The Influence of Organizational Competencies and Culture on Employee Performance at the House of Donatello

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Abstract

The Industrial Revolution 4.0 demands that companies enhance competitiveness by optimizing human resources and fostering an effective organizational culture. Employee competencies, including knowledge, skills, and attitude, along with shared organizational values, norms, and beliefs, are essential in building a productive and sustainable work environment. This research [A1] was conducted at *House of Donatello*, a footwear retail company facing challenges in maintaining employee performance amidst intense industry competition. The research aims to: (1) describe the levels of employee competence, organizational culture, and performance; (2) analyze the effect of competence on employee performance; and (3) examine the influence of organizational culture on employee performance, both partially and simultaneously. A quantitative research method with a causal approach was employed. Data were collected through questionnaires distributed to 385 employees and analyzed using path analysis with PLS-SEM. The results show that both competence and organizational culture have a positive and significant impact on employee performance. Specifically, knowledge and skills within the competence variable, as well as the values of integrity and professionalism within the organizational culture, contributed substantially to improving performance. However, a performance gap between expected standards and actual results was also identified, indicating the need for broader training and stronger cultural reinforcement. Based on these findings, it is recommended that the company provide equitable competency development programs and continuously evaluate the understanding and implementation of organizational values. This research is expected to serve as a strategic reference for human capital management in cultivating an adaptive work culture and optimizing employee performance.

Keywords: Competence, Organizational Culture, Employee Performance, Path Analysis, House of Donatello

INTRODUCTION

In the era of globalization and the *Industrial Revolution 4.0*, human resources (HR) have become a strategic asset that determines the success of organizations in the face of increasingly dynamic and complex business competition (Puhovichova & Jankelova, 2020). Massive digital transformation has changed the global business landscape, requiring organizations to have human resources that are not only technically competent but also adaptive to technological changes and an ever-evolving work culture. According to Mathis & Jackson (2020), competencies—which include abilities, skills, and knowledge—are significant factors in determining employee performance and organizational competitiveness in the global market.

The World Economic Forum (2023) reports that 50% of all employees worldwide will require *reskilling* or *upskilling* in the next five years due to the increasingly massive adoption of technology and automation. This indicates that traditional competencies are no longer adequate to meet the challenges of contemporary business. Furthermore, research by the McKinsey Global

Institute (2022) identified that organizations with high employee competency levels have 23% higher productivity and 27% greater profitability compared to organizations with low employee competencies.

In addition to competency, organizational culture has also become a global concern as a main determinant of organizational performance. Deloitte Global Human Capital Trends (2023) reveals that 88% of executives and 85% of employees consider organizational culture to be a critical factor in achieving business goals. Organizations with strong cultures show 40% higher employee retention rates and engagement levels 3.7 times greater than organizations with weak cultures. This phenomenon demonstrates that organizational culture is no longer merely an added value but a fundamental requirement in modern human resource management.

House of Donatello, a footwear and bag retail company operating in 21 cities across Indonesia, faces serious challenges in managing employee performance. The 2023 performance appraisal data shows an alarming trend: 11 out of 12 aspects of the performance appraisal fall below the company's set standards. Critical aspects such as "willingness to learn new things," "willingness to help colleagues," and "attitudes in the work environment" display the most significant gaps, each scoring -5 from the targeted standard.

A detailed analysis of Donatello's HR structure reveals the complexity of the challenges. Of the total 385 employees, 96.6% have a secondary education background (high school/vocational school and equivalent), while only 3.4% are highly educated. This education composition has implications for the relatively limited initial competency levels of employees, especially in meeting increasingly complex job demands in the digital era. The attitude aspect recorded an average score of 3.10—still below the 3.15 standard—indicating weaknesses in character formation and work behavior consistent with organizational values.

Competency issues are further exacerbated by inconsistencies in human resource development programs. Since 2015, the training program has reached only a small portion of employees, focusing mainly on new employees and *agents of change*. More concerningly, no training programs were implemented during the 2020–2022 period—a critical phase of post-pandemic digital transformation. This has created a widening gap between job demands and employees' actual abilities.

From the perspective of organizational culture, although Donatello has established three cultural pillars—Integrity, Professionalism, and Excellent Service—their implementation and internalization still encounter significant obstacles. A survey of 40 employees showed that while 87.5% understood the general organizational culture, they lacked a detailed understanding of how to apply the three pillars in daily work. More critically, employees did not fully understand the meaning of integrity as a cultural pillar, with workplace actions guided more by routine tasks than by organizational values.

The urgency of this research is driven by several interrelated strategic factors. First, Indonesia's retail industry is undergoing a fundamental transformation due to digitalization and changes in consumer behavior. According to the Indonesian Retail Entrepreneurs Association (*APRINDO*, 2023), the retail industry grew by 4.2% but also faced intensified competition,

particularly from *e-commerce* platforms. In this context, employee performance is the main differentiating factor determining a company's survival and growth.

Second, the phenomenon of the *great resignation* and shifting expectations among Millennials and Gen Z regarding workplace environments require organizations to develop adaptive cultures and relevant competencies. McKinsey (2023) reports that 76% of employees in Southeast Asia would consider changing jobs if they feel they are not developing professionally or if there is misalignment with organizational culture. For Donatello, with 385 employees spread across 21 cities, HR stability and performance are critical to sustaining business operations.

Third, the gap between actual performance and Donatello's set standards indicates the potential for significant financial losses. In a retail industry with relatively thin profit margins, any decline in employee productivity directly affects the company's profitability. Armstrong (2023) emphasizes that investments in competency development and strengthening organizational culture can yield an average return on investment (ROI) of 7:1 in the medium term.

Fourth, the complexity of relationships among competencies, organizational culture, and employee performance necessitates a deep and comprehensive analysis. Without rigorous empirical research, improvement efforts risk missing their target and consuming resources without optimal results. This study is therefore urgent as it provides a scientific foundation for strategic decision-making in Donatello's human resource management.

The empirical basis of this research is reinforced by previous studies confirming the significant impact of competence and organizational culture on employee performance. Sholehatusyadiah (2017) at PT. Kitadin found a significant positive relationship between competence and employee performance, with a correlation coefficient of 0.76 ($p < 0.001$). The study revealed that a one-unit increase in competence correlates to a 0.68-unit increase in performance, indicating a strong and consistent relationship.

Hermawan (2020), in research on the retail industry, confirmed the strong relationship between competence and employee performance, especially in competitive environments. Using Structural Equation Modeling (SEM), the study found that competence explained 64% of the variance in performance ($R^2 = 0.64$), with technical and behavioral competencies contributing equally to performance outcomes.

From an organizational culture perspective, Robbins & Judge (2022) have shown that strong organizational cultures foster conducive work environments, positively affecting employee satisfaction and performance. Their meta-analysis of 147 studies found an effect size of 0.42 between organizational culture and performance, indicating a moderate to strong relationship.

Ghozali (2022) found that competence and organizational culture complement each other in influencing individual performance. Using a mixed-method approach, the study discovered that their interaction produces a synergistic effect, boosting performance by 23% compared to each factor's individual impact.

Nasution (2020), in a study on digital transformation, showed that companies with innovation-oriented cultures are more successful in facing digital challenges. This three-year

longitudinal research revealed that such companies adapt to technology 2.3 times faster and have 18% higher employee performance than those with weak innovation cultures.

The novelty of this research lies in several methodological and contextual aspects distinguishing it from previous studies. First, it integrates a quantitative approach with in-depth contextual analysis of challenges faced by Indonesian national retail companies. Unlike prior studies that often focus on single industries or multinational contexts, this research examines domestic companies navigating geographical expansion and product diversification.

Second, it applies the competency framework of Edison et al. (2016) together with the organizational culture dimensions of Cameron & Quinn (2021), forming an integrative model yet to be applied in Indonesia's retail context. This enables a more nuanced analysis of how competencies and culture interact to affect performance.

Third, the methodological innovation lies in using SEM with the Partial Least Squares (PLS) approach, enabling simultaneous analysis of measurement and structural models. This provides both instrument validation and hypothesis testing in a single analytical framework.

Fourth, it integrates primary data (questionnaires and interviews) with secondary performance appraisal data, ensuring strong triangulation for improved external validity and reliability.

Fifth, its theoretical contribution lies in developing a predictive model of employee performance specific to Indonesia's retail industry, accounting for demographics such as education level, geographic spread, and local cultural characteristics. This model can serve as a reference for other domestic retail companies encountering similar issues.

This research aims to analyze the influence of competencies and organizational culture on employee performance at *House of Donatello*, as well as the interaction between these two factors. Specifically, it measures employee competence across knowledge, skills, and attitude; evaluates organizational culture using Cameron & Quinn's framework; and assesses performance based on Roberts & Kahn's nine dimensions. Furthermore, it examines the significance of competencies and culture on performance outcomes and develops predictive models for optimization. The findings are expected to contribute to the human resource management literature, particularly within Indonesia's retail sector, and to lay a foundation for future research on digital transformation in traditional retail.

Beyond theoretical contributions, this study offers practical benefits for *House of Donatello* by providing evidence-based HR strategies. The findings will support redesigning training programs, strengthening organizational culture through targeted interventions, and improving performance management systems. They will also guide refinements in recruitment criteria and succession planning. Methodologically, it delivers validated measurement instruments for competencies, culture, and performance in Indonesia's retail industry, which may be adapted by other companies or researchers.

This research also has strategic implications, potentially shifting the company's HR approach from traditional methods to competency- and culture-driven management. If the hypotheses are proven, the company may need to increase budget allocations for learning

initiatives, cultural transformation, and performance system enhancements. Operationally, this could lead to redesigned job descriptions, performance indicators, and career pathways based on competency requirements, alongside regular culture assessments to ensure alignment between stated values and actual employee behaviors.

Financially, the study underscores the cost–benefit of investing in competency development and culture strengthening, with expected returns through higher productivity, improved retention, and increased customer satisfaction. Over the long term, these measures could position *House of Donatello* as a leading employer in Indonesia's retail industry, providing sustainable competitive advantage amid digital disruption and intense market competition. Ultimately, this research aims to be a catalyst for comprehensive and lasting organizational transformation.

RESEARCH METHODS

This research employs a quantitative approach with a causal design to examine the influence of organizational competencies and culture on employee performance at the *House of Donatello*. The research population consisted of 385 permanent employees distributed across 21 cities, with a sample of 197 respondents determined using the Slovin formula at a 5% error rate. The sampling technique applied was *proportionate stratified random sampling* to ensure the representativeness of the sample from each location. Data were collected through questionnaires using a Likert scale ranging from 1 to 5, which had been tested for validity and reliability, as well as through structured interviews for secondary data collection.

Data analysis was conducted using *Structural Equation Modeling* (SEM) with the *Partial Least Squares* (PLS) approach via *SmartPLS* software to test the causal relationships between variables. Prior to the main analysis, classical assumption tests were performed, including normality tests using the Kolmogorov–Smirnov test. Model evaluation included assessing the outer model (convergent validity, discriminant validity, and reliability) and the inner model (*R-square* and *Q-square*) to ensure the quality and robustness of the research model.

RESULTS OF RESEARCH AND DISCUSSION
Descriptive Analysis
Characteristics of Respondents

This research involved 197 respondents of House of Donatello employees who were selected using purposive sampling techniques. The characteristics of the respondents show a representative distribution of the company's employee population with different levels of position, tenure, and educational backgrounds.

Descriptive Analysis of Research Variables
Competency Variables (X1)

Competency variables are measured through 10 indicators divided into three dimensions: knowledge (X1.1), expertise (X1.2), and attitude (X1.3). The results of the descriptive analysis show that the competence of House of Donatello employees is in the "Competent" category.

Table 1. Recapitulation of Descriptive Analysis of Competency Variables (X1)

Dimension	Indicator	Total Score	Percentage	Category
Knowledge (X1.1)	Adequate knowledge on the job	850	86,29%	Highly Competent
	Knowledge from formal education	701	71,17%	Competent
	Knowledge from corporate training	778	78,98%	Competent
	Mastery of work procedures	845	85,79%	Highly Competent
Expertise (X1.2)	Expertise in the field of work	798	81,02%	Competent
	Ability to recognize problems	811	82,34%	Competent
	Ability to find quick solutions	800	81,22%	Competent
Attitude (X1.3)	Upholding corporate ethics	868	88,12%	Highly Competent
	Be polite in acting	861	87,41%	Highly Competent
	Facing wise questions	805	81,73%	Competent
Total Variable X1		8117	82,34%	Competent

Based on the table above, the attitude dimension obtained the highest score (88.12%), indicating that employees have excellent work ethics and professional behavior. The knowledge dimension was in second place (86.29%), while the expertise dimension obtained a score of 82.34%. Overall, the competency variable achieved a score of 82.34% which was included in the "Competent" category.

Organizational Culture Variables (X2)

Organizational culture variables were measured through 17 indicators divided into seven dimensions according to the Robbins & Judge model. The results of the analysis show that the organizational culture of the House of Donatello is in the category of "Strong".

Table 2. Recapitulation of Descriptive Analysis of Organizational Culture Variables (X2)

Dimension	Indicator	Total Score	Percentage	Category
Innovation & Risk Taking (X2.1)	Encourage innovative attitudes	842	85,48%	Very Powerful
	Dare to take risks	877	89,04%	Very Powerful
Attention to Detail (X2.2)	Work with precision	866	87,92%	Very Powerful
	Attention to detail	860	87,31%	Very Powerful
	Identify detail errors	798	81,02%	Strong
Outcome Orientation (X2.3)	Focus on target achievement	833	84,57%	Very Powerful
	Evaluation based on results	718	72,89%	Strong
People Orientation (X2.4)	Improving the quality of human resources	823	83,55%	Strong
	Decisions considering employees	768	77,97%	Strong
	Employee well-being concerns	796	80,81%	Strong
Team Orientation (X2.5)	Feel an important part of the team	798	81,02%	Strong

Dimension	Indicator	Total Score	Percentage	Category
	Effective team communication	835	84,77%	Very Powerful
	Good team coordination	831	85,37%	Very Powerful
Aggressiveness (X2.6)	Self-employed	768	77,97%	Strong
	Active competitive spirit	803	81,52%	Strong
Stability (X2.7)	Comfortable working environment	806	81,83%	Strong
	Comply with company policies	850	86,29%	Very Powerful
Total Variable X2		13872	83,55%	Strong

The Innovation and Risk Taking dimension received the highest score (89.04%), indicating that the company strongly encourages innovation and the courage to take risks. The Stability dimension also obtained a high score (86.29%), indicating a stable and rule-compliant work environment.

Employee Performance Variables (Y)

Employee performance variables are measured through 22 indicators divided into eight dimensions. The results of the analysis show that the performance of House of Donatello employees is in the "Good" category.

Table 3. Recapitulation of Descriptive Analysis of Employee Performance Variables (Y)

Dimension	Indicator	Total Score	Percentage	Category
Quality of Work (Y.1)	Meets precision standards	818	83,05%	Good
	Meet quality standards	772	78,38%	Good
	Creative and innovative thinking	793	80,51%	Good
Working Quantity (Y.2)	Completing tasks on time	815	82,74%	Good
	Time on target	797	80,91%	Good
	Effective use of resources	809	82,13%	Good
Compliance Procedures (Y.3)	Comply with procedures and policies	852	86,50%	Excellent
	Follow SOPs without deviations	841	85,38%	Excellent
	Follow safety rules	855	86,80%	Excellent
Teamwork (Y.4)	Feel an important part of the team	786	79,80%	Good
	Effective team communication	816	82,84%	Good
Initiative (Y.5)	Self-solving problems	767	77,87%	Good
	Taking the initiative	815	82,74%	Good
Interpersonal Skills (Y.6)	Clear and effective communication	812	82,44%	Good
	Listen well	860	87,31%	Excellent
	Adaptation to social situations	852	86,50%	Excellent
Customer Satisfaction (Y.7)	Handle customer complaints	817	82,94%	Good
	Quick response to customers	831	84,37%	Excellent
	Customer loyalty contribution	825	83,76%	Good
Responsibilities (Y.8)	Full responsibility	858	87,11%	Excellent
	Admitting and correcting mistakes	861	87,41%	Excellent

Dimension	Indicator	Total Score	Percentage	Category
	Act with integrity	848	86,09%	Excellent
Total Variable Y		18100	82,99%	Good

The Responsibility and Accountability dimension obtained the highest score (87.41%), followed by Compliance with Procedures (86.80%). This shows that employees have high integrity and adhere to work rules consistently.

Verifiable Analysis (PLS-SEM)

Evaluation of Measurement Models (Outer Model)

Convergent Validity Test

The convergent validity test was carried out through the examination of the loading factor value and Average Variance Extracted (AVE). The assessment criteria refer to Hair et al. (2019):

- Loading factor ≥ 0,70
- AVE ≥ 0,50

Table 4. Loading Factor Before and After Modification

Indicator	Loading Factor Awal	Loading Factor After Modification	Status
X1.1.1	0.810	0.833	Valid
X1.1.2	0.436	Deleted	Invalid
X1.1.3	0.733	0.745	Valid
X1.1.4	0.813	0.823	Valid
X2.3.2	0.653	Deleted	Invalid
...	...	...	...

Two indicators (X1.1.2 and X2.3.2) were removed because they had a loading factor below 0.70 and their removal significantly increased the AVE value.

Table 5. Average Variance Extracted (AVE)

Variable	Early AVE	AVE After Modification	Status
Competencies (X1)	0.510	0.553	Valid
Organizational Culture (X2)	0.490	0.513	Valid
Employee Performance (Y)	0.595	0.595	Valid

After modification, all variables had an AVE value of ≥ 0.50, indicating good convergent validity.

Reliability Test

Table 6. Construct Reliability

Variable	Cronbach's Alpha	Composite Reliability	Status
Competencies (X1)	0.898	0.901	Reliable
Organizational Culture (X2)	0.935	0.939	Reliable
Employee Performance (Y)	0.968	0.970	Reliable

All variables had Cronbach's Alpha and Composite Reliability values > 0.70, indicating excellent reliability.

Evaluation of Structural Models (Inner Models)

Coefficient of Determination (R^2)

Table 7. R-Square Value

Variable endogenous	R-Square	R-Square Adjusted	Category
Employee Performance (Y)	0.877	0.876	Substantial

An R^2 value of 0.877 indicates that 87.7% variation in employee performance can be explained by organizational competencies and culture.

Predictive Relevance (Q^2)
Using the formula: $Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)... (1 - R_p^2)$
The value of $Q^2 = 0.881 > 0$ indicates that the model has good predictive relevance.

Effect Size (f^2)

Table 8. F-Square value

Influence	f^2	Categories Effects
Competencies → Performance	0.240	Keep
Organizational Culture → Performance	0.833	Big

Hypothesis Test

Hypothesis testing uses a bootstrapping procedure with the following criteria:

- T-Statistics ≥ 1.96
- p-value ≤ 0.05

Table 9. Hypothesis Testing Results

Hypothesis	Path Coefficient	t-Statistics	p-Value	Results
H1: Competence → Performance	0.338	6.431	0.000	Accepted
H2: Organizational Culture → Performance	0.630	12.085	0.000	Accepted

Path Coefficient: $\gamma = \Sigma(X_i - \bar{X})(Y_i - \bar{Y}) / \Sigma(X_i - \bar{X})^2$

Where:

- γ = path coefficient
- X_i = value of independent variables
- Y_i = the value of the dependent variable
- $\bar{X}, \bar{Y}$ = variable average

H1: The Influence of Competency on Employee Performance

The test results show that competence has a positive and significant effect on employee performance by:

- Path coefficient = 0,338
- T-statistic = 6.431 > 1.96
- p-value = 0.000 < 0.05

Conclusion: H1 is accepted, competence has a significant effect on employee performance.

H2: The Influence of Organizational Culture on Employee Performance

The test results show that organizational culture has a positive and significant effect on employee performance by:

- Path coefficient = 0,630
- T-statistic = 12.085 > 1.96
- p-value = 0.000 < 0.05

Conclusion: H2 is accepted, organizational culture has a significant effect on employee performance.

Predictive Power of Models

Table 10. Model Evaluation Summary

Criterion	Value	Standard	Status
AVE	> 0.50	≥ 0.50	Meet
Composite Reliability	> 0.90	≥ 0.70	Meet
Cronbach's Alpha	> 0.89	≥ 0.70	Meet
R-Square	0.877	-	Substantial
Q²	0.881	> 0	Relieve
SRMR	< 0.08	< 0.08	Fit

The research model meets all the criteria of goodness of fit and has excellent predictive power.

The Influence of Competency on Employee Performance

The results of the research showed that competence had a positive and significant effect on employee performance at the House of Donatello with a path coefficient of 0.338, t-statistic of 6.431, and p-value of 0.000. These findings confirm that improving employee competencies will result in significant performance improvements.

Competencies measured through three key dimensions – knowledge, skills, and attitudes – show varying contributions to performance. The attitude dimension obtained the highest score (88.12%), indicating that House of Donatello employees have excellent work ethics and professional behavior. This is in line with the theory of Spencer & Spencer (1993) which states that attitudes are the foundation of competencies that affect the way individuals behave in work situations.

The knowledge dimension that reaches a score of 86.29% indicates that employees have an adequate understanding of their duties and responsibilities. High procedural knowledge (85.79%)

indicates that employees have a good understanding of the work steps to be taken. However, knowledge gained from formal education showed a relatively lower score (71.17%), indicating that competency development was more obtained through work experience and internal training.

The expertise dimension with an average score of 81.52% indicates that the employee has adequate technical abilities in his field of work. The ability to recognize problems (82.34%) and find solutions (81.22%) indicates that employees have good problem-solving skills, which are an important component of performance.

The effect of competence on performance can be explained through the following mechanisms: First, adequate knowledge allows employees to understand the work standards and procedures that must be followed, so that they can work more effectively and efficiently. Second, technical expertise that is appropriate to the field of work allows employees to complete tasks with high quality. Third, a good professional attitude creates intrinsic motivation and commitment to work.

These results support previous research conducted by Delima (2016), Idayanti et al. (2020), and Esthi & Savhira (2019) which found a positive and significant influence of competence on employee performance. In the context of the service industry such as the House of Donatello, competence is very important because the quality of service is highly dependent on the individual ability of employees to interact with customers and run business operations.

Although competence has a significant influence, an f-square value of 0.240 indicates a moderate effect on performance. This indicates that while competencies are important, there are still other factors that have a greater influence on employee performance, such as organizational culture that shows a big effect.

The Influence of Organizational Culture on Employee Performance
Organizational culture shows a very strong influence on employee performance with a path coefficient of 0.630, t-statistic of 12.085, and p-value of 0.000. With an f-square value of 0.833, organizational culture has a great effect on employee performance, even greater than competence.

The organizational culture of the House of Donatello, which is in the "Strong" category (83.55%), creates a conducive work environment for the achievement of high performance. The Innovation and Risk Taking dimension which obtained the highest score (89.04%) shows that companies strongly encourage creativity and courage to take risks. This creates a dynamic work climate and allows employees to thrive and innovate in carrying out their duties.

The Attention to Detail dimension with a score of 87.92% shows that the company's culture emphasizes quality and precision in work. This is reflected in the performance of employees who show high compliance with procedures (86.80%) and good quality of work. This culture that emphasizes detail helps create high and consistent standards of work across the organization.

Stability as a dimension of organizational culture also showed a high score (86.29%), indicating that employees feel safe and comfortable in the work environment. This stability is important for creating long-term commitment and reducing turnover, which ultimately contributes to improved overall organizational performance.

Team Orientation with effective communication (84.77%) and good coordination (85.37%) creates synergy between employees that has a positive impact on collective performance. In the service industry, solid teamwork is essential to provide a consistent and quality customer experience.

People Orientation despite showing a relatively lower score (77.97% - 83.55%), remains in the strong category. This dimension shows that the company pays attention to the well-being of employees and involves them in decision-making. This creates a sense of belonging and increases employee motivation to perform better.

The influence of organizational culture on performance can be explained through several mechanisms: First, a strong culture creates a shared value system that guides employee behavior in carrying out tasks. Second, a culture that supports innovation and risk-taking encourages employees to constantly look for new ways to improve performance. Third, a culture that emphasizes teamwork and effective communication facilitates better coordination and collaboration.

These findings are in line with the research of Isa et al. (2016), Nikpour (2017), and Wahab & Wahyuningtyas (2024) which found a positive and significant influence of organizational culture on employee performance. In a theoretical context, these results support the view of Schein (2010) that organizational culture is a fundamental factor that influences the way organizational members think, feel, and act.

Comparison of the Influence of Competencies and Organizational Culture

The comparison between the influence of competence and organizational culture shows that organizational culture has a more dominant influence on employee performance. This can be seen from the coefficient of the organizational culture path (0.630) which is almost double that of competence (0.338), as well as the f-square value which shows a large effect (0.833) compared to the medium effect for competence (0.240).

The dominance of this organizational cultural influence can be explained from several perspectives. First, organizational culture is a contextual factor that influences how individual competencies can be expressed and utilized. A supportive work environment will allow competent employees to demonstrate optimal performance, while an unsupportive culture can inhibit the expression of competence.

Second, organizational culture has a broader and systemic influence than individual competencies. Culture affects not only individuals but also group dynamics, communication processes, and work systems as a whole. This makes its impact on performance more comprehensive.

Third, in a service industry like House of Donatello, organizational culture plays a crucial role in creating consistency in customer experience. A strong culture ensures that all employees provide services to the same standard, regardless of individual competency differences.

CONCLUSION

This research successfully confirmed that both competencies and organizational culture have a positive and significant effect on employee performance at the *House of Donatello*. The results of the *Structural Equation Modeling* (SEM) analysis using the *Partial Least Squares* (PLS) approach showed that organizational culture had a more dominant influence on employee performance ($\beta = 0.630$, $t = 12.085$, $p < 0.001$) compared to competence ($\beta = 0.338$, $t = 6.431$, $p < 0.001$). Overall, these two variables explained 87.7% of the variation in employee performance ($R^2 = 0.877$), with organizational culture contributing 45.27%, competence contributing 13.01%, and a joint contribution of 29.42%. The dominance of organizational culture can be attributed to the characteristics of the service industry, where service consistency, shared values, and a conducive work environment are critical factors in achieving optimal performance. These findings provide practical implications, indicating that while competency development remains important, *House of Donatello* management should place greater priority on strengthening organizational culture through programs that integrate competency development with the internalization of organizational values, while also ensuring alignment between HR management practices and the desired organizational culture.

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