

Building Sustainable Performance of State-Owned Enterprise Employees through Corporate Governance

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Abstract

This study aims to analyze the effect of the implementation of Good Corporate Governance and safety culture on employee performance with job satisfaction as an intervening variable at PT PLN UP3 Lubuk Pakam. This research employs a quantitative approach using a survey method, with a total sample of 101 employees. The sampling technique used was census sampling. Data were analyzed using Structural Equation Modeling based on Partial Least Square (SEM-PLS). The results show that the implementation of Good Corporate Governance and safety culture have a positive and significant effect on job satisfaction. Furthermore, Good Corporate Governance and safety culture also have a positive and significant effect on employee performance. Job satisfaction has a positive and significant effect on employee performance and is able to mediate the effect of Good Corporate Governance and safety culture on employee performance. Therefore, job satisfaction plays an important intervening role in improving employee performance. The findings of this study are expected to provide practical insights for management in enhancing employee performance through strengthening corporate governance and safety culture.

Keywords: Good Corporate Governance, Safety Culture, Job Satisfaction, Employee Performance

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Introduction

Facing the era of globalization, technological advancement, and societal demands for quality services, organizations are not only required to achieve financial targets but also must pay attention to aspects of governance, work safety, and employee welfare as key factors in improving sustainable performance. In facing complex challenges, such as increasing energy needs, high operational risks, and demands to maintain organizational integrity and transparency. The implementation of Good Corporate Governance (GCG) and building a strong work safety culture becomes crucial to support improving employee performance across operational units. Good Corporate Governance (GCG) is a corporate management system that ensures a balance between the interests of management, shareholders, and other stakeholders. The main principles of GCG include transparency, accountability, responsibility, independency, and fairness. The implementation of these principles can increase organizational effectiveness, strengthen public trust, and encourage a professional and ethical work culture. Good implementation of GCG is believed to strengthen internal control systems, reduce authority abuse, and create a healthy work climate, thereby improving employee performance. The factor of work safety culture (safety culture) plays an equally important role, especially in companies operating in the energy and electricity sectors which have high potential risks to employee safety. Work safety culture is the values, attitudes, and behaviors consistently applied by all employees in maintaining personal safety and the work environment. The implementation of a good safety culture will shape employee awareness of the importance of safety in every operational activity. This aligns with the commitment to achieve "Zero Accident" as part of the Occupational Health and Safety (K3) program. The implementation of GCG and work safety culture will not yield optimal results without the presence of job satisfaction felt by employees. Job satisfaction is one of the psychological factors reflecting employees' positive feelings towards their work. Employees who feel satisfied with the work environment, reward systems, and relationships with colleagues and supervisors tend to have high motivation and loyalty to the organization. Job satisfaction can act as an intervening variable that strengthens the influence between the implementation of GCG and safety culture on improving employee performance. Employees who work in a transparent, fair, and safe system will be more motivated to deliver their best work results when they feel valued and satisfied with the work they do. Employee performance itself is the primary indicator of organizational success. According to Mangkunegara (2017), performance is the work results both in terms of quality and quantity achieved by a person in carrying out tasks according to the assigned responsibilities. High employee performance is reflected through customer service effectiveness, distribution system reliability, and the ability to resolve network disturbances quickly and safely. Therefore, improving employee performance through effective GCG implementation, the formation of a work safety culture, and increasing job satisfaction becomes an important strategy in strengthening organizational competitiveness. In reality, there are still challenges in the field faced by PT PLN UP3 Lubuk Pakam, such as uneven compliance with GCG procedures across all lines, awareness of the importance of work safety that still needs to be improved, and varied levels of employee job satisfaction due to differences in workload and reward systems. These problems can impact decreased work morale, low operational effectiveness, and inconsistency in achieving performance targets.

Problem Formulation

1. Does the implementation of Good Corporate Governance have a positive and significant effect on Employee Performance at PT PLN UP3 Lubuk Pakam?
2. Does work safety culture have a positive and significant effect on Employee Performance at PT PLN UP3 Lubuk Pakam?
3. Does the implementation of Good Corporate Governance have a positive and significant effect on employee Job Satisfaction at PT PLN UP3 Lubuk Pakam?

4. Does work safety culture have a positive and significant effect on employee Job Satisfaction at PT PLN UP3 Lubuk Pakam?
5. Does Job Satisfaction have a positive and significant effect on Employee Performance at PT PLN UP3 Lubuk Pakam?
6. Does the implementation of Good Corporate Governance have a positive and significant effect on Employee Performance through Job Satisfaction at PT PLN UP3 Lubuk Pakam?
7. Does work safety culture have a positive and significant effect on Employee Performance through Job Satisfaction at PT PLN UP3 Lubuk Pakam?

Research Objectives

1. To test and analyze the effect of the implementation of Good Corporate Governance on Employee Performance at PT PLN UP3 Lubuk Pakam.
2. To test and analyze the effect of work safety culture on Employee Performance at PT PLN UP3 Lubuk Pakam.
3. To test and analyze the effect of the implementation of Good Corporate Governance on Job Satisfaction at PT PLN UP3 Lubuk Pakam.
4. To test and analyze the effect of work safety culture on employee Job Satisfaction at PT PLN UP3 Lubuk Pakam.
5. To test and analyze the effect of Job Satisfaction on Employee Performance at PT PLN UP3 Lubuk Pakam.
6. To test and analyze the effect of the implementation of Good Corporate Governance on Employee Performance through Job Satisfaction at PT PLN UP3 Lubuk Pakam.
7. To test and analyze the effect of work safety culture on Employee Performance through Job Satisfaction at PT PLN UP3 Lubuk Pakam.
8. Untuk menguji dan menganalisis pengaruh Safety Culture kerja terhadap Employee Performance melalui Job Satisfaction di PT PLN UP3 Lubuk Pakam.

Literature Review Employee Performance

According to Kasmir (2016) performance is the work results and work behavior that contribute to the achievement of organizational goals within a certain timeframe. According to Mangkunegara (2017) performance is the results of work in terms of quality and quantity achieved by a person in carrying out tasks according to their responsibilities within a specific period.

Employee Performance Indicators

According to Mangkunegara (2017) performance indicators include:

- a. Quality of output.
- b. Productivity/volume.
- c. Timeliness.
- d. Efficiency (resource utilization).
- e. Compliance.
- f. Initiative and innovation (problem solving / improvement). Empirical sources often use a combination of quantitative indicators and behavioral assessments to measure performance.

Factors Affecting Employee Performance

- a. Safety culture / K3: A safe work environment reduces disruptions and injuries, thereby increasing productivity.
- b. Job satisfaction & motivation: Satisfaction and motivation are strong determinants of work behavior, initiative, and endurance in facing workloads.

- c. Competence & training: Employee skills and competencies (including K3 training) positively correlate with the quality of work results.
- d. Work environment & resources: Facilities, work tools, and technological support influence task execution efficiency.
- e. Leadership & supervision: Supportive leadership styles impact subordinates' motivation and performance.

Good Corporate Governance (GCG)

According to Tadjudin, Anwar & Hadijah (2016) the implementation of GCG includes five main principles: transparency, accountability, responsibility, independency, and fairness, which together encourage managerial effectiveness and increased public trust. According to Effendi (2016) Good Corporate Governance is a system designed to direct and control companies so that company goals can be achieved and a balance is created between the interests of shareholders and other stakeholders.

GCG Indicators

According to Effendi (2016) GCG indicators are as follows:

- a. Transparency (availability of relevant and accessible information).
- b. Accountability (clear division of tasks and responsibilities).
- c. Responsibility (compliance with regulations and ethics).
- d. Independency (oversight mechanisms free from conflicts of interest).
- e. Fairness (fair treatment of all stakeholders). (These indicators are commonly used as operational variables in GCG studies.)

Safety Culture

According to Grote (2018) and subsequent review studies emphasize that safety culture encompasses management decisions, safety leadership, risk communication, incident reporting, and organizational learning from hazardous events. According to Prasetyo & Budiarti (2016) safety culture is the values, attitudes, perceptions, competencies, and behavior patterns of individuals and groups that determine the organization's commitment to work safety and health (K3).

Safety Culture Indicators

According to Prasetyo & Budiarti (2016) Safety Culture indicators are:

- a. Management commitment.
- b. Safety leadership.
- c. Employee involvement.
- d. Reporting & learning.
- e. Safety compliance.
- f. Safety training, (These indicators are often used in research on safety culture and its relationship with performance/incidents).

Job Satisfaction

According to Sutrisno (2019) job satisfaction is the pleasant or unpleasant feeling towards work that arises from an assessment of working conditions, rewards, relationships with coworkers, and physical/psychological aspects of the job. According to Emron et al. (2016) job satisfaction as a person's general attitude towards their work, affective and cognitive evaluation of work experience.

Job Satisfaction Indicators

According to Sutrisno (2019) Job Satisfaction indicators are as follows:

- a. Satisfaction with compensation/salary.

- b. Satisfaction with work conditions and environment.
- c. Satisfaction with relationships with supervisors and coworkers.
- d. Satisfaction with career development opportunities.
- e. Satisfaction with workload and job content. (These indicators are consistent with much research on job satisfaction.)

Conceptual Framework

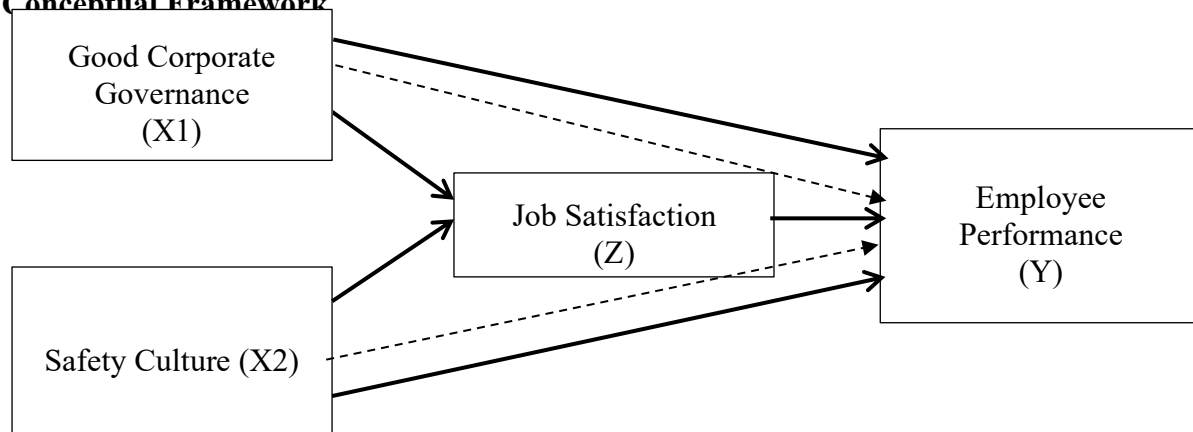


Figure 1. Conceptual Framework

Research Hypotheses

- H1 The implementation of Good Corporate Governance has a positive effect on Employee Performance at PT PLN UP3 Lubuk Pakam.
- H2 Safety culture has a positive effect on Employee Performance at PT PLN UP3 Lubuk Pakam.
- H3 The implementation of Good Corporate Governance has a positive effect on employee Job Satisfaction at PT PLN UP3 Lubuk Pakam.
- H4 Safety culture has a positive effect on employee Job Satisfaction at PT PLN UP3 Lubuk Pakam.
- H5 Job satisfaction has a positive effect on Employee Performance at PT PLN UP3 Lubuk Pakam.
- H6 The implementation of Good Corporate Governance has a positive effect on Employee Performance through Job Satisfaction at PT PLN UP3 Lubuk Pakam.
- H7 Safety culture has a positive effect on Employee Performance through Job Satisfaction at PT PLN UP3 Lubuk Pakam.

Research Type

According to Sugiyono (2018), quantitative research is suitable for measuring relationships between variables using numerical data analyzed statistically. The analysis of relationships between variables in this study will be conducted using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) with the help of SmartPLS 3 software. According to Hair et al. (2019), PLS-SEM is suitable for research with small to medium samples, complex research models, and data that is not always normally distributed.

Population and Sample

According to Sekaran & Bougie (2016), a population is the entire set of individuals or units that have relevant information for the research. The population size is 101 employees. According to Sugiyono (2018), a sample is a part or representative of the population's size and characteristics. The sampling technique used was census sampling, meaning the entire

population was used as the research sample. The number of samples in this research is 101 employees.

Research Time and Location Research Location

This research was conducted at PT PLN UP3 Lubuk Pakam, North Sumatera, Deli Serdang Government Area, Jl. Medan - Tebing Tinggi, Perbarakan, Pagar Merbau Sub-district, Deli Serdang Regency, North Sumatera 20551.

Research Time

This research was conducted from November to December 2025. The research period covers the preparation stage, data collection through questionnaires and interviews, to data processing and analysis using SmartPLS 3.3.3.

Data Collection Method

According to Sugiyono (2018), a questionnaire is an efficient data collection technique for quantitative research because it can reach many respondents and produce data that is easy to analyze statistically. The questionnaire was arranged based on the operational indicators of each variable using a Likert scale of 1–5 (1 = strongly disagree, 5 = strongly agree).

Research Data Sources

The data sources for this research are divided into primary data and secondary data, to obtain complete and accurate information related to the research variables:

1. Primary Data
2. Secondary Data

Data Analysis Method

Data analysis in this research was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS version 3.0 software. PLS-SEM was chosen because it can analyze complex models with latent variables and their indicators, and can be used for relatively small samples and data that does not have to be normally distributed. This method allows researchers to test relationships between variables simultaneously, both direct and indirect effects, thus fitting the objective of this research which is to determine the effect of variable X on variable Y.

Data analysis is conducted through two main stages: outer model (measurement model) analysis and inner model (structural model) analysis.

1. Outer Model (Measurement Model) Analysis

This stage aims to test the validity and reliability of the indicators used to measure the latent variables. For the reflective model, convergent validity is measured using loading factor, where an indicator is considered valid if it has a value ≥ 0.70 . Furthermore, reliability is tested with Composite Reliability (CR), with an ideal value ≥ 0.70 , and Average Variance Extracted (AVE), with a minimum value of 0.50. To ensure each variable is distinct from one another, discriminant validity testing is conducted using the Fornell-Larcker method and HeterotraitMonotrait Ratio (HTMT).

If the model uses formative indicators, testing is done by checking the t-value of each indicator through bootstrapping and ensuring no multicollinearity between indicators by checking the Variance Inflation Factor (VIF) value, where a VIF value < 5 is considered safe.

2. Inner Model (Structural Model) Analysis

This stage aims to test the relationships between latent variables, both directly and indirectly. The relationships between variables are measured with path coefficient (β), which indicates the strength and direction of the influence of exogenous variables on endogenous variables.

Path significance is tested using bootstrapping with 5,000 resampling samples. A path is considered significant if the t-value ≥ 1.96 and $p < 0.05$. Furthermore, the model's strength is measured with R^2 (Coefficient of Determination), which shows the predictive ability of the endogenous variable; f^2 (Effect Size) to measure the influence of exogenous variables on the endogenous variable; and Q^2 (Predictive Relevance) to assess the model's predictive relevance. A higher R^2 value indicates a model has better predictive ability, while a $Q^2 > 0$ indicates the model has predictive relevance.

3. Analysis Procedure in SmartPLS

Practically, data analysis is carried out with the following steps: first, building the model by entering latent variables and their indicators, then determining the type of measurement model (reflective or formative) according to theory. Next, the PLS algorithm calculation is performed to obtain loading factor values, CR, AVE, and path coefficient. After that, bootstrapping is conducted to test path significance and measure model strength through R^2 , f^2 , and Q^2 . The analysis results are then interpreted to assess whether the research hypotheses are accepted or rejected. **Results and Discussion**

Outer Model Analysis

The detailed relationship between latent variables and manifest variables can be known using measurement model testing, also known as outer model testing. This test has reliability, discriminant validity, and convergent validity.

Convergent Validity

The loading factor shows this test, the threshold value of Average Variance Extracted (AVE) is set at 0.5; values above this indicate validity. This indicates that if the indicator value > 0.7 is able to explain the construct variable, then the indicator value is considered valid. The research structural model is depicted in the following figure:

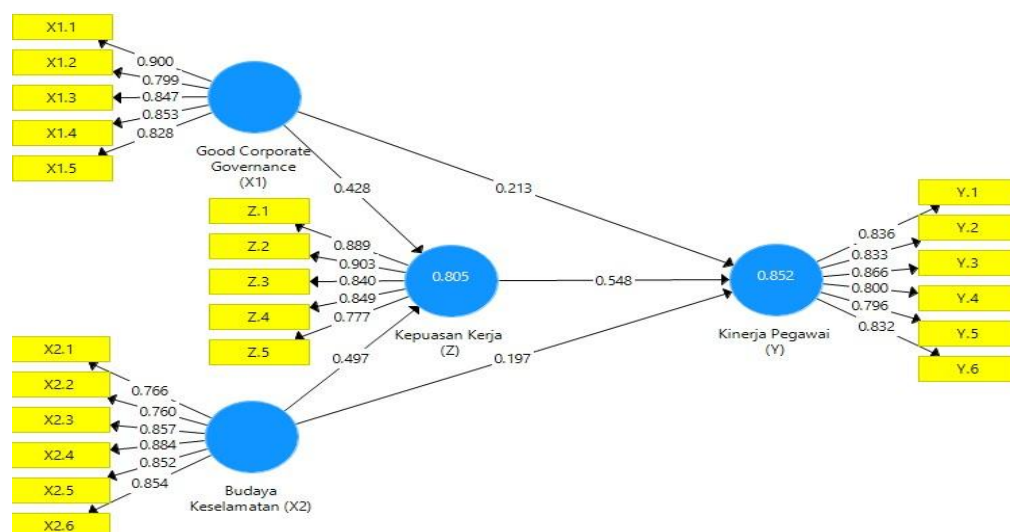


Figure 2. Outer Model

Source: Smart PLS 3.3.3.

Smart PLS output for loading factor provides the results in the following table: Outer Loadings In this research, there are equations and the equation consists of two substructures for substructure 1

$$Z = b_1X + b_2X_2 + e_1$$

$$Z = 0,428 + 0,497 e_1$$

For substructure 2

$$Y = b_2X_1 + b_3X_2 + b_4Z + e_2$$

$$Y = 0,213 + 0,197 + 0,548 + e_2$$

Table 1. Outer Loadings/Cross Loading

	Safety Culture (X2)	Good Corporate Governance_(X1)	Job Satisfaction _(Z)	Employee Performance _(Y)
X1.1		0,900		
X1.2		0,799		
X1.3		0,847		
X1.4		0,853		
X1.5		0,828		
X2.1	0,766			
X2.2	0,760			
X2.3	0,857			
X2.4	0,884			
X2.5	0,852			
X2.6	0,854			
Y.1				0,836
Y.2				0,833
Y.3				0,866
Y.4				0,800
Y.5				0,796
Y.6				0,832
Z.1			0,889	
Z.2			0,903	
Z.3			0,840	
Z.4			0,849	
Z.5			0,777	

Source: Smart PLS 3.3.3

Based on Table 1, all indicators for the variables Good Corporate Governance, Safety Culture, Job Satisfaction, and Employee Performance have outer loading values above 0.70, thus declared valid in measuring their respective constructs. The highest outer loading value for Good Corporate Governance is on indicator X1.1 at 0.900. The Safety Culture variable shows strong indicator contribution with the highest outer loading on X2.4 at 0.884. For the Job Satisfaction variable, indicator Z.2 has the highest value at 0.903, while for Employee

Performance the highest outer loading is on Y.3 at 0.866. Therefore, all indicators are suitable for further analysis.

Discriminant Validity

To ensure the results of indicators that correlate strongly with their construct, more research will use discriminant validity to determine data validity. Specifically, its purpose is to ensure whether the cross-loading value is greater than other latent variables. The cross-loading findings from the validity test are displayed in the following table:

Table 2. Discriminant Validity

	Safety Culture (X2)	Good Corporate Governance_(X1)	Job Satisfaction _(Z)	Employee Performance _(Y)
X1.1	0,822	0,900	0,789	0,761
X1.2	0,684	0,799	0,774	0,789
X1.3	0,710	0,847	0,695	0,725
X1.4	0,724	0,853	0,673	0,663
X1.5	0,791	0,828	0,718	0,697
X2.1	0,766	0,698	0,642	0,707
X2.2	0,760	0,624	0,684	0,702
X2.3	0,857	0,744	0,733	0,684
X2.4	0,884	0,796	0,777	0,722
X2.5	0,852	0,794	0,722	0,770
X2.6	0,854	0,735	0,789	0,723
Y.1	0,664	0,658	0,767	0,836
Y.2	0,733	0,705	0,740	0,833
Y.3	0,729	0,733	0,772	0,866
Y.4	0,731	0,731	0,741	0,800
Y.5	0,718	0,745	0,769	0,796
Y.6	0,719	0,708	0,704	0,832
Z.1	0,828	0,788	0,889	0,779
Z.2	0,756	0,773	0,903	0,820
Z.3	0,699	0,719	0,840	0,737
Z.4	0,788	0,750	0,849	0,742
Z.5	0,648	0,658	0,777	0,784

Source: Smart PLS 3.3.3

Based on Table 2, the discriminant validity results show that each indicator has the highest loading value on the construct it measures compared to other constructs. This is evident in the indicators of Good Corporate Governance, Safety Culture, Job Satisfaction, and Employee Performance, all of which show dominant values on their original variables. Thus, it can be concluded that all constructs in the research model have met the discriminant validity criteria, so there is no measurement overlap between variables and the model is suitable for further analysis.

Composite reliability

Each variable in the research, composite reliability is compared to its reliability value; if the variable value is higher than 0.60 then the research is considered reliable; if between 0.60 and 0.7, then it is not. The table below shows the various blocks used to assess the validity and reliability of the research, including AVE value, composite reliability, and Cronbach's Alpha value:

Table 3.Construct Reliability and Validity

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Safety Culture (X2)	0,909	0,930	0,690
Good Corporate Governance_(X1)	0,900	0,926	0,716
Job Satisfaction _(Z)	0,905	0,930	0,727
Employee Performance _(Y)	0,908	0,929	0,685

Source: Smart PLS 3.3.3

Based on Table 3, all research variables have Cronbach's Alpha and composite reliability values above 0.70, thus declared reliable. Furthermore, the AVE value for each variable is greater than 0.50, which indicates that all constructs have met convergent validity. Therefore, the variables Safety Culture, Good Corporate Governance, Job Satisfaction, and Employee Performance are suitable for use in further analysis.

Inner Model Analysis

To ensure the fundamental model developed is reliable and accurate, the structural model, or inner model, is evaluated. A number of markers, including the following, indicate the stages of examination conducted during the main model assessment:

Coefficient of Determination (R²)

Based on data processing that has been done using the SmartPLS 3.0 program, the following R Square values were obtained:

Table 4. R Square Results

	R Square	Adjusted R Square
Job Satisfaction _(Z)	0,805	0,801
Employee Performance _(Y)	0,852	0,847

Source: Smart PLS 3.3.3

Based on Table 4, the R Square value for Job Satisfaction (Z) of 0.805 indicates that the independent variables in the model are able to explain 80.5% of the variation in Job Satisfaction, while the remaining 19.5% is influenced by other factors outside the model. The Adjusted R Square value of 0.801 confirms that the model has strong explanatory power. Meanwhile, the R Square for Employee Performance (Y) of 0.852 indicates that the variables in the model are able to explain 85.2% of the variation in Employee Performance, with an Adjusted R Square of 0.847, which indicates that the research model is very strong.

Hypothesis Testing

As suggested by this review, the next step is to evaluate the relationship between the idle build after evaluating the inner model. To test the speculation in this review, T-Statistics and PValues are examined. It is declared open if P-Values are less than 0.05 and T-Insights values are greater than 1.96. The following are the direct effects of the Path Coefficients:

Table 5.Path Coefficients (Direct Effects)

	Original Sample (O)	T Statistics (O/STDEV)	P Values	Results
Safety Culture (X2) -> Job Satisfaction _(Z)	0,497	5,591	0,000	Accepted
Safety Culture (X2) -> Employee Performance _(Y)	0,197	2,012	0,022	Accepted
Good Corporate Governance_(X1) -> Job Satisfaction _(Z)	0,428	4,834	0,000	Accepted
Good Corporate Governance_(X1) -> Employee Performance _(Y)	0,213	2,349	0,010	Accepted
Job Satisfaction _(Z) -> Employee Performance _(Y)	0,548	6,399	0,000	Accepted

Source: Smart PLS 3.3.3

1. Effect of Safety Culture on Job Satisfaction

The test results show that Safety Culture has a positive and significant effect on Job Satisfaction, with a coefficient value of 0.497 and p-value 0.000. This means that the better the safety culture applied, the more employee job satisfaction will increase.

2. Pengaruh Safety Culture terhadap Employee Performance

Safety Culture is proven to have a positive and significant effect on Employee Performance, indicated by a coefficient of 0.197 and p-value 0.022. This indicates that the implementation of a good safety culture is able to improve employee performance.

3. Effect of Good Corporate Governance on Job Satisfaction

Good Corporate Governance has a positive and significant effect on Job Satisfaction, with a coefficient value of 0.428 and p-value 0.000. Thus, the implementation of good corporate governance can increase employee job satisfaction.

4. Effect of Good Corporate Governance on Employee Performance

Good Corporate Governance is proven to have a positive and significant effect on Employee Performance, with a coefficient of 0.213 and p-value 0.010. This shows that good corporate governance contributes to improving employee performance.

5. Effect of Job Satisfaction on Employee Performance

Job Satisfaction has a positive and significant effect on Employee Performance, indicated by a coefficient of 0.548 and p-value 0.000. This means that the higher employee job satisfaction, the more employee performance will increase.

Table 6. Path Coefficients (Indirect Effects)

	Original Sample (O)	T Statistics (O/STDEV)	P Values	Results
Safety Culture (X2) -> Job Satisfaction (Z) -> Employee Performance (Y)	0,272	3,939	0,000	Accepted
Good Corporate Governance (X1) -> Job Satisfaction (Z) -> Employee Performance (Y)	0,235	4,303	0,000	Diterima

Source: Smart PLS 3.3.3

6. Effect of Safety Culture on Employee Performance through Job Satisfaction

The test results show that Safety Culture has a positive and significant effect on Employee Performance through Job Satisfaction, with a coefficient value of 0.272 and p-value 0.000. Thus, Job Satisfaction acts as an intervening variable in that relationship.

7. Effect of Good Corporate Governance on Employee Performance through Job Satisfaction

Good Corporate Governance has a positive and significant effect on Employee Performance through Job Satisfaction, indicated by a coefficient of 0.235 and p-value 0.000. This confirms that Job Satisfaction mediates the influence of Good Corporate Governance on Employee Performance.

Conclusion

1. Safety culture has a positive and significant effect in increasing employee job satisfaction.
2. Safety culture has a positive and significant effect on improving employee performance.
3. Good Corporate Governance has a positive and significant effect on employee job satisfaction.
4. Good Corporate Governance has a positive and significant effect on employee performance.
5. Job satisfaction has a positive and significant effect on employee performance.
6. Safety culture affects employee performance through job satisfaction as an intervening variable.
7. Good Corporate Governance affects employee performance through job satisfaction as an intervening variable.

Suggestions

1. Management needs to strengthen the work safety culture through socialization, routine training, and consistent supervision because it is proven to increase job satisfaction and employee performance.
2. The implementation of Good Corporate Governance (GCG) must be carried out consistently, especially the principles of transparency, accountability, and fairness, in order to increase employee satisfaction and performance.
3. The organization is advised to increase employee job satisfaction through improving the work environment, reward systems, and effective communication because it plays an important role in improving performance.
4. Integration of safety culture and GCG policies needs to be done simultaneously as a strategy to improve employee performance.

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