human Resource Management as a body of knowledge is replete with apparent contradictions and unexplored dissonances. Yet, if practical application is any kind of indicator, the theoretical incongruity of Human Resource Management has not hampered its uptake. Academic calls for the development of a theory of Human Resource Management have (for various reasons) failed to deliver frameworks with practical capacity (Bam and Nkado, 2022). Human Resource Management is often described as a 'series of seemingly disjointed activities' (Aktar and Pangil, 2023). The practices that are carried out under the ambit of Human Resource Management often have a theoretical basis. Most of these lower-level theories are adopted from disciplines like industrial psychology and organisational behaviour.

### **Business Performance**

The examination of business performance has been a focal point in studies spanning diverse industries globally. Given the dual facets of opportunities and challenges presented by globalization, organizations find themselves compelled not only to compete and thrive but essentially to endure (Abdullah et al., 2022). The definition of business performance can take various forms, aligning with the perspective and context of a particular study. Bourne et al. (2018) contend that performance should encompass both financial and non-financial dimensions. They identify financial performance indicators such as market share, new customers, return on capital employed, return on investment, number of new customers, and sales. Non-financial measures encompass customer characteristics, the societal impact of business, employee attributes, product performance, and process performance. endorse the adoption of both financial and non-financial dimensions in gauging organizational performance, categorizing them into innovative performance, production performance, market performance, and financial performance (Cheah et al., 2022).

### **Employee Engagement**

Employee engagement remains one of the extensively studied phenomena in the field of Human Resources. However, there exists a notable disagreement among practitioners and scholars regarding the precise definition of this term. Nonetheless, academic researchers widely characterize employee engagement as a positive, satisfying, work-connected state of mind characterized by vigor, absorption, and dedication (Koe et al., 2022). In more specific terms, scholars describe engagement as the workforce's active involvement in their work, wherein they fully utilize their physical, mental, and emotional resources to accomplish organizational tasks. This active involvement is manifested as participation, liveliness, and determined focus directed toward achieving organizational goals (Chahal and Bakshi, 2015).

### **Organizational Culture**

The construction industry aspires to achieve greater efficiency (Okwir et al., 2021). Recognized impediments include confrontational contracting behavior, a lack of innovation, and general indifference to research and development (Pinto, 2019). Some successful construction organizations have strategically deviated from the traditional 'construction only' business model, demonstrating a departure from established practices. While such a shift entails cultural change and associated risks, it has revitalized these organizations by expanding their scope of operations and markets. Organizational culture (OC) emerges as a critical factor influencing a firm's efficiency and productivity (Purwanto et al., 2022). Advocates propose that fostering and sustaining a culture conducive to performance improvement can enhance the efficiency of firms and, consequently, the construction industry (Ramdan et al., 2022).

### **Human Resources Practices**

Human Resource (HR) management is conceptualized as a managerial perspective with theoretical and prescriptive dimensions, emphasizing the establishment of an integrated series of personnel policies aligned with organizational strategy. This alignment is intended to ensure the quality of working life, high employee commitment and performance, as well as organizational effectiveness and competitive advantage (Ramdan et al., 2022). Rehman & Anwar (2019) initially explore potential connections between HR management and organizational performance, considering aspects such as organizational social climate and knowledge exchange. However, the mechanisms through which HR management influences organizational performance are subject to debate (Saulina, 2017). HR management encompasses two primary streams: best fit or hard HR management, which strategically aligns individuals with organizational goals, and best practice or soft HR management, which aims to enhance employee commitment and capability for improved business performance (Sheng et al., 2017).

**3. RESEARCH METHODS**

This study employed a quantitative research design to examine the relationships between organizational culture, human resource management (HRM) practices, employee engagement, and business performance within the Indonesian construction industry. The population consisted of 710 employees from office and project divisions, with a sample of 249 respondents determined using Krejcie and Morgan’s sampling table. Data were collected through structured questionnaires and analyzed using Structural Equation Modeling with Partial Least Squares (SEM-PLS) via the SMART-PLS software. This method was chosen for its ability to assess complex relationships between latent variables and test mediation effects.

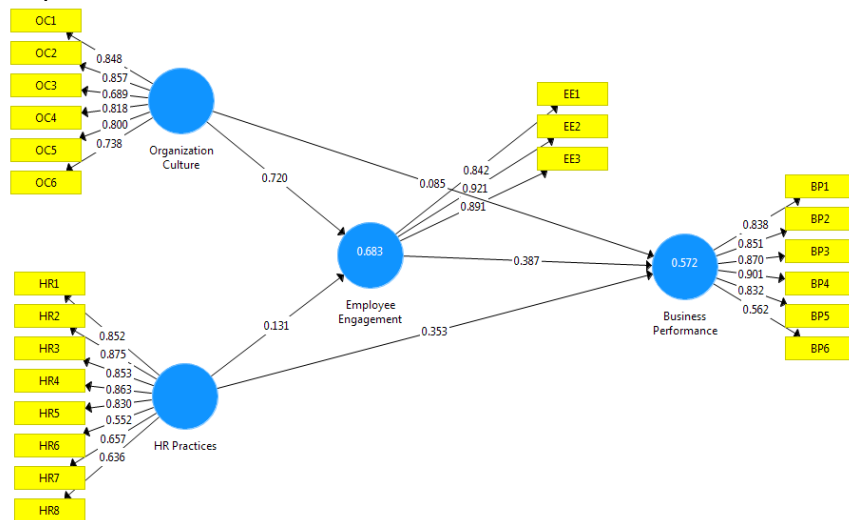
**4. RESULT AND DISCUSSION**

**a. Outer Model (Measurement Model)**

The evaluation of the measurement model is conducted to assess the validity and reliability of the model. In PLS-SEM, the measurement model is the outer model, which comprises a set of relationships between indicators and latent variables (Hair et al., 2016). According to Hair et al. (2016), to assess convergent validity, the outer loading values should be greater than 0.70. However, Henseler et al. (2015) suggest that reflective indicator loadings can be considered a good measure for latent variables if they are above 0.50 (loading factor ranging between 0.50 and 1.0).

**1) Reflective Indicators Loading Factor**

The results of the reflective indicators' loading factors in the first measurement model. In the case of indicators OC3, HR6, HR7, HR8, and BP6, the loading values are found to be less than 0.7, as recommended by Hair et al. (2021). Therefore, OC3, HR6, HR7, HR8, and BP6 are excluded from the indicators of organization culture, HR practices, and business performance.



**Figure 1. Reflective Result In The First Stage**

After dropping the indicators OC3, HR6, HR7, HR8, and BP6, the results of the final measurement model are presented in Figure 2 below.

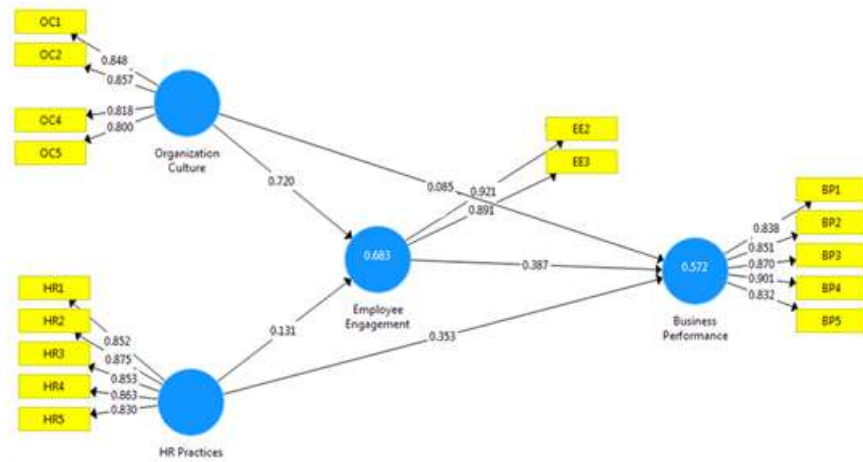


Figure 2. Measurement Model Final

In Figure above, it is evident that all loading values meet the criteria of being less than 0.7, as recommended by Hair et al. (2021).

2) **Convergent Validity**

One method to assess convergent validity is by examining the average variance extracted (AVE), which should ideally be greater than 0.5. AVE is only applicable to reflective measurement models. Table below presents the Average Variance Extracted values:

Table 1. Average Variance Extracted (AVE) Values

Variable	Code	AVE Value
<i>Business Performance</i>	BP	0.769
<i>Employee Engagement</i>	EE	0.890
<i>HR Practices</i>	HR	0.803
<i>Organization Culture</i>	OC	0.736

Source: Results of data processing with Smart PLS (2025)

Based on Table above, it can be concluded that all variables meet the criteria of having AVE values greater than 0.5. This indicates strong convergent validity for each variable, as more than 50% of the variance in the reflective indicators is explained by their corresponding latent variables.

3) **Discriminant Validity**

The results of the previous testing indicate that all values meet the requirements for testing the loading factor and average variance extracted (AVE), exceeding the threshold of 0.50. Therefore, it can be considered valid and suitable for measuring each latent variable. Since there are no issues with convergent validity, the next step to be examined is related to the problem of discriminant validity for each construct, considering the correlation values between constructs in the model (Hair et al., 2021). This method is often referred to as the Fornell-Larcker Criterion and HTMT.

Table 2. Fornell-Larcker Criterion

Variable	Business Performance	Employee Engagement	HR Practices	Organization Culture
<b>Business Performance</b>	0,877			
<b>Employee Engagement</b>	0,546	0,944		
<b>HR Practices</b>	0,557	0,701	0,896	
<b>Organization Culture</b>	0,535	0,787	0,739	0,858

Source: Results of data processing with Smart PLS (2025)

From the above results, it can be observed that the square root of AVE correlation values for each latent variable has the highest value compared to the square root of AVE correlations with other latent variables. This implies that each latent variable exhibits good discriminant validity, although some latent variables still have high correlations with other constructs. However, according to Henseler et al. (2015), the Fornell-Larcker Criterion approach may fail to

identify discriminant validity issues in certain large cases. Therefore, Henseler et al. (2015) recommend assessing discriminant validity using the heterotrait-monotrait ratio of correlations (HTMT). Bootstrapping procedures with 5000 resamples are conducted to obtain confidence interval (CI) values less than or equal to 1.00 to identify no issues with discriminant validity (Henseler et al., 2015).

**Table 3. HTMT**

Variable	Business Performance	Employee Engagement	HR Practices
Business Performance			
Employee Engagement	0,600		
HR Practices	0,592	0,772	
Organization Culture	0,574	0,877	0,806

Source: Results of data processing with Smart PLS (2025)

The information you've provided indicates that, based on Table 3, there is still one value greater than 0.9. However, it's worth noting that this might be acceptable, especially if the Fornell-Larcker Criterion values (from the previous testing) have already met the specified criteria. The Fornell-Larcker Criterion and HTMT are complementary methods for assessing discriminant validity. While the Fornell-Larcker Criterion focuses on the square root of AVE, HTMT considers the ratios of correlations.

**4) Internal Consistency Reliability**

After assessing the validity of the indicators, the next step is to evaluate the reliability of each latent construct using Cronbach's alpha and composite reliability values. The Cronbach's alpha and composite reliability values can be considered to ensure the reliability of PLS construction scores, as suggested by Hair et al. (2021), with values ranging from 0.7 to 0.9. Table below presents the results of the internal consistency reliability test:

**Table 4. Internal Consistency Reliability Test Results (Cronbach's Alpha and Composite Reliability)**

Variable	Code	Cronbach Alpha (CA)	Composite Reliability (CR)
Business Performance	BP	0.925	0,943
Employee Engagement	EE	0.877	0,942
HR Practices	HR	0.938	0,953
Organization Culture	OG	0,882	0,918

Source: Results of data processing with Smart PLS (2025)

The results of the internal consistency reliability test in Table 4. indicate that both Cronbach's alpha and composite reliability values surpass the specified criteria, falling within the range of 0.7 to 0.9, as recommended by Hair et al. (2021). This suggests that the measurement model exhibits satisfactory internal consistency reliability, ensuring the reliability of the latent construct scores.

**b. Inner Model (Structural Model)**

The testing of the inner model involves the development of a concept and theory-based model to analyze the relationships between exogenous and endogenous variables, as outlined in the conceptual framework. The analysis of the inner model is carried out with the objective of ensuring that the constructed structural model is robust and accurate.

**1) R-Square**

The coefficient of determination, R-Square ( $R^2$ ), indicates the extent to which independent variables explain the dependent variable. The R-Square value ranges from zero to one. As the R-Square value approaches one, it signifies that the independent variables provide all the information needed to predict the variation in the dependent variable. Conversely, a smaller R-Square value indicates a limited ability of the independent variables to explain the variation in the dependent variable. R-Square has a limitation, as the value tends to increase with the addition of each independent variable, even if the added variable does not significantly impact the dependent variable. Based on the data processing conducted, the obtained R-Square values are as follows:



**Table 5. R<sup>2</sup>**

Variable	R <sup>2</sup>
Business Performance (BP)	0.363
Employee Engagement (EE)	0.651

Source: Results of data processing with Smart PLS (2025)

Based on Table 5, it can be concluded that all independent variables in the study collectively explain approximately 65.1% of the variation in the dependent variable, Employee Engagement. Additionally, the model is able to account for about 36.3% of the variance in the Business Performance variable. This suggests that the chosen independent variables have a substantial explanatory power regarding Employee Engagement, while their explanatory capability for Business Performance is somewhat lower. The specific values and coefficients in Table 4.6 would provide a more detailed understanding of the relationships between variables.

**2) Effect size (f<sup>2</sup>)**

Effect size (f<sup>2</sup>) is a measure used to assess the relative impact of an influencing variable (exogenous) on the influenced variable (endogenous). The F-Square model value is employed to determine the magnitude of the effect size of endogenous latent variables on exogenous latent variables. If the f<sup>2</sup> value equals 0.35, it can be interpreted that the predictor latent variable has a strong influence. If it is equal to 0.15, it indicates a moderate influence, and if it is equal to 0.02, it implies a weak influence (Hair et al., 2021).

**Table 6. Effect size (f<sup>2</sup>)**

Variable	Business Performance	Employee Engagement	Result
Business Performance			
Employee Engagement	0,030		Moderate
HR Practices	0,057		Moderate
HR Practices		0,090	Moderate
Organization Culture	0,009		Weak
Organization Culture		0,456	Strong

Source: Results of data processing with Smart PLS (2025)

Based on Table 6, it appears that the variables Employee Engagement and HR Practices have a moderate effect on Business Performance. Similarly, among HR Practices, there is a moderate effect on Employee Engagement. On the other hand, Organization Culture has a weak effect on Business Performance. Lastly, Organizational Culture has a strong effect on Employee Engagement.

**3) Predictive Relevance (Q<sup>2</sup>)**

Q<sup>2</sup> predictive relevance is utilized to present a synthesis of validation and fitting functions with predictions from manifest variables and parameter estimates of constructs. A Q<sup>2</sup> value greater than 0 indicates that the model possesses predictive relevance, while Q<sup>2</sup> values less than 0 suggest that the model lacks predictive relevance (Hair et al., 2021). The Q<sup>2</sup> values can be observed in Table 4.8, which represents Predictive Relevance (Q<sup>2</sup>) for the structural model, measuring how well the observed values are generated by the model and its parameter estimates. This criterion is applicable only to reflective endogenous factor models. A Q<sup>2</sup> value greater than 0 demonstrates that the model has predictive relevance, whereas a Q<sup>2</sup> value less than 0 indicates that the model lacks predictive relevance.

**Table 7. Predictive Relevance (Q<sup>2</sup>)**

Variable	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
Business Performance	1285,000	940,824	0,268
Employee Engagement	514,000	218,754	0,574
HR Practices	1285,000	1285,000	

Source: Results of data processing with Smart PLS (2025)

Based on Table 7, it is observed that for the variables Employee Engagement and Business Performance, they meet the criteria for predictive relevance with Q<sup>2</sup> values greater than 0. Therefore, it can be concluded that both Employee Engagement and Business Performance variables fulfill the criteria for predictive relevance. This suggests that the model has demonstrated the ability to generate values that align well with the observed data for these variables and has relevance in making predictions.

4) **Hypotheses Testing Analysis**

This research analyzes the influence of organizational culture and HR practices on employee engagement and business performance. The variable of employee engagement serves as a mediator in this study. Figure 4.3 presents the results of the final structural model testing of the hypotheses.

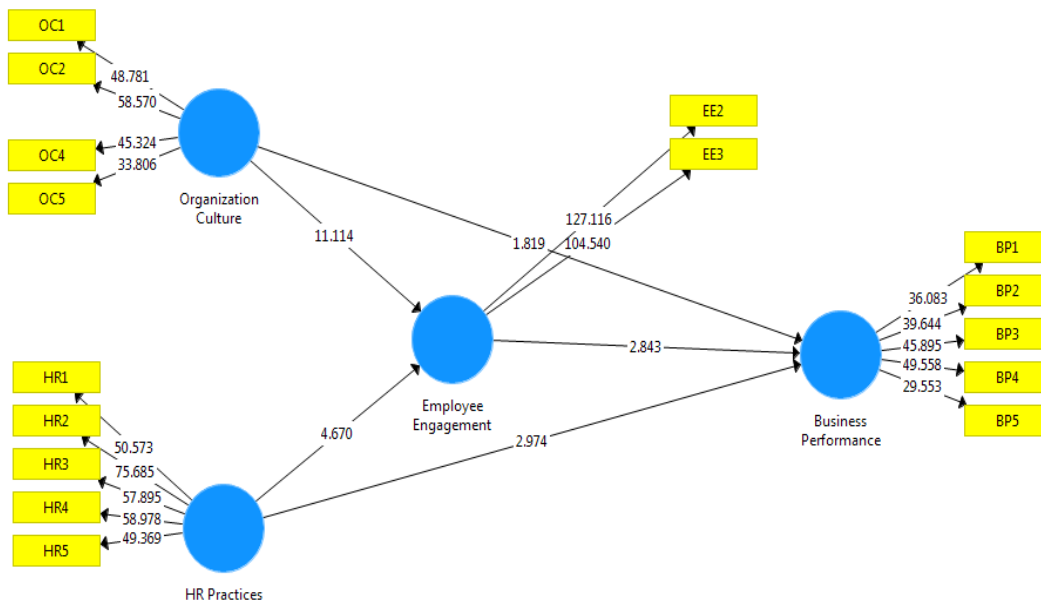


Figure 3. Structural Model Final

The results of the hypothesis testing are presented in the following Table 8 below:

Table 8. Hypotheses Testing

Direct Hypotheses		βvalue	tvalue	pvalue	Decision
H1	Organization culture -> Employee Engagement	0.593	11.114	0.000***	Support
H2	HR Practices -> Employee engagement	0.263	4.670	0.000***	Support
H3	Employee engagement-> Business performance	0.235	2.843	0.005***	Support
H4	Organization culture -> Business Performance	0.132	1.819	0.070*	Support
H5	HR Practices -> Business performance	0.294	2.974	0.003***	Support
Mediating Test					
H6	Organization culture -> employee engagement -> Business Performance	0.139	2.717	0.007***	Support
H7	HR Practices ->Employee Engagement-> Business Performance	0.062	2.420	0.016**	Support

Note: \*) Significant if P-Value < 0,05.  
 If < 0,01 = \*\*\*, If < 0,05 = \*\*, If < 0,1 = \*

Source: Results of data processing with Smart PLS (2025)

Based on Table 8, all hypotheses are accepted because the p-values for all related variables are below the provision criteria, for the first, second, third, fifth, and sixth hypotheses are the hypotheses with the highest support because they are below 0.01 (<0.01), while the seventh hypothesis gets 2 stars or the second level of support because it is below 0.05 and the fourth hypothesis is at the third level of support because it is below 0.1. However, all hypotheses show significance and a positive influence. Furthermore, the t-values are all above the standard, which is 1.967, indicating a significant influence (Hair et al., 2021).

c. **Importance Performanced**

PLS-SEM studies that draw on IPMA results offer important insights into the role of antecedent constructs and their relevance for managerial actions. The IPMA also becomes particularly useful when contrasting PLSSSEM results from a multigroup analysis (Hair et al., 2017) as several studies illustrate. However, to date, no comprehensive tutorial highlights the requirements for using the method, or offering a step-by-step introduction to its use.

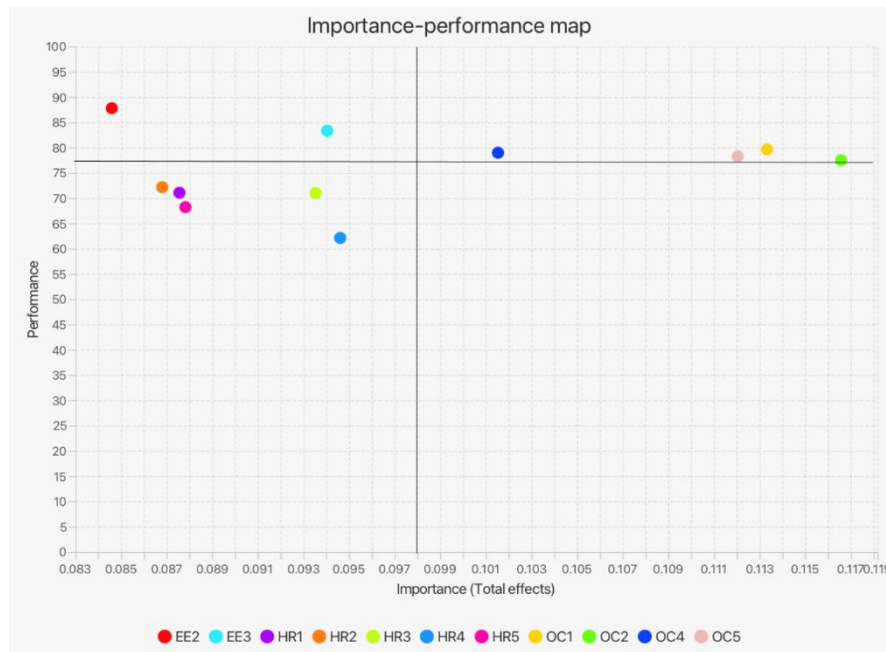


**Table 9. IPMA Construct Results per Indicator**

Indicator	MV performance	Total Effect - BP
EE2	87,81	0,09
EE3	83,33	0,09
HR1	71,08	0,09
HR2	72,18	0,09
HR3	71,01	0,09
HR4	62,13	0,10
HR5	68,22	0,09
OC1	79,64	0,11
OC2	77,50	0,12
OC4	78,99	0,10
OC5	78,27	0,11
<b>Average</b>	<b>75,47</b>	<b>0,098</b>

Source: Results of data processing with Smart PLS (2025)

The table shows the importance and performance of each indicator. What needs to be highlighted are indicators with high importance and low performance. Those that fill the requirements are OC1, OC2, OC4 and OC 5. It's evident that PT. WIKA is performing well, but there are specific areas that need improvement.



**Figure 4. IPMA Construct Processing Results Per Quadrant**

Source: Results of data processing with Smart PLS (2025)

Based on the image above, the indicators in Quadrant I (high performance & high importance) show performance values above 75.4, indicating that the company is performing well and that these aspects are important to maintain. The indicators in this quadrant are EE2 and EE3. Indicators in Quadrant II (low performance & high importance) require greater attention to improve performance, namely OC1, OC2, OC4, and OC5. Meanwhile, indicators in Quadrant III (high performance & low importance) suggest the need for reallocation of human resources

and adjustments in organizational culture so that management efforts can be directed toward more critical business performance areas, specifically HR1, HR2, HR3, HR4, and HR5.

## 5. CONCLUSION

This study investigated the influence of organizational culture and human resource management (HRM) practices on employee engagement and business performance within the Indonesian construction industry. Using a quantitative approach with SEM-PLS analysis, the findings demonstrate several key insights. First, organizational culture and HRM practices are shown to have a significant and positive impact on both employee engagement and business performance. This highlights that well-structured HRM strategies and a strong organizational culture are critical drivers of organizational success. Second, employee engagement was found to serve as an effective mediating variable. Its role reinforces the impact of organizational culture and HRM practices on business performance, thereby confirming that engagement is not only an outcome of HR policies but also a strategic mechanism that translates intangible resources into measurable performance improvements. Third, the results provide empirical evidence supporting the Resource-Based View (RBV) and the Job Demands-Resources (JD-R) model, indicating that intangible resources such as HR practices and organizational culture can be transformed into sustainable competitive advantage when effectively aligned with employee engagement. Lastly, the practical implication of this research is that construction companies in Indonesia must prioritize fostering a supportive organizational culture and enhancing HRM systems to strengthen employee engagement. Doing so will enable organizations to optimize resource allocation, improve overall performance, and ensure long-term competitiveness in an increasingly dynamic industry landscape. In conclusion, employee engagement should be regarded not merely as an HR outcome but as a pivotal strategic mediator that bridges organizational practices with superior business performance.

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