The Mediating Role of Human Resource Development in Linking Ethical Leadership and Organizational Culture to Employee Performance at Perumda Tirtanadi

Siti Khairiah Siregar, Darmilisani, Kholilul Kholik

Abstract

This study investigates how Human Resource Development (HRD) is positioned at Perumda Tirtanadi as an intervening variable in the relationship between ethical leadership and company culture and employee performance, a regional water utility provider in North Sumatra, Indonesia. The research is motivated by inconsistent employee performance particularly regarding timely task completion even though the company has implemented various HRD initiatives. A quantitative approach was adopted using Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS 3.0. The sample comprised 82 head office employees selected from a population of 429 using the Slovin formula. Data were gathered through questionnaires employing a five point Likert scale. The results show that: (1) ethical leadership significantly and favorably affects worker performance; (2) ethical leadership does not significantly influence HRD; (3) organizational culture positively and significantly affects employee performance; (4) organizational culture positively and significantly affects HRD; (5) HRD positively and significantly affects employee performance; (6) HRD does not mediate the link between ethical leadership and employee performance; and (7) HRD mediates the relationship between employee performance and organizational culture. Organizational culture appears to be the strongest driver of HRD and employee performance, whereas ethical leadership mainly contributes directly to performance. These results offer practical guidance for state-owned enterprises to strengthen organizational culture and refine HRD programs in order to improve employee performance.

***Keywords**:* Ethical Leadership, Organizational Culture, Human Resource Development, Employee Performance.

Siti Khairiah Siregar
Studi Program Magister Manejemen, Universitas Pembangunan Panca Budi, Medan.
e-mail: hesti_siregar@mahasiswa.pancabudi.ac.id

Darmilisani, kholilul Kholik
Universitas Pembangunan Panca Budi
email: darmilisani@dosen.pancabudi.ac.id , kholilulkholik@dosen.pancabudi.ac.id
2nd International Cofference on the Epicentrum of Economic Global Framework (ICEEGLOF)
Theme: Navigating The Future: Business and Social Paradigms in a Transformative Era.
https://proceeding.pancabudi.ac.id/index.php/ICEEGLOF

Introduction

Employee performance is a key determinant of whether an organization can achieve its strategic targets. In public service institutions, the performance of employees directly shapes the quality of services delivered to the community. When employees perform well, organizations are better able to provide optimal services, increase customer satisfaction, and accomplish their goals efficiently and effectively [1].

Perumda Tirtanadi is a regional water utility company in North Sumatra Province, Indonesia, tasked with managing water supply and wastewater services. Because it has a large workforce and serves many districts and cities, effective human resource management is crucial for achieving optimal performance. Earlier studies have shown that ethical leadership and corporate culture have a significant impact on how well employees perform [2], [3].

The term "ethical leadership" describes the demonstration of normatively acceptable behavior in one's own actions and connections with others, as well as the encouragement of such behavior in followers through decision-making, two-way communication, and reinforcement. [4]. Ethical leaders act as role models, build a supportive work climate, and motivate employees to perform at their best. Research by Amalia and Prasetyo [2] discovered that employee performance in public service organizations is positively and significantly impacted by ethical leadership.

Organizational culture is a system of shared values, norms, and beliefs that guide how organizational members think, feel, and act [5]. A strong and positive culture can encourage employees to become more productive, innovative, and results-oriented. Wahyuni and Santoso [3] showed that organizational culture significantly influences employee performance.

Human Resource Development (HRD) serves as a mediating variable that connects ethical leadership and organizational culture with employee performance. HRD consists of a set of activities intended to improve employee knowledge, skills, and abilities through training, education, and career development [6]. Ethical leaders and a supportive organizational culture encourage investment in HRD, which in turn strengthens employee competence and performance [7].

Although Perumda Tirtanadi has implemented comprehensive HRD programs, preliminary survey data from 2023 to 2025 indicate fluctuations in employee performance, especially in punctuality of task completion. This phenomenon suggests that HRD programs have not yet fully driven overall performance improvement. This condition is suspected to be linked to inconsistent ethical leadership in providing direction and support, as well as an organizational culture that may not sufficiently emphasize discipline and results orientation.

This study addresses gaps in prior research by simultaneously examining the impact of corporate culture and moral leadership on worker performance through HRD as a mediating variable in an integrated model, specifically within a regional water utility company. The novelty of this research lies in its comprehensive examination of both independent variables and the mediating role of HRD using the PLS-SEM approach.

This study's goals are to: (1) examine how ethical leadership affects worker performance; (2) to analyze the effect of ethical leadership on HRD; (3) to analyze the effect of organizational culture on employee performance; (4) to examine how corporate culture affects HRD; (5) to examine how HRD affects worker performance; (6) to analyze the mediating role of HRD in the relationship between ethical leadership and employee performance; and (7) to analyze the mediating role of HRD explores the connection between worker performance and company culture.

Literature Review

2.1 Employee Performance

The term "employee performance" describes the results that people attain when performing duties and obligations in accordance with their skills, background, commitment, and free time. Performance reflects the quality and quantity of output produced by employees in accordance with organizational standards [8]. Employee performance is a fundamental benchmark for organizational progress toward established goals. Mangkunegara [1] identified six indicators for measuring employee performance: work quantity, work quality, punctuality, effectiveness in using resources, independence, and teamwork.

2.2 Ethical Leadership

Ethical leadership is normatively acceptable behavior is demonstrated by one's own actions and interpersonal interactions, and it is encouraged in followers through decision-making, two-way communication, and reinforcement [4]. The two primary elements of ethical leadership are "moral person" and "moral manager." As a moral person, an ethical leader shows good character and traits such as honesty, integrity, and concern for others. As a moral manager, an ethical leader uses power and influence to promote ethical behavior in the organization through role modeling, communication about ethics, and reward and punishment systems that reinforce ethical conduct [4].

Indicators of ethical leadership based on Yukl [4] include integrity, honesty, fairness in decision-making, being a role model, concern for subordinates, open communication, accountability, and consistency between words and actions.

2.3 Organizational Culture

Members of an organization share a set of values, customs, fundamental presumptions, and beliefs that influence their thoughts, emotions, and behaviors. This system is known as organizational culture. [5]. Organizational culture functions as a social glue that unites members by providing appropriate standards regarding what should be said and done by employees.

Robbins and Judge [5] identified seven indicators forming organizational culture: innovation and risk-taking, attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, and stability. A strong culture provides clear signals to employees about expectations, facilitating behavior direction and performance improvement.

2.4 Human Resource Development

Human Resource Development (HRD) is a series of activities designed to improve employee knowledge, skills, and abilities through training, education, and career development programs. HRD aims to enhance competency, productivity, discipline, attitude, and work ethic at particular skill and knowledge levels in accordance with job requirements or position [6].

2.5 Hypothesis Development

The Effect of Ethical Leadership on Employee Performance: Ethical leadership positively and significantly affects employee performance. Leaders who demonstrate integrity, fairness, and concern for subordinates create a work environment that supports performance improvement. Employees led by ethical leaders tend to have higher trust in superiors, stronger organizational commitment, and greater intrinsic motivation to deliver their best performance [4].

The Effect of Ethical Leadership on HRD: Ethical leadership positively affects HRD within organizations. Ethical leaders recognize the importance of investing in employee development as a form of moral responsibility toward subordinates and the organization. They encourage, support, and provide fair opportunities for all employees to develop their competencies [2].

The Effect of Organizational Culture on Employee Performance: Organizational culture positively affects employee performance both directly and through mediating variables. Cultures emphasizing outcome orientation, innovation, and teamwork encourage employees to work more effectively and efficiently [5].

The Effect of Organizational Culture on HRD: Strong organizational culture oriented toward learning encourages more effective HRD program implementation. Organizations with cultures valuing self-development, innovation, and competency improvement tend to be more active in organizing training and education programs for employees [3].

The Effect of HRD on Employee Performance: HRD positively affects employee performance both directly and as a mediator between ethical leadership/organizational culture and performance. When employees receive proper training and smooth career development, performance will improve [7], [9].

The Mediating Role of HRD: HRD mediates the relationship between ethical leadership and organizational culture with employee performance. Good ethical leadership and conducive organizational culture encourage effective HRD program implementation, which in turn enhances employee competence and performance [10].

Based on the literature review, the following hypotheses are proposed:

a. H1: Ethical leadership positively affects employee performance
b. H2: Ethical leadership positively affects HRD
c. H3: Organizational culture positively affects employee performance
d. H4: Organizational culture positively affects HRD
e. H5: HRD positively affects employee performance
f. H6: HRD mediates the relationship between ethical leadership and employee performance
g. H7: HRD mediates the relationship between organizational culture and employee performance

Research Methodology

This study uses a quantitative research approach based on positivism philosophy. It is used to investigate certain populations or samples; sampling methods are often carried out at random, data is gathered using research tools, and quantitative/statistical data analysis is used to evaluate predetermined hypotheses [11]. Because this study intends to investigate the impact of corporate culture and ethical leadership on employee performance using HRD as a mediating variable, the quantitative technique was selected.The research was conducted at Perumda Tirtanadi Head Office, located at Jalan Sisingamangaraja No. 1 Medan, North Sumatra, Indonesia. The research period was three months, from April to July 2026.

The population consists of all 429 head office employees. Given the relatively large population, the sample size was determined using the Slovin formula. Thus, the sample consists of 82 head office employees.

Results

Eighty two Perumda Tirtanadi head office personnel participated in this survey as respondents. Questionnaires were distributed directly to employees who met the sample criteria. All collected questionnaires were declared suitable for analysis because there were no missing values. Convergent validity was measured by examining each indicator's outer loading value in relation to its build. If an indicator's outer loading value is greater than 0.70, it is considered valid.

Tabel 1 Convergent Validity Test Results

Construct	Indicator	Outer Loading	Status
Ethical Leadership	X1.1	0,766	Valid

Construct	Indicator	Outer Loading	Status
(X1)			
	X1.2	0,744	Valid
	X1.3	0,810	Valid
	X1.4	0,760	Valid
	X1.5	0,787	Valid
	X1.6	0,700	Valid
	X1.7	0,725	Valid
	X1.8	0,892	Valid
Organizational Culture (X2)	X2.1	0,853	Valid
	X2.2	0,630	Cukup Valid
	X2.3	0,769	Valid
	X2.4	0,740	Valid
	X2.5	0,741	Valid
	X2.6	0,718	Valid
	X2.7	0,853	Valid
HRD (Z)	Z1	0,749	Valid
	Z2	0,801	Valid
	Z3	0,758	Valid
	Z4	0,735	Valid
	Z5	0,733	Valid
	Z6	0,771	Valid
	Z7	0,730	Valid

Construct	Indicator	Outer Loading	Status
	Z8	0,694	Cukup Valid
Employee Performance (Y)	Y1	0,805	Valid
	Y2	0,715	Valid
	Y3	0,745	Valid
	Y4	0,699	Cukup Valid
	Y5	0,778	Valid
	Y6	0,728	Valid

Based on Table 1, most indicators have outer loading values above 0.70. Some indicators such as X2.2 (0.630), Z8 (0.694), and Y4 (0.699) have values below 0.70 but still above 0.60. According to Hair et al. [12], for exploratory research, outer loading values between 0.60 and 0.70 are still acceptable. Therefore, all indicators are declared suitable for further analysis.

Conclusion

The results show that ethical leadership has a positive and significant effect on employee performance (β = 0.380; t = 5.228; p = 0.000). This means that the better the implementation of ethical leadership at Perumda Tirtanadi, the higher the employee performance. Leaders with integrity, fairness, and concern for subordinates can encourage employees to work better. This finding supports research by Amalia and Prasetyo [2] and Darmilisani [10].

The results show that ethical leadership does not significantly affect HRD (β = 0.221; t = 1.704; p = 0.089). This indicates that HRD programs at Perumda Tirtanadi are not entirely determined by ethical leadership style. Other factors such as organizational policies, budget, and organizational culture are suspected to be more dominant in driving HRD.

Organizational culture has a positive and significant effect on employee performance (β = 0.327; t = 4.595; p = 0.000). A strong organizational culture, especially one oriented toward results, innovation, and teamwork, can improve employee performance. This finding is consistent with research by Wahyuni and Santoso [3] and Robbins and Judge [5].

Organizational culture has a positive and significant effect on HRD (β = 0.610; t = 5.477; p = 0.000). Organizations that value learning, innovation, and competency development will be more active in organizing training and education programs for employees. This finding supports research by Wahyuni and Santoso [3].

HRD has a positive and significant effect on employee performance (β = 0.324; t = 4.002; p = 0.000). Structured training, certification, and career development programs can improve employee competence and performance. This finding is consistent with research by Fadhilah Putri et al. [7] and Sugiono and Alamsah [9].

The results show that HRD does not mediate the relationship between ethical leadership and employee performance (β = 0.0716; t = 1.466; p = 0.143). This means that ethical leadership is more dominant in providing direct effects on employee performance compared to through

HRD. This finding does not support research by Siregar and Nasution [13] and Darmilisani [10].

1. Ethical leadership has a positive and significant effect on employee performance at Perumda Tirtanadi.
2. Ethical leadership does not significantly affect HRD at Perumda Tirtanadi.
3. Organizational culture has a positive and significant effect on employee performance at Perumda Tirtanadi.
4. Organizational culture has a positive and significant effect on HRD at Perumda Tirtanadi.
5. HRD has a positive and significant effect on employee performance at Perumda Tirtanadi.
6. HRD does not mediate the relationship between ethical leadership and employee performance at Perumda Tirtanadi.
7. HRD mediates the relationship between organizational culture and employee performance at Perumda Tirtanadi.

5.1 Implications

In theory, this research advances the body of knowledge regarding human resource management. by demonstrating that organizational culture is the dominant factor in enhancing HRD and employee performance, while ethical leadership primarily exerts direct effects on employee performance. Practically, the findings suggest that Perumda Tirtanadi should: (1) strengthen organizational culture oriented toward results, innovation, and teamwork; (2) improve ethical leadership quality at all managerial levels; (3) optimize HRD programs by considering material relevance, facilitator quality, and management support; and (4) evaluate HRD policies to be more responsive to employee needs.

5.2 Limitations and Future Research

This study has several limitations. First, the sample was limited to head office employees, so generalization to branch offices requires caution. Second, this study only examined two independent variables; future research could add other variables such as work motivation, organizational commitment, or job satisfaction as mediators. Third, future research could use covariance-based SEM to compare results and complement the SmartPLS output with R Square, f Square, and Q Square values.

References

[1] A. A. A. P. Mangkunegara, *Manajemen Sumber Daya Manusia Perusahaan*, Edisi ke-14. Bandung: Remaja Rosdakarya, 2024.

[2] R. Amalia and H. Prasetyo, "Pengaruh Kepemimpinan Etis terhadap Kinerja Pegawai pada Organisasi Pelayanan Publik," *Jurnal Manajemen dan Organisasi*, vol. 15, no. 2, pp. 78-95, 2024.

[3] S. Wahyuni and B. Santoso, "Budaya Organisasi dan Pengaruhnya terhadap Kinerja Pegawai pada BUMD," *Jurnal Ekonomi dan Bisnis*, vol. 27, no. 2, pp. 89-107, 2024.

[4] G. Yukl, *Leadership in Organizations*, 9th ed. Pearson Education, 2024.

[5] S. P. Robbins and T. A. Judge, *Organizational Behavior*, 18th ed. Pearson Education, 2024.

[6] Kaswan, *Pengembangan Sumber Daya Manusia: Dari Konsepsi, Paradigma dan Fungsi Hingga Aplikasi*. Bandung: Alfabeta, 2024.

[7] S. Fadhilah Putri, D. Darmilisani, and I. Malikhah, "Pengaruh Pengembangan dan Pelatihan Sumber Daya Manusia Terhadap Kinerja Pegawai Dinas PMPTSP Kabupaten

Deli Serdang dengan Sharing Session Sebagai Variabel Intervening," *Jurnal Noken: Ilmu-Ilmu Sosial*, vol. 10, no. 1, pp. 78-92, 2024. doi: 10.33506/jn.v10i1.3345.

[8] T. Tarwijo and S. Mawardi, "Analisis Kinerja Pegawai yang Dipengaruhi oleh Kompensasi dan Disiplin Kerja," *Jurnal Disrupsi Bisnis*, vol. 8, no. 1, pp. 53-60, 2025.

[9] E. Sugiono and Alamsah, "Analisis Pengaruh Kompensasi, Pelatihan Kerja dan Lingkungan Kerja terhadap Kinerja Karyawan dengan Motivasi Pegawai sebagai Variabel Intervening pada Kementerian Investasi/BKPM," *Edunomika*, vol. 9, no. 1, pp. 1-15, 2025.

[10] Darmilisani, "Peran Job Crafting Capability dan Keterikatan Kerja sebagai Pemediasi pada Dukungan Organisasi dan Kepemimpinan Etis terhadap Kesejahteraan Karyawan Perusahaan Perkebunan Swasta di Sumatera Utara," Disertasi, Universitas Sumatera Utara, 2025. https://repositori.usu.ac.id/handle/123456789/105720.

[11] Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta, 2022.

[12] J. F. Hair, G. T. M. Hult, C. M. Ringle, and M. Sarstedt, *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*, 3rd ed. Thousand Oaks: Sage Publications, 2021.

[13] R. Siregar and Nasution, "Pengaruh Kepemimpinan Etis dan Budaya Organisasi terhadap Kinerja Pegawai melalui Pengembangan SDM," *Jurnal Manajemen*, vol. 12, no. 3, pp. 178-195, 2024.

[14] Tambunan, Debi Indriyani. (2026). *Pengaruh Pengembangan Karir Dan Budaya Organisasi Terhadap Kepuasan Kerja Karyawan Di PT Media Antar Nusa Medan*. Skripsi. Program Studi Manajemen. Fakultas Sosial Sains. Universitas Pembangunan Panca Budi.

[15] Bangun, W. (2024). Manajemen Sumber Daya Manusia. Erlangga.

[16] Bangun, Dedy Evandry. (2026). Pengaruh Lingkungan Kerja Terhadap Peningkatan Kinerja Pegawai Dengan Motivasi Sebagai Variabel Intervening Di PT PLN (Persero) ULP Helvetia. Proceeding. International Conference on The Epicentrum of Economic Global Framework (ICEEGLOF). Universitas Pembangunan Panca Budi. https://proceeding.pancabudi.ac.id/index.php/ICEEGLOF/authorDashboard/submission/1724