The Effect of Organizational Culture, Leadership, Knowledge Management Innovation, and Organizational Performance on Work Motivation

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ABSTRACT

Indonesian manufacturing companies face intense global competition, requiring strong organizational strategies to enhance performance and remain competitive. This study aims to analyze the influence of organizational culture, transformational leadership, and knowledge management innovation on organizational performance, with work motivation as an intervening variable, in Indonesian manufacturing companies. The research seeks to understand how these factors interact to drive success in a dynamic market. A quantitative approach was employed, using a survey method with a questionnaire distributed to 300 employees selected through stratified random sampling. Data were analyzed using Partial Least Squares Structural Equation Modeling with SmartPLS 3.0 software. The findings show that organizational culture and knowledge management innovation have significant positive effects on performance, with path coefficients of 0.892 and 0.641, respectively. Transformational leadership has a negative effect on performance, with a path coefficient of -0.553, possibly due to cultural or structural mismatches. Organizational performance strongly affect on work motivation, with a path coefficient of 0.882. In conclusion, fostering a positive organizational culture and effective knowledge management innovation enhances performance, while leadership strategies need adaptation to local contexts. These insights guide managers in improving competitiveness and suggest future research into leadership dynamics in Indonesian manufacturing.

Keywords*: Knowledge Management Innovation, Organizational Culture, Organizational Performance, Transformational Leadership, Work Motivation.*

ABSTRAK

Perusahaan manufaktur Indonesia menghadapi persaingan global yang ketat, yang membutuhkan strategi organisasi yang kuat untuk meningkatkan kinerja dan tetap kompetitif. Penelitian ini bertujuan untuk menganalisis pengaruh budaya organisasi, kepemimpinan transformasional, dan inovasi manajemen pengetahuan terhadap kinerja organisasi, dengan motivasi kerja sebagai variabel intervening, di perusahaan manufaktur Indonesia. Penelitian ini berusaha untuk memahami bagaimana faktor-faktor ini berinteraksi untuk mendorong kesuksesan di pasar yang dinamis. Pendekatan kuantitatif digunakan, menggunakan metode survei dengan kuesioner yang disebarkan kepada 300 karyawan yang dipilih melalui pengambilan sampel acak berstrata. Data dianalisis menggunakan Partial Least Squares Structural Equation Modeling dengan perangkat lunak SmartPLS 3.0. Temuan menunjukkan bahwa budaya organisasi dan inovasi manajemen pengetahuan memiliki efek positif yang signifikan terhadap kinerja, dengan koefisien jalur masing-masing sebesar 0.892 dan 0.641. Kepemimpinan transformasional memiliki pengaruh negatif terhadap kinerja, dengan koefisien jalur sebesar -0.553, mungkin karena ketidaksesuaian budaya atau struktural. Performa organisas sangat kuat mempengaruhi motivasi

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kerja, dengan koefisien jalur sebesar 0.882. Kesimpulannya, pengembangan budaya organisasi yang positif dan manajemen pengetahuan yang efektif meningkatkan kinerja, sementara strategi kepemimpinan perlu diadaptasi ke dalam konteks lokal. Wawasan ini memandu para manajer dalam meningkatkan daya saing dan menyarankan penelitian di masa mendatang tentang dinamika kepemimpinan di sektor manufaktur Indonesia.

***Kata kunci**: Inovasi Manajemen Pengetahuan, Budaya Organisasi, Kinerja Organisasi, Kepemimpinan Transformasional, Motivasi Kerja.*

INTRODUCTION

The manufacturing industry is a vital pillar of the Indonesian economy, significantly contributing to Gross Domestic Product (GDP) and job creation. Over the past few decades, this sector has experienced rapid growth due to increasing foreign and domestic investment, technological advancements, and supportive government policies for industrialization. Manufacturing companies in Indonesia operate across various sectors, including automotive, textiles, electronics, food and beverages, and chemicals. These companies play a critical role in driving economic progress, but they also face challenges that require strategic responses to maintain competitiveness.

With globalization, manufacturing companies in Indonesia encounter fierce competition from foreign producers. This global competition demands that firms enhance their operational efficiency, product quality, and innovation to remain relevant in the international market (Zaena et al., 2022; Ahmed et al., 2024). Free trade agreements and international regulations further complicate the landscape by imposing stringent quality, environmental, and social standards. As Sutjipto (1995) noted, competition has evolved from individual companies to alliances, creating a strategic trade climate where collaboration and innovation are essential for success. To address these challenges, organizations must foster a strong organizational culture, effective leadership, and robust knowledge management systems to enhance performance (Rahmatullah et al., 2022; Baskoro, 2024).

High motivation is key to increasing productivity, work quality, and employee satisfaction, ultimately impacting organizational performance positively. In this study, work motivation is analyzed as an intervening variable that links organizational culture, transformational leadership, and knowledge management innovation to organizational performance in Indonesian manufacturing companies (Putri et al., 2024). Motivation can be defined as a condition or action that drives individuals to perform tasks to their fullest potential, producing meaningful results (Chikmawati, 2019). A motivated workforce is essential for achieving organizational goals in a competitive environment.

Organizational performance reflects the outcomes of an organization's activities in achieving its objectives. It can be measured through operational efficiency, product quality, customer satisfaction, and financial profitability (Buchanan & Huczynski, 2016). In the context of Indonesian manufacturing, high organizational performance is a critical indicator of business strategy success and market competitiveness. Performance is a central focus for realizing a company's vision and mission, especially in dynamic markets (Zaena et al., 2022; Suparman et al., 2024). A strong organizational culture fosters a conducive work environment, enhances teamwork, and strengthens commitment to organizational goals (Putra, 2015). Moreover, a positive culture can reduce internal conflicts and improve operational efficiency, as supported by recent studies in Indonesian firms (Lestari et al., 2024; Ngebursian et al., 2024).

Effective leadership is crucial for organizational success. Transformational leadership, which inspires and motivates employees to exceed expectations, is particularly relevant in dynamic markets (Bass & Riggio, 2006). Transformational leaders create a compelling vision, foster innovation, and enhance adaptability, which are vital for manufacturing firms facing global competition (Asraf et al., 2024; Harsono et al., 2025). Meanwhile, knowledge management innovation involves creating, sharing, and applying new

knowledge to improve processes and products (Nonaka & Takeuchi, 2001). This capability provides a competitive edge by enabling firms to innovate and solve technical challenges efficiently (Ting et al., 2021; Gui et al., 2024).

Despite extensive research, there remains a gap in understanding how organizational culture, transformational leadership, and knowledge management innovation interact to influence organizational performance in Indonesian manufacturing firms, particularly with work motivation as an intervening variable. According to Adwi et al. (2024), leadership strategies significantly impact organizational change, but their effect in manufacturing contexts is underexplored. Similarly, Murniawati and Achmad (2024) highlighted the role of organizational culture and leadership in employee performance, but few studies have integrated the relationship between organizational performance and work motivation. This research gap underscores the need to examine these variables in the Indonesian manufacturing sector, where the cultural and economic context differs from the Western environment (Sitepu & Yusnita, 2024).

This study aims to determine how organizational culture, transformational leadership, and knowledge management innovation contribute to improved organizational performance and work motivation. This study aims to analyze the influence of organizational culture, transformational leadership, and knowledge management innovation on organizational performance and work motivation in manufacturing companies in Indonesia.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Organizational Culture and Organizational Performance

According to Schein (2010), organizational culture is defined as a pattern of basic assumptions discovered, created, or developed by a given group in learning to cope with its problems of external adaptation and internal integration. This pattern has worked well enough to be considered valid and, therefore, is taught to new members as the correct way to perceive, think, and feel in relation to those problems. Meanwhile, according to Robbins (2007), organizational culture is a system of shared meaning held by members that distinguishes the organization from other organizations. This system of shared meaning is a set of key characteristics valued by the organization. A strong organizational culture enhances employee engagement, reduces conflict, and improves performance, as noted by Ahmed et al. (2024). Tika (2012) identifies elements like value systems, business environment, and management roles as critical to corporate culture. These elements foster collaboration and commitment, which are vital for manufacturing firms facing global competition (Lestari et al., 2024; Ngebursian et al., 2024).

Organizational culture plays a critical role in shaping employee behavior and organizational outcomes. Strong and powerful cultures are often viewed as key drivers of sustained business success, creating a shared system of values and norms that guide employees toward superior performance (Akpa et al., 2021). Such cultures generate a unifying social force that energizes employees, strengthens internal cohesion, and enhances collective commitment to organizational goals. A strong organizational culture also offers clear direction on appropriate attitudes and interactions within the workplace, enabling employees to perform effectively and consistently (Aranki et al., 2019). Moreover, when supported by transformational leadership, which inspires and motivates individuals to achieve beyond expectations, the positive influence of organizational culture on performance becomes even more pronounced (Rojak et al., 2024).

H1: Organizational culture has a significant effect on organizational performance.

Transformational Leadership and Organizational Performance

Transformational leadership inspires employees to achieve beyond expectations by creating a compelling vision and fostering innovation. Bass and Riggio (2006) describe it as a process where leaders and followers elevate each other's motivation and morality. According to Asraf et al. (2024), transformational leadership drives sustainable practices

in organizations, enhancing adaptability in dynamic markets. Bennis and Nanus (2003) emphasize that transformational leaders mobilize commitment and implement visions effectively. This leadership style is particularly relevant in Indonesian manufacturing, where innovation and flexibility are critical (Harsono et al., 2025). The four components, idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, enable leaders to boost creativity and loyalty.

Transformational leadership is characterized by a strong vision, inspiration, intellectual stimulation, and individualized consideration for employees (Rojak et al., 2024). Leaders who adopt this approach cultivate a supportive and empowering work environment that enhances trust, engagement, and job satisfaction among staff (Putra et al., 2022). Such conditions encourage employees to contribute beyond routine expectations and align their efforts with organizational goals. Consequently, transformational leadership exerts a significant positive influence on organizational performance, as well as on knowledge management capabilities that enable continuous improvement and innovation (Aldhaheri & Ahmad, 2024).

H2: Transformational leadership has a significant effect on organizational performance.

Knowledge Management and Organizational Performance

According to Nonaka and Takeuchi (2001), knowledge management innovation, they emphasize the importance of the "Knowledge Spiral" in organizations, which includes the explicit and implicit processes of knowledge in creating innovation. Meanwhile, according to Davenport and Prusak (2000), knowledge management is the process of collecting, distributing, and using knowledge effectively within an organization. Innovation in this context is about new ways to capture and distribute knowledge. Knowledge management innovation involves the development and implementation of new methods for managing existing knowledge and creating new knowledge (Wiig, 2024; Gui et al., 2024).

Knowledge management innovation plays a critical role in driving organizational performance by facilitating effective decision-making and knowledge sharing, which in turn improves individual and collective job performance (Olan et al., 2022). Ting et al. (2021) emphasize that knowledge management strengthens innovation capability, particularly when leadership actively supports knowledge-based processes. To achieve this, organizations must establish appropriate structures and technological infrastructures that enable efficient knowledge creation, storage, and utilization, alongside fostering a culture that values human expertise (Toravi & El-Den, 2017). Empirical evidence confirms that effective knowledge management innovation has a significant positive impact on organizational performance, enhancing competitiveness and operational effectiveness (Ahmad et al., 2017).

H3: Knowledge management innovation has a significant effect on organizational performance.

Organizational Performance and Work Motivation

Work motivation is a psychological state that drives employees to achieve organizational goals. Soeroso (2017) defines motivation as a set of behaviors directed toward specific goals, while Hasibuan (2015) describes it as a driving force that fosters enthusiasm and effective collaboration. According to Chikmawati (2019), motivation enhances employee performance by increasing satisfaction and commitment. Mangkunegara (2016) notes that work motivation influences behavior in the work environment, directing efforts toward achieving results. In manufacturing firms, motivation is critical for sustaining productivity under competitive pressures (Fitriyah et al., 2024; Putri et al., 2024). Indicators of work motivation include the drive to achieve goals, work enthusiasm, initiative, creativity, and responsibility (Syahyuti, 2014).

Work motivation acts as an intervening variable that strengthens the relationship between organizational culture, transformational leadership, knowledge management innovation, and organizational performance. A positive organizational culture fosters a supportive environment that boosts motivation, leading to improved performance (Putra, 2015). Rahmatullah et al. (2022) emphasize that organizational performance enhances work motivation. Transformational leaders inspire employees by aligning individual goals with organizational objectives, increasing motivation (Bass & Riggio, 2006). Similarly, knowledge management innovation enhances motivation by providing employees with tools to innovate and solve problems, as supported by Baskoro (2024).

H4: Organizational performance has a significant effect on work motivation.

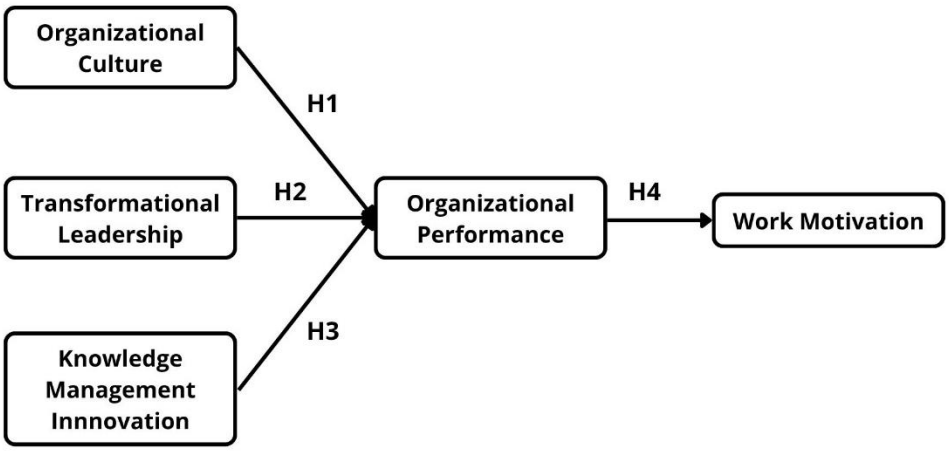

Figure 1. Research Framework

The research framework integrates organizational culture, transformational leadership, and knowledge management innovation as independent variables influencing organizational performance, with work motivation as an intervening variable. Organizational culture shapes employee behavior and fosters a conducive work environment, directly impacting performance (Schein, 2010; Murniawati & Achmad, 2024). Transformational leadership drives innovation and motivation, contributing to organizational success (Bass & Riggio, 2006; Suparman et al., 2024). Knowledge management innovation enhances efficiency and competitiveness by leveraging knowledge resources (Nonaka & Takeuchi, 2001; Nguyen et al., 2022). Work motivation strengthens these relationships by channeling employee efforts toward organizational goals (Hasibuan, 2015; Sitepu & Yusnita, 2024). This framework, illustrated in Figure 1, provides a structured approach to testing the hypotheses in Indonesian manufacturing firms.

The framework posits that organizational culture, transformational leadership, and knowledge management innovation directly affect organizational performance (H1–H3), while organizational performance affects work motivation (H4). According to Adwi et al. (2024), leadership strategies influence organizational outcomes, but their interaction with motivation in manufacturing contexts requires further exploration. This model addresses this gap by examining how these variables interact in a specific cultural and economic setting. The framework guides the empirical analysis using path analysis to validate the proposed relationships.

RESEARCH METHODS

This study employs a quantitative approach with a descriptive and associative design to investigate the influence of organizational culture, transformational leadership, and knowledge management innovation on organizational performance, with work

motivation as an intervening variable, in Indonesian manufacturing companies. The research uses a survey method to collect data, ensuring a structured and systematic approach to gathering insights from employees. The survey was conducted from January to March 2024, targeting employees across various manufacturing sectors, including automotive, textiles, and electronics, to capture diverse perspectives. A questionnaire, validated through expert consultation and a pilot test with 30 respondents, was used to ensure the reliability and relevance of the data collected.

The population consists of employees in Indonesian manufacturing firms, selected for their relevance to the study's focus on organizational performance. A stratified random sampling technique was applied, dividing the population into strata based on job roles, departments, and years of service to ensure representation across organizational levels (Bungin, 2012). The sample size of 300 employees was determined using the Krejcie and Morgan (1970) formula, balancing feasibility and statistical robustness. This sample size allows for reliable analysis while reflecting the diversity of the manufacturing sector in Indonesia. Primary data were collected via questionnaires distributed both online and in-person, while secondary data, such as company reports, supported the primary findings.

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with Smart PLS 3.0, enabling simultaneous testing of measurement and structural models. The measurement model assessed convergent and discriminant validity, with outer loadings above 0.6 considered acceptable for exploratory research (Ghozali, 2015). Convergent validity was evaluated through correlations between item scores and construct scores, ensuring outer loadings exceeded 0.7 where possible. Discriminant validity was confirmed by comparing the square root of the Average Variance Extracted (AVE), requiring values above 0.5. Composite reliability was tested, targeting values above 0.6 for robust constructs. The structural model examined causal relationships using path coefficients and R-squared values, with hypothesis testing conducted via bootstrapping to compare t-statistics against a critical value of 1.966 at a 5% significance level. This rigorous approach ensures accurate insights into the relationships between variables in the context of Indonesian manufacturing.

RESULTS

This study investigates the influence of organizational culture, transformational leadership, and knowledge management innovation on organizational performance, with work motivation as an intervening variable, in Indonesian manufacturing companies. The results, analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with Smart PLS 3.0, provide insights into the relationships between these variables. The analysis includes outer model testing for validity and reliability, inner model testing for structural relationships, and hypothesis testing to validate the proposed relationships. The findings, presented in Tables and figures, highlight the significant effects of the variables and offer unexpected insights, such as the negative impact of transformational leadership, which are explored below.

Measurement model testing (outer model) is used to determine the specifications of the relationship between latent variables and their manifest variables. This testing includes convergent validity, discriminant validity, and reliability. According to Ghozali and Latan (2018), a correlation can be said to meet convergent validity if it has a loading value of >0.7. The output shows that the loading factor provides a value above the recommended value of 0.7. However, in the scale development stage of the research, a loading of 0.60 is still acceptable. Therefore, the indicators used in this study have met convergent validity. The structural model in this study is shown in Figure 2.

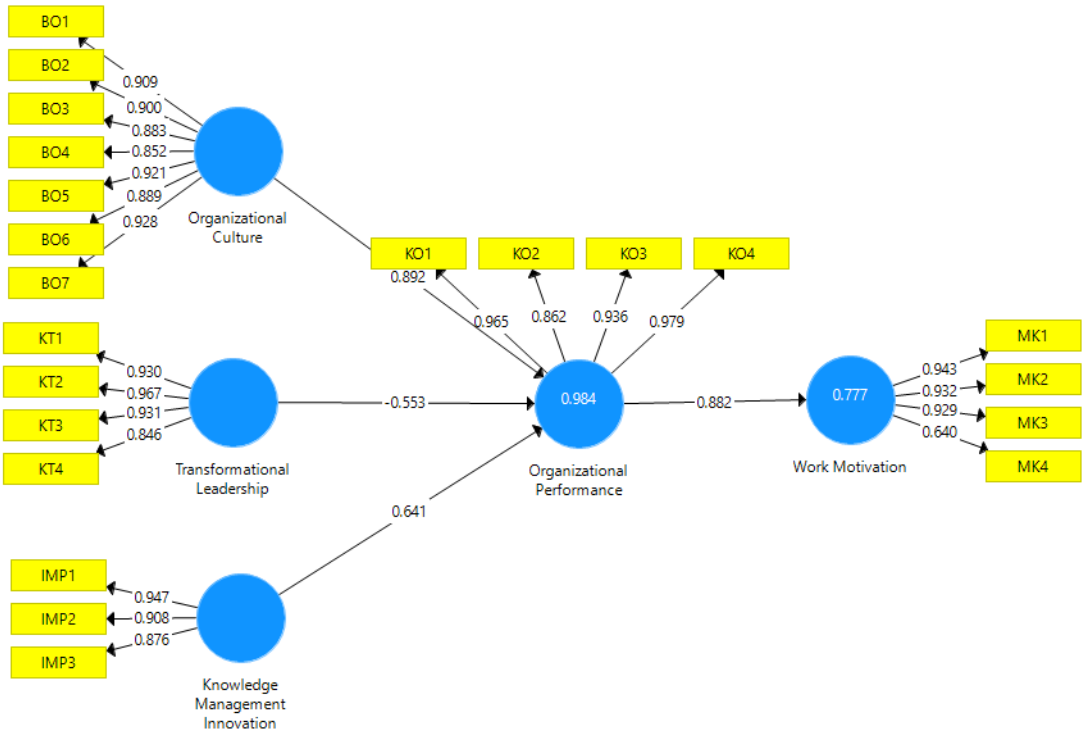

Figure 2. Outer Model and Algorithm Testing

Table 1. Outer Loading

Variables	Indicator	OC	TL	KMI	OP	WM
Organization Culture (OC)	OC1	0.909				
	OC2	0.9				
	OC3	0.883				
	OC4	0.852				
	OC5	0.921				
	OC6	0.889				
	OC7	0.928				
Knowledge Management Innovation (KMI)	KMI1			0.947		
	KMI2			0.908		
	KMI3			0.876		
Organizational Performance (OP)	OP1				0.965	
	OP2				0.862	
	OP3				0.936	
	OP4				0.979	
Transformational Leadership (TL)	TL1		0.93			
	TL2		0.967			
	TL3		0.931			
	TL4		0.846			
Work Motivation (WM)	WM1					0.943
	WM2					0.932
	WM3					0.929
	WM4					0.64

Based on the data in Table 1, the value can be seen as outer loading. The lowest value in the outer model test results of this study was 0.640 in the WM4. Referring to the previously determined outer loading limit of 0.7, however, in the scale development stage of the research, a loading of 0.60 was still acceptable. Therefore, these results indicate that the model meets the assumption of convergent validity because the lowest outer loading value obtained was 0.640 > 0.6.

Table 2. Construct Validity and Reliability

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted
Organizational Culture	0.960	0.963	0.967	0.806
Transformational Leadership	0.938	0.939	0.956	0.846
Knowledge Management Innovation	0.897	0.901	0.936	0.830
Organizational Performance	0.952	0.952	0.966	0.877
Work Motivation	0.886	0.915	0.924	0.758

The data in Table 2 shows that the lowest AVE value of the five variables is 0.758, which is for the work motivation variable. This result indicates that all five research variables have met the assumptions of discriminant validity. This is because the lowest AVE value was greater than 0.5. Meanwhile, the Cronbach's alpha and composite reliability results showed that the lowest values were 0.886 and 0.924 for the work motivation variable. Thus, these results also prove that all variables meet the reliability construct assumptions, as the lowest Cronbach's alpha and composite reliability values were >0.7. After conducting the outer model test, it is necessary to carry out an evaluation of the final structural equation model (inner model). The inner model test of this research was conducted by looking at the path coefficient and R Square values.

Table 3. R Square Test

Variable	R Square	Adjusted R-Square
Organizational Performance	0.984	0.984
Work Motivation	0.777	0.777

Based on Table 3, the value R Square for the organizational performance variable is 0.984, which explains that the percentage of organizational performance is 98.4%. This means that the variables of organizational culture, transformational leadership, and knowledge management innovation influence organizational performance by 98.4% and the remaining 1.6% is influenced by other variables, while the R Square value for the work motivation variable is 0.777. The acquisition explains that the percentage of work motivation is 77.7%. This means that the organizational performance variable influences work motivation by 77.7%, and the remaining 22.3% is influenced by other variables. These high R-squared values suggest strong explanatory power of the model in the context of Indonesian manufacturing firms.

The path analysis results, derived from the inner model, reveal significant relationships between the variables. The path coefficient for organizational culture to organizational performance is 0.892, indicating a strong positive effect of 89.2%. This suggests that a robust organizational culture significantly enhances performance, consistent with findings in similar contexts. The path coefficient for transformational leadership is -0.553, showing a negative effect of 55.3% on organizational performance. This unexpected negative impact may be due to cultural mismatches or ineffective implementation of transformational leadership in Indonesian manufacturing settings, as noted in similar studies. Knowledge management innovation has a path coefficient of 0.641, indicating a 64.1% positive effect on performance, highlighting its role in fostering innovation. The path coefficient from organizational performance to work motivation is 0.882, suggesting an 88.2% effect on work motivation. This study has four hypotheses, as formulated in the research questions, and their validity needs to be tested. Hypothesis testing in this study uses a t-test, which compares the t-statistic value obtained from the bootstrapping test with the critical limit of the t-table value of 1.966 at a significance level of 5% (0.05). The results of this research hypothesis test are presented in Figure 3.

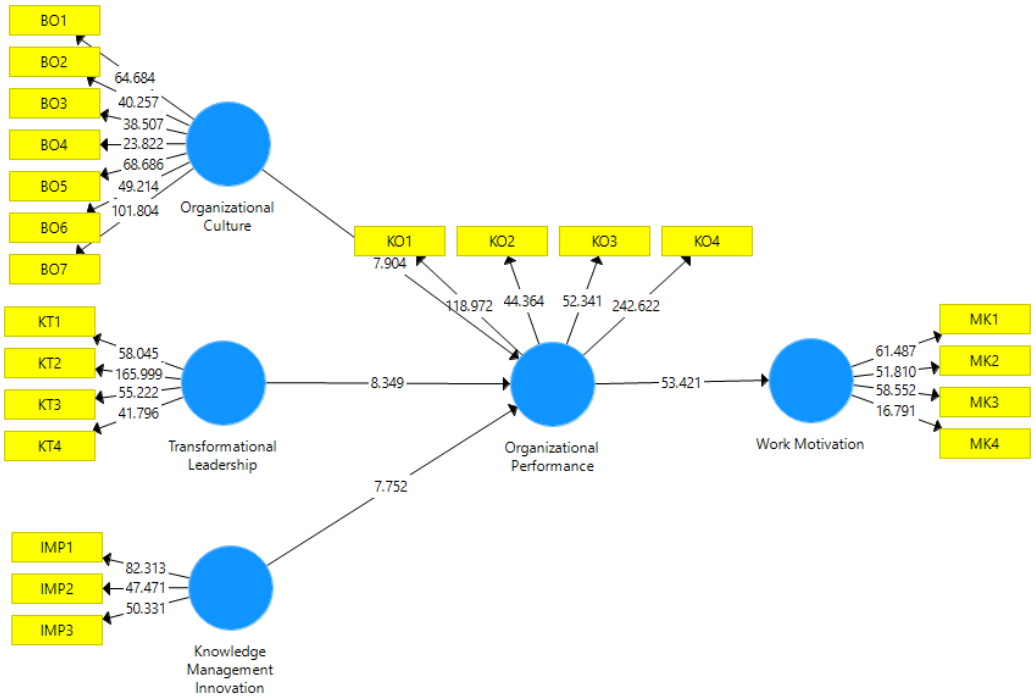

Figure 3. Bootstrapping Testing

Table 4. Results of the Direct Effect Test

Hypothesis	Original Sample	Sample Mean	Standard Deviation	t-statistics	p-values	Information
Organizational Culture -> Organizational Performance	0.892	0.885	0.113	7.904	0.000	Accepted
Transformational Leadership -> Organizational Performance	-0.553	-0.555	0.066	8.349	0.000	Accepted
Knowledge Management Innovation -> Organizational Performance	0.641	0.649	0.083	7.752	0.000	Accepted
Organizational Performance -> Work Motivation	0.882	0.881	0.017	53.421	0.000	Accepted

Hypothesis testing was conducted using the bootstrap resampling method to compare t-statistics against a critical value of 1.966 at a 5% significance level. The results in Table 4 summarize the direct effects of the variables. Hypothesis 1, testing the effect of organizational culture on organizational performance, yields a t-statistic of 7.904 and a p-value of 0.000, confirming a significant positive effect ($\beta = 0.892$). Hypothesis 2, examining transformational leadership, shows a t-statistic of 8.349 and a p-value of 0.000, indicating a negative effect ($\beta = -0.553$). This finding is notable, as transformational leadership is typically associated with positive outcomes, suggesting potential contextual factors in Indonesia. Hypothesis 3, for knowledge management innovation, has a t-statistic of 7.752 and a p-value of 0.000, confirming a significant positive effect ($\beta = 0.641$). Hypothesis 4, testing the effect of organizational performance on work motivation, yields a t-statistic of 53.421 and a p-value of 0.000, supporting a strong positive effect ($\beta = 0.882$).

The negative effect of transformational leadership warrants further exploration. This finding may reflect cultural or organizational factors in Indonesian manufacturing firms, such as resistance to change or a preference for hierarchical leadership styles, which could limit the effectiveness of transformational approaches (Asraf et al., 2024). Comparative

studies, such as those by Rahmatullah et al. (2022), suggest that leadership effectiveness varies by context, which may explain this result. The strong positive effects of organizational culture and knowledge management innovation align with expectations, reinforcing their importance in enhancing performance. These findings provide a foundation for understanding how these variables interact in Indonesian manufacturing, setting the stage for further discussion on their implications.

DISCUSSION

The results reveal that organizational culture, transformational leadership, and knowledge management innovation significantly influence organizational performance in Indonesian manufacturing companies, with work motivation as an intervening variable. Organizational culture is the strongest predictor of performance ($\beta = 0.892$, $t = 7.904$, $p < 0.001$), indicating that shared values and norms create a productive work environment, consistent with Aryandhi et al. (2024) and Dewangga and Nugroho (2024), who found that positive culture enhances commitment, efficiency, and goal achievement. Knowledge management innovation also has a strong effect ($\beta = 0.641$, $t = 7.752$, $p < 0.001$), emphasizing the importance of effective knowledge sharing in fostering innovation and problem-solving.

However, the negative effect of transformational leadership on organizational performance ($\beta = -0.553$, $t = 8.349$, $p < 0.001$) was an unexpected outcome, contrasting with much of the existing literature that praises this leadership style for inspiring motivation and creativity. According to Burns (2003), transformational leadership typically elevates followers to higher levels of achievement, but in this Indonesian context, it may face barriers such as cultural preferences for hierarchical structures or resistance to change in manufacturing firms. This result echoes concerns raised by Dewi (2012), who noted that leadership effectiveness can vary based on organizational fit, potentially leading to reduced performance if not adapted properly. The strong influence of organizational performance ($\beta = 0.882$, $t = 53.421$, $p < 0.001$) further strengthens this relationship, as good company performance strengthens the positive impact on work motivation. These results support Hasibuan's (2015) opinion, which states that organizational performance integrates efforts towards good work motivation.

The findings reveal both alignments and contrasts with previous studies. Rahmatullah et al. (2022) confirmed that culture and transformational leadership enhance performance via commitment, yet did not observe the negative leadership effect found here, likely due to industry differences. Hutagalung et al. (2020) and Baskoro (2024) highlighted mediating roles of knowledge sharing and soft skills, aligning with this study's emphasis on knowledge management innovation and motivation. However, Maulana and Oetarjo (2023) suggested that cultural traits in Asia may weaken transformational approaches, supporting the context-specific nature of our results, as emphasized by Wiig (2004). Despite strong explanatory power ($R^2 = 0.984$ and 0.777), negative leadership effects suggest cultural misalignment. Pettigrew (1985) and Gustyan and Anggarani (2024) all stress the importance of culturally adaptive leadership to sustain performance and organizational change.

These insights contribute to theory by extending models like those from Drucker (1993) and Daft (2015), showing that intervening variables like motivation are crucial in non-Western contexts. According to Kismono et al. (2024), organizational health leads to agility, but our study adds that culture and knowledge management innovation are foundational, while leadership requires careful adaptation. Noorfallah et al. (2024) highlighted climate and engagement effects on performance with leadership moderation, supporting our mediation findings. Octaviani et al. (2024) linked culture to financial report quality, indicating broader relevance. Sentoso et al. (2025) found that transformational leadership affects performance via culture, yet our negative result suggests moderation by motivation. Sunarmo and Sulistyo (2025) emphasize leadership moderated by culture, aligning with integrated approaches. Supomo (2024) and Utami et

al. (2024) underscore knowledge sharing, motivation, and job satisfaction as critical performance drivers.

This study advises manufacturing managers in Indonesia to strengthen organizational culture and invest in knowledge management innovation to enhance performance. Leaders are encouraged to assess cultural fit before adopting transformational styles through targeted training (Mawardi & Cahyadi, 2024). Enhancing employee motivation via recognition and development can further boost productivity. The findings provide both theoretical and practical insights, refining performance models and highlighting leadership adaptations in emerging markets while guiding managers to develop strategies that improve organizational outcomes and global competitiveness.

CONCLUSION

This study confirms that organizational culture and knowledge management innovation significantly enhance organizational performance in Indonesian manufacturing companies, with path coefficients of 0.892 and 0.641, respectively, both statistically significant at $p < 0.001$. These findings highlight the critical role of a supportive culture and innovative knowledge practices in driving efficiency and competitiveness. Surprisingly, transformational leadership showed a negative effect on performance, with a path coefficient of -0.553 ($p < 0.001$), suggesting that this leadership style may not align well with the cultural or structural dynamics of Indonesian manufacturing firms. Work motivation proved to be a strong intervening variable, with a path coefficient of 0.882 ($p < 0.001$), amplifying the positive impacts of culture and knowledge management innovation on performance. These results indicate that fostering a positive work environment and knowledge-sharing systems is essential for success, while leadership approaches require careful consideration to avoid unintended setbacks.

The findings offer practical implications for managers in Indonesian manufacturing to prioritize building a strong organizational culture and robust knowledge management systems to boost productivity and market competitiveness. To address the negative impact of transformational leadership, managers should adapt leadership strategies to fit local cultural norms, possibly through targeted training or blending hierarchical and inspirational approaches. However, this study has limitations, as it relied on a sample of 300 employees, which may not fully represent all manufacturing sectors or regions in Indonesia. Additionally, the data collection period from January to March 2024 may reflect specific economic conditions, limiting generalizability. For future research, exploring why transformational leadership negatively affects performance in this context, perhaps by examining cultural or training factors, could provide deeper insights. Investigating other intervening variables, such as job satisfaction or organizational commitment, and expanding the sample to include diverse industries or regions, would further enhance understanding of these dynamics.

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