The Effect of Competence, Work Motivation and Organizational Culture on Employee Performance at PT. Permodalan Nasional Madani Medan Branch Office

Ilham Pinayungan Siagian¹*, Adi Susilo Jahja²
Sekolah Pascasarjana Institut Keuangan, Perbankan, dan Informatika Asia Perbanas (Asia Banking, Finance and Informatics Institute) Perbanas Jakarta

Corresponding Author: Ilham Pinayungan Siagian ilhamps77@gmail.com

ARTICLE INFO

Keywords: Competence, Work Motivation, Organizational Culture, Employee Performance, PNM ULaMM

ABSTRACT

The focus of this research is on PT. Permodalan Nasional Madani Medan Branch Office, using three independent variables, namely competence, work motivation and organizational culture. The sample consists of all 100 employees of PT. Permodalan Nasional Madani Medan Branch Office, selected by census. The data analyzed came from questionnaires distributed to all employees sampled in this research. The analysis method in this research uses SEM analysis with SmartPLS software. Based on the research results, it shows that competence has a positive and significant effect on employee performance. Apart from that, work motivation has a positive and significant effect on employee performance. Meanwhile, organizational culture has a positive and significant effect on employee performance.
INTRODUCTION

With increasing business competition, companies are proactively planning expansion strategies to achieve their goals. However, in this context, the most important aspect and has a significant impact is Human Resources (HR). Human Resource Management (HRM) is a scientific discipline that aims to manage employee interactions and contributions in achieving company goals effectively and efficiently (Hasibuan, 2017). Effective management in HRM is very important to maximize company performance and increase revenue.

Mangkunegara (2017) explains that employee performance can be measured by evaluating quality, quantity and responsibility in carrying out tasks. This means that employee performance is reflected in the results of their work, which can be identified through routine monitoring and evaluation processes carried out by the company.

According to Zainal (2015) employee performance refers to individual achievements in carrying out their duties during a certain cycle period. This evaluation involves considering the various potentials possessed by employees. This means that performance is assessed based on the extent to which employees can optimize their abilities, knowledge and skills to achieve or even exceed targets within the specified time period.

Meanwhile, according to Muis, et al. (2018), performance refers to what has been achieved or produced by individuals or groups in a company, taking into account the obligations, efforts and authority they have and complying with applicable legal and ethical rules. This means that performance appraisal is based on the employee's ability, both individually and as part of a team, to achieve organizational goals in a way that is in accordance with the values held by the company.

PNM Medan Branch acts as the main branch office which oversees 16 unit offices spread across several regions. The main business managed by this branch is providing financing for MSMEs through the Micro Account Officer (AOM) located at the unit office (PNM, 2023). Information regarding the performance of financing distribution at PNM Medan Branch can be found in the following picture:

Figure 1. Lending Performance of PNM Medan Branch from 2021 to 2023

Source: PNM Medan Branch
From financing performance data from 2021 to 2023, it can be seen that financing distribution has not yet reached optimal levels. In fact, there was a downward trend in financing distribution during this period. This decline has a significant impact on the company's business continuity. Therefore, a deeper understanding of the causes of the decline in financing distribution is needed and improved strategies to improve employee performance in order to increase financing distribution. This data shows that there is a gap in the business phenomenon at the PNM Medan Branch Office.

The decline in employee productivity in financing distribution is the result of various factors that require serious attention from the company. To overcome this challenge, strategic steps need to be taken. Several factors that need special attention in dealing with the issue of declining employee performance involve competence, work motivation and organizational culture. (Dwijanti et al., 2019; Susanto, 2020; Aryani et al., 2021). A number of previous studies have been conducted on these factors, but the research findings show differences. This condition creates a research gap that indicates the need for further research.

Based on previous research, it was found that competence is the first factor that has an impact, positive and significant on employee performance. Competence is an important element that influences employee productivity in achieving company goals. A number of studies (Putra et al, 2018; Susanto, 2020; Kadir, et al, 2018) state that competence has a positive and significant effect on employee performance. However, different findings emerge in research, such as research by Hidayat (2020) which states that competency has no influence on employee performance. From the findings of these researches, there are differences with research previously examined the correlation between competency and employee performance.

The next factor is work motivation, which is an internal drive that encourages employees to achieve the desired work targets. Employees who are positively motivated tend to be able to complete tasks more effectively and innovatively in facing challenges in the workplace. Therefore, it is important for companies to provide support to employees so that they can work with enthusiasm and fulfill their responsibilities in accordance with the expectations that have been determined (Kadarisman, 2012). Various studies (Agusta, 2013; Wahyudi, 2019; Ratnawati, et al, 2020) reveal that work motivation has a positive and significant effect on employee performance. However, Adha et al., (2019) found that Work motivation has no effect on employee performance. The results of these researches show differences in previous research that examined correlation between work motivation and employee performance.

Organizational culture in the company is the third factor examined in this research. Organizational culture involves mutual agreement between organizational members regarding principles, guidelines, attitudes and work ethics. This factor plays an important role in directing employee behavior, thinking, cooperation and interaction with their work environment (Amanda et al., 2017). In a situation where employee performance is decreasing, organizational culture becomes a very crucial issue. Therefore, the role of organizational culture in influencing employees to complete their work and carry
out their obligations to the company becomes very important. Several previous studies (Ainanur & Tirtayasa 2018; Andriprianto & Maridjo, 2022; Aryani, et al, 2021) stated that organizational culture has a positive and significant effect on employee performance. However, Nasir (2020) believes that organizational culture has no effect on employee performance. Based on the results of these researches, there are different views in research regarding the relationship between organizational culture and employee performance.

By considering the explanation above, the author motivated to conduct research on the effect of competence, work motivation and organizational culture on employee performance at PT. Permodalan Nasional Madani Madani Medan Branch Office.

LITERATURE REVIEW

Human Resource Management

Armstrong (2021) asserts that HRM plays a crucial role in creating added value and contributing to sustainable competitive advantage for an organization through strategic development of human resources. Pembudi et al. (2017) add that HRM is the science or strategy of managing the relationships and roles of individuals in the workforce productively and successfully. HRM aims to optimize human resources to achieve mutually beneficial goals for the organization, employees, and society as a whole.

Functions of Human Resource Management

According to Hasibuan (2018), HRM involves several important functions. These include planning, organizing, recruiting, developing, coaching, monitoring, and controlling. These functions are crucial in achieving company goals, both in managerial and operational aspects. It is expected that these functions can address various challenges faced by employees, so that each employee can make a positive contribution to the company's progress.

The Role of Human Resource Management

Hasibuan (2018) states that HRM generally encompasses three important aspects. First, assessing the quality and quantity of available human resources. Second, planning and implementing employee recruitment programs. Third, implementing career development programs for employees. Fitri et al. (2021) affirm that HRM plays a crucial role in enhancing effectiveness and efficiency to achieve the goals of an organizational entity. Therefore, HRM plays an important role in achieving company goals. However, managing the human aspect in a company is not easy and often complex. The importance of employee skills and capabilities depends on high enthusiasm and work discipline to achieve company targets.

Millennial Generation

Budiati et al. (2018) stated that the millennial generation in Indonesia refers to individuals born between 1980 and 2000. The millennial generation is known to have a high level of digital knowledge and multitasking abilities and tends to socialize and learn via the internet (Karakas et al., 2015). The millennial
generation, with a high level of self-confidence, views various opportunities as potential achievements that can be realized. Challenging job choices are seen as a means to strengthen their personal motivation, and as a result, their performance improves. When this generation feels that they have a strong connection to their goals and contributions to the company, they will be more likely to show higher levels of dedication and productivity (Hidayat et al., 2020).

Gichuhi & Mbithuka (2018) explain that awards from companies and promotional opportunities have more value for the millennial generation than just wages. This is because they feel that their contribution has had a positive impact on the development of the company where they work. Therefore, providing constructive input to the millennial generation on how they can contribute is considered important to increase company growth and development. The millennial generation also expects fair treatment from companies, including remuneration commensurate with workload, professional development opportunities, and a conducive work environment (Amalia & Hadi, 2019). Thus, companies need to understand these values to retain and motivate the millennial generation in the world of work. Millennials tend to have high self-confidence and see the future with optimism. They usually choose challenging work to maintain their motivation. They also try to improve their performance by looking for reasons and contributions they can make to the company or organization where they work (Hidayat et al., 2020).

Characteristics of the Millennial Generation

According to Lancaster & Still quoted (Putra, 2016), the characteristics of the millennial generation can be grouped into three main aspects:

1. Attitude (Attitude)
   The millennial generation often shows a realistic attitude in dealing with various events in their lives.

2. Global Perspective (Overview)
   Millennials value diversity, prefer collaboration over simply following orders, and tend to solve problems efficiently and effectively.

3. Work Habits (Work Habits)
   The millennial generation is characterized by high optimism, a focus on achievement, significant levels of self-confidence, belief in moral and social values, and appreciation for diversity.

Millennial Generation HR Competency Management Strategy

Urika (2022) suggests that companies can manage the HR competencies of the millennial generation by implementing 5 (five) effective strategies, namely:

1. Provide tasks that suit the abilities and skills of the millennial generation.
2. Providing opportunities for the millennial generation to expand their knowledge and insight through various means in the workplace is important.
3. Providing opportunities to contribute with new ideas is very important. They consider these ideas to be a very important part of self-development and feel that this is a way to improve their abilities.
4. Create a work environment that focuses on taking sides with employees.
5. Provide opportunities to learn and develop personal abilities.

Sudarmanto (2015) states that there are five (5) competency indicators, namely:
1. Motive is the impulse that makes someone want to do something, based on their thoughts or desires.
2. Traits are consistent characteristics or reactions to certain conditions or facts.
3. Self-Identity (Self-Concept) is the way a person sees themselves, which includes behavior and morals.
4. Knowledge is the understanding a person has about a specific area, and is often part of a detailed ability.
5. Expertise (Skill) refers to a person's capacity to complete certain work, both physically and mentally.

Discussion of employee competency is very important in a company because employee competency reflects the abilities, knowledge and skills possessed by individuals to carry out their duties and responsibilities. In line with the opinion of Sutrisno (2016) who states that competence involves abilities from knowledge and skills, supported by the implementation of tasks and work attitudes according to company standards.

A strong correlation between competency and employee performance can occur because competency reflects the abilities, knowledge and skills required by the task to carry out the task well. This is in accordance with the opinion expressed by Sedarmayanti (2019) explaining that competence refers to the main characteristics possessed by an individual and has a direct impact on performance, or is able to predict the achievement of superior performance.

Various studies (Putra et al, 2018; Susanto, 2020; Kadir, et al, 2018) emphasizes that competence has a positive and significant effect on employee performance. There are gaps in previous research related to competency variables on employee performance. However, Hidayat (2020) claims that competence has no effect on employee performance.

**Employee performance**

Every company strives to achieve optimal performance. Therefore, the company's performance needs to be measured and managed so that the company's goals can be achieved (Fauzan & Jahja)

Rivai (2015) explains that performance is a worker's work performance during a certain period, compared with agreed work standards and targets. Lasmi and Fungky (2018) revealed that performance is a concrete action carried out by individuals in carrying out functions according to their responsibilities, with the aim of achieving targets, while still paying attention to legal aspects, customary norms and morals. Meanwhile, according to Miner (in Mangkunegara, 2017) states that performance refers to the achievements obtained by employees in carrying out their duties, which includes aspects of the quality and quantity of work, as well as in accordance with the responsibilities that have been given to them.

**Competence**

Wibowo (2019) stated that competence is the ability to complete
obligations that come from excellence and insight, and is accompanied by work behavior that is in accordance with work requirements. This means that competence involves characteristic actions and attitudes, along with individual determination and capacity that tend to be consistent when dealing with various conditions in the work area.

Sedarmayanti (2019) explains that competence is the basic ability possessed by a person and has a direct influence on the way they work. Competencies can also help predict how well someone will work. Sutrisno (2016) states that competence involves abilities from knowledge and skills, supported by the implementation of tasks and work attitudes according to company standards. This means that the existence of competence is considered an important factor to significantly improve performance results.

Based on previous research, it is known that more research supports a positive and significant effect than research that shows no significant effect. So, the hypothesis in this research is:

**H1: Competence has a positive effect on employee performance**

**Work Motivation**

Afandi (2018) defines motivation as an individual's internal drive that arises due to inspiration, enthusiasm and encouragement to carry out activities with full dedication, enthusiasm and loyalty so as to produce superior performance. Rosidah (2018), motivation is a strategy to provide encouragement to subordinates so that they can work optimally to achieve organizational targets optimally.

Hasibuan (2017) stated that motivation is a driving element that inspires a person's enthusiasm and enthusiasm so that they are willing to work together, perform optimally, and act with integrity in all areas of work in order to achieve job satisfaction. Sitorus (2020) added that work motivation includes everything within a person that influences and directs the individual in achieving work goals.

**Employee engagement**

Apart from work motivation, the approach to motivating employees through employee engagement can improve employee performance. Employee engagement is a condition where a person feels they have a thorough understanding of their meaning, are motivated at work, can receive positive support from colleagues, and are able to work effectively and efficiently in the work environment (Mujiasih, 2015).

Furthermore, employees who have employee engagement will show high initiative in carrying out tasks and are more motivated to develop knowledge beyond daily work (Schaufeli, 2012). This is reinforced by Turner's (2020) statement that employee engagement is a condition where a person feels enthusiasm, passion, satisfaction, empowerment and other positive behavior related to work.

Schaufeli and Bakker (in Sadana & Vany, 2014) state that the characteristics of employee engagement are as follows:
1. Vigor, describes employees who have high energy levels, strong work motivation, and are able to overcome challenges well. Those who score low in vigor tend to be less enthusiastic about working, get tired easily, and become discouraged when facing problems at work.

2. Dedication, describes employees who are very attached to their work, full of enthusiasm, can inspire, and are proud of their work. They usually feel enthusiastic and proud of their duties. However, a low score in dedication indicates a lack of engagement with the job, perhaps due to a lack of meaningful experience or a lack of motivating challenges. They may also feel a lack of enthusiasm and pride in their work.

3. Absorption, reflects employees who enjoy their work, can focus completely on their tasks, and find it difficult to separate from their work. Those who score high on absorption usually feel happy when fully engaged in work, find it difficult to be aware of their surroundings, and feel that time passes quickly when they are engaged in work.

Indicators of work motivation can be seen from the perspective of Abraham Maslow's needs theory (Robbins, 2013). Maslow explained that in every human being there are five levels of needs, namely: physiological needs, security needs, social needs, esteem needs, and self-actualization needs. In this context, Maslow also emphasized that to motivate someone, it is important to understand at what level the individual's needs are (Robbins & Coulter, 2012).

Discussion of work motivation is important because work motivation has a major impact on individual performance and the entire organization. Work motivation influences levels of productivity, job satisfaction, as well as creativity and innovation in completing tasks. Therefore, understanding and discussing work motivation can help improve individual and overall organizational performance.

The correlation between work motivation and employee performance is very strong because motivation is the main driver behind high levels of performance and makes a real contribution to achieving company goals. In line with Rosidah's (2018) view, motivation is a strategy to provide encouragement to subordinates so that they can work optimally in achieving organizational targets effectively.

Various discoveries (Agusta, 2013; Wahyudi, 2019; Ratnawati, et al, 2020) emphasizes that work motivation has a positive and significant effect on employee performance. However, findings by Adha et al., (2019) stated that motivation has no effect on employee performance. In the context of previous research findings, it appears that positive and significant influences dominate compared to research that shows no significant influence. So, the hypothesis in this research is:

**H2: Work motivation has a positive effect on employee performance.**

**Organizational Culture**

Darodjat (2015) explains that organizational culture is a combination of morality, beliefs, initial thoughts, or habits that have developed over a long period of time, are mutually accepted, and function as a guide for organizational members in behavior and problem solving. Sule and Saefullah (2019) stated that
organizational culture includes beliefs and guidelines that are approved by the organization in accordance with surrounding conditions, influence individual performance, and create organizational cultural dynamics which are reflected in the shared understanding that members of a group or organization have regarding the organizational culture.

Sutrisno (2019) states that every organization has a value system that regulates behavior, known as organizational culture. The success or weakness of this culture depends on the extent to which the core values are accepted by employees, and becomes stronger as the number of employees committed to those values increases. Robbins (2013) stated that guidelines for employees to pay attention to the interests of all members of the organization are the basis of organizational culture. Robbins et al., (2013) states that there are 7 (seven) indicators of organizational culture that can be found in an organization, namely, as follows:

1. Innovation encouragement and risk management
   How much encouragement is given to employees to develop new ideas and deal with uncertainty in decision making.

2. Accuracy to detailed information
   How much is the expectation for employees to demonstrate thoroughness, analytical skills, and awareness of details.

3. Results orientation
   How much management focuses on achieving desired results compared to the emphasis on the methods or processes used to achieve them.

4. Attention to personnel
   How much management decisions take into account the impact of the results on personnel in the organization.

5. Team collaboration
   The extent to which work structures and interactions are organized within the team as a collective entity, not just the individuals involved.

6. The hood is competitive
   How much work structure and interaction is organized within the team as a collective entity, not just the individuals involved.

7. Stability
   How much attention the organization pays to maintaining the status quo and avoiding significant change versus encouraging growth and development.

Discussion of organizational culture is very important because organizational culture influences various aspects of a company, including productivity, employee satisfaction, loyalty and overall performance. Organizational culture includes the values, norms, and behaviors accepted and practiced by members of the organization.

The relationship between organizational culture and performance is how the values, norms, and practices adopted by the organization influence the overall performance results of the organization. A culture that supports teamwork and employee well-being tends to improve performance, while an inappropriate culture can hinder employee performance.
Various studies (Ainanur & Tirtayasa 2018; Andriprianto & Maridjo, 2022; Aryani, et al, 2021) found that organizational culture has a positive and significant effect on employee performance. However, research reported by Nasir (2020) claims that organizational culture has no effect on employee performance. Based on previous research findings, there is a dominance of positive and significant influences rather than findings that show no influence on employee performance. Therefore, the hypothesis in this research is formulated as follows:

**H3: Organizational culture has a positive effect on employee performance**

A research framework is a conceptual representation of the relationship between relevant variables based on the problem to be studied in the research. In this context, a framework is used to explain the relationship between the concepts involved. Based on the previous explanation, the framework of thought can be described as follows:

![Conceptual Framework](image)

**Figure 1. Conceptual Framework**

**METHODOLOGY**

This research uses a research design with a quantitative approach. Quantitative methods are used to test various theories objectively by testing the relationship between variables (Kusumastuti, Khoiron, & Achmadi, 2020). The aim is to find patterns of influence or relationships between variables on a particular subject, especially to understand the impact of the independent variable on the dependent variable. The research was conducted at the Medan Branch Office of PT. Madani National Capital, with a data collection duration of one month and data processing for three months.

Population refers to a group of objects or subjects that have standards and characteristics that have been determined by researchers to be studied and researched in order to achieve final results (Sugiyono, 2014). In the context of this research, the population studied was all employees at the Medan Branch Office of PT. Madani National Capital (PNM), with a total of 100 respondents.

Anshori & Iswati (2019) stated that the sample reflects a partial representation of the totality and characteristics of the population. This research used a non-probability sampling method to take samples from all 100 PNM Medan Branch employees. In this case, the sampling technique applied is a
saturated sampling approach (census), which means the entire population is the research sample. Sugiyono (2014) explains that this technique can be applied when the population is limited, and researchers want to achieve generalization with a low error rate.

Muslich and Iswati (2019) noted that data is divided into two types, namely qualitative (in verbal form) and quantitative (in numerical form). Sugiyono (2014) explains that in the context of research, validity tests are used to analyze each item by connecting it to the total score, which is the sum of the scores for each item. This research chooses to use quantitative data which will be processed using the SmartPLS application. Some items may be removed if they do not meet certain conditions.

For information, Sugiono (2015) emphasized that the data processing approach is applied to overcome obstacles in research. In this research, data will be managed using SmartPLS (Partial Least Square) software. Sugiono (2015), explains that PLS is a data analysis approach that has strength without being bound by various assumptions. The PLS approach is not tied to special data presentation, so it can be applied to various groups of data, such as categorical, nominal, interval, ordinal and ratio data. Thus, PLS is recognized as an analysis approach that is not tied to distribution (distribution free).

Husein (2015) stated that the PLS method applies bootstrapping or random replication techniques to carry out the analysis process. Thus, disagreement with the normality assumption is not a major obstacle in PLS. Meanwhile, PLS does not require special requirements for the lowest sample quantity to be met. Thus, PLS can still be used in research involving relatively small samples. Therefore, the PLS method is classified as a non-parametric type because it does not require a normal distribution in constructing the model.

Apart from that, there is also qualitative data obtained through interviews, a method of direct interaction between researchers and respondents. Interviews are a data collection method that involves the participation of informants to provide answers to questions asked for research purposes. The interview method with informants was carried out using an interview protocol. The purpose of this interview is to enrich the explanation of the results of hypothesis testing, as well as to gain more comprehensive knowledge about the research object.

In relation to data, there are two important categories, namely primary data and secondary data (Muslich and Iswati, 2019). Primary data was obtained through interviews and filling out questionnaires by respondents, including questionnaire responses from all employees and the results of discussions with competent officials at the PNM Medan Branch Office. Meanwhile, secondary data involves documents and other information, including employee productivity. Data classification in this research includes internal and external data. Internal data, such as questionnaires and interviews, comes from the company for its internal purposes.

Jahja et al., (2021) explained that in the qualitative data analysis process there are a series of steps involving the following stages:

\textit{a. Data Introduction}
Researchers need to absorb qualitative data by looking at the recorded written content and receiving information through careful interview interactions. This step is undertaken with an open mind to capture new themes without prejudice.

b. Code Assignment
In the coding process, sentences and statements are marked that are considered to have relevance, importance or a high frequency of occurrence. In its role as a research instrument, the researcher determines the elements that will be coded for further analysis.

c. Classification
In coding, researchers choose codes that are considered significant and appropriate. Next, the data is grouped into categories. Where possible, these codes can be broken down into various sub-categories.

d. Relationship Analysis and Category Hierarchy
The various categories and sub-categories are linked rationally, and relationship patterns and hierarchies are carefully analyzed. A logical explanation is then prepared based on these findings.

RESEARCH RESULT
Measurement Model Testing (Outer Model)
After the data is collected, the next step is to analyze it using SmartPLS software to evaluate the influence of competence, work motivation and organizational culture on employee performance. This analysis includes validity and reliability checks, as well as outer and inner model analysis. After the testing process, indicators with a score above 0.5 are considered valid. Results that meet these criteria, with values above 0.5, are presented in the image below:

![Figure 2. Diagram of SEM-PLS Data Processing Result](image-url)

Validity and Reliability Test
In this research, validity and reliability verification was carried out using two parameters, namely Cronbach's alpha and composite reliability. Even though Cronbach's alpha is still often applied, its use tends to produce lower reliability values when compared to composite reliability. For this reason, it is recommended to use composite reliability as a reliability measurement method (Haryono, 2017). More specifically, a construct can be categorized as reliable if
the Cronbach's alpha value exceeds 0.70, and a variable is considered reliable if the composite reliability reaches a value above 0.70 (Ghozali, 2015). The test results on the validity and reliability of the measurement instruments are described as follows:

**Table 1. Validity & Reliability Test Results**

<table>
<thead>
<tr>
<th>Contracts</th>
<th>Items</th>
<th>Outer loadings</th>
<th>Cronbach's alpha</th>
<th>Composite reliability (rho_a)</th>
<th>Composite reliability (rho_c)</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPETENCY (X1)</td>
<td>X1.2</td>
<td>0.570</td>
<td></td>
<td>0.820</td>
<td>0.864</td>
<td>0.876</td>
</tr>
<tr>
<td></td>
<td>X1.3</td>
<td>0.548</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.4</td>
<td>0.848</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.5</td>
<td>0.913</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.6</td>
<td>0.897</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WORK MOTIVATION (X2)</td>
<td>X2.1</td>
<td>0.808</td>
<td></td>
<td>0.833</td>
<td>0.840</td>
<td>0.878</td>
</tr>
<tr>
<td></td>
<td>X2.2</td>
<td>0.771</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.3</td>
<td>0.809</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.4</td>
<td>0.715</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.5</td>
<td>0.695</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.6</td>
<td>0.626</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ORGANIZATIONAL CULTURE (X3)</td>
<td>X3.1</td>
<td>0.710</td>
<td></td>
<td>0.897</td>
<td>0.897</td>
<td>0.915</td>
</tr>
<tr>
<td></td>
<td>X3.10</td>
<td>0.729</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3.2</td>
<td>0.726</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3.3</td>
<td>0.717</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3.4</td>
<td>0.679</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3.5</td>
<td>0.730</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3.6</td>
<td>0.746</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3.7</td>
<td>0.701</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3.8</td>
<td>0.716</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3.9</td>
<td>0.750</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMPLOYEE PERFORMANCE (Y)</td>
<td>Y1.1</td>
<td>0.733</td>
<td></td>
<td>0.908</td>
<td>0.911</td>
<td>0.924</td>
</tr>
<tr>
<td></td>
<td>Y1.10</td>
<td>0.749</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.2</td>
<td>0.747</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.3</td>
<td>0.761</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.4</td>
<td>0.775</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.5</td>
<td>0.819</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.6</td>
<td>0.805</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.7</td>
<td>0.713</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.8</td>
<td>0.624</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.9</td>
<td>0.673</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Data Processing Results with Smart PLS, 2023*

The table shows that all variables in this study have shown composite reliability and Cronbach's alpha values that exceed the threshold value of 0.70. These results confirm that the indicators used for each variable are consistently reliable. In the context of validity testing, the average variance extracted (AVE) value is used as a guideline, with the expected value being above 0.50. Based on the data listed in the table, all variables in the study achieved AVE values that exceeded this threshold. By taking these principles into account, it can be...
concluded that each variable has been proven valid and reliable within the framework of this research.

**Average Variance Extracted (AVE)**

The AVE value is an abbreviation of Average Variance Extracted (AVE), which is the average value of the percentage of variation explained by the latent construct which is calculated based on the standard loading value in the PLS algorithm. Apart from that, AVE must be more than 0.5 (Ghozali, 2015). In this study, to assess the strength of the model, it is expected that the AVE value is above 0.5. Details of the AVE values for each construct can be found in the table presented below:

**Table 2. Average Variance Extracted (AVE) Test Results**

<table>
<thead>
<tr>
<th>Constructs</th>
<th>AVE</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence</td>
<td>0.596</td>
<td>Strong</td>
</tr>
<tr>
<td>Work motivation</td>
<td>0.548</td>
<td>Strong</td>
</tr>
<tr>
<td>Organizational culture</td>
<td>0.519</td>
<td>Strong</td>
</tr>
</tbody>
</table>

Source: Data Processing Results with Smart PLS, 2023

The table shows that the AVE value in this study exceeded the limit of 0.5, with competence reaching 0.596, work motivation reaching 0.548, and organizational culture reaching 0.519. In conclusion, the AVE value of each construct supports the strength of the model used in this research when tested with the AVE value.

**Hypothesis Test**

To assess whether the proposed hypothesis is acceptable, hypothesis testing is carried out using the Bootstrapping method in SmartPLS. At the 5% significance level, the critical value for the t-statistic is 1.96. Detailed information regarding the Path Coefficient Test results can be found in the table below:

**Table 3. Hypothesis Test Results**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>Original sample (O)</th>
<th>Standard Deviation</th>
<th>T Statistic</th>
<th>Bias</th>
<th>5.0%</th>
<th>95.0%</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>(X1) → Y</td>
<td>0.124</td>
<td>0.059</td>
<td>2,087</td>
<td>0.001</td>
<td>0.027</td>
<td>0.222</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>(X2) → (Y)</td>
<td>0.262</td>
<td>0.092</td>
<td>2,850</td>
<td>0.007</td>
<td>0.125</td>
<td>0.423</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>(X3) → (Y)</td>
<td>0.574</td>
<td>0.093</td>
<td>6,139</td>
<td>-0.005</td>
<td>0.409</td>
<td>0.715</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: Data Processing Results with Smart PLS, 2023

The table shows that the beta coefficient for the relationship between competency variables and employee performance is 0.124, with a t-statistic of 2.087. For the relationship between work motivation and employee performance, the beta coefficient value is 0.262, with a t-statistic of 2.850. Meanwhile, the beta coefficient for the relationship between organizational culture and employee
performance is 0.574, with a t-statistic of 6.139. The hypothesis is accepted if the significance level is less than 0.05, or if the t-statistic value exceeds the critical value, namely 1.97 (Hair et al., 2014). Therefore, it can be concluded that the results of the proposed hypothesis test are acceptable.

DISCUSSION

**H1: Competence has a positive effect on employee performance at PT. Permodalan Nasional Madani Medan Branch Office.**

Test findings show that the competency variable at PT. PNM Medan Branch Office has a positive and significant effect on employee performance. It can be seen from the coefficient value of 0.124, which means that every increase in competency of 0.01 or 1% will result in an increase in employee performance of 0.124 or 12.4%.

Statistical analysis shows that there is a positive and significant relationship between competency and employee performance at PT. PNM Medan Branch Office. In other words, the higher the level of employee competency, the higher the performance that can be achieved. This analysis proves that competence plays an important role in achieving optimal performance in the workplace. The findings of this research are in line with previous research conducted by Putra, et al., (2018) Susanto (2020), Kadir, et al. (2018) all confirm that there is a positive correlation between competency and employee performance.

The results of this research show a clear relationship between competency and employee performance. Specifically, these findings show that the competencies possessed by individuals have a direct impact on performance. This is in line with the findings of Sedarmayanti (2019) who stated that competence refers to the main characteristics possessed by an individual and has a direct influence on their performance. However, these results contradict previous research by Hidayat (2020) which stated that competence has no effect on employee performance.

The results of the interview with the Supporting Manager stated that the low competency was influenced by the current level of education, which is a high school education, this is no longer in line with the abilities required by the company to carry out work. In addition, with the majority of PNM ULaMM employees currently being millennials, it is necessary to take steps to improve their human resources so they can compete with other companies (Anisyah Dwi Kutaty, interview, 13 December 2023). The results of this interview are in line with the opinion of Urika (2022) who stated that companies must improve the management of HR competencies for the millennial generation by providing tasks that suit their skills and competencies, as well as providing opportunities to broaden employees' insight and knowledge.

Meanwhile, the results of interviews with Business Managers stated that the information obtained by more than 50% of Micro Account Officers had less than optimal financing distribution performance. This is due to their lack of ability to complete work, especially digital knowledge skills which can actually make work easier, as a result this low knowledge has an impact on completing
their tasks. Apart from that, the lack of relationships and potential customers is also an obstacle in achieving financing distribution targets and the average work experience is less than two years which results in AOM’s low ability to search for potential new customers (Zakaria, interview, 17 December 2023). The results of this interview are in line with the opinion of Urika (2022) who emphasized that the millennial generation really appreciates diversity, prefers collaboration rather than just following orders, and tends to solve problems with a pragmatic approach.

The explanation above shows that this research was carried out with a comprehensive approach because it combined questionnaire data with direct interviews regarding employee performance with authorized officials. However, the findings from previous research are different from the results of Hidayat's (2020) research which states that competency has no effect on the performance of PT employees. Surya Yoda Indonesia. Differences in research occur due to research on different business segments and a total of 50 samples. The research uses a 2-sided test with a significance level of 0.025 with a critical value of 2.012. Meanwhile, the test results on the competency variable show that the beta coefficient value for the relationship between competency and employee performance is a t-statistic of 0.620. From these results, it can be concluded that the t-statistic is significantly smaller than the value of 2.012, which shows that competence has no effect on employee performance.

**H2: Work motivation has a positive effect on employee performance at PT. Permodalan Nasional Madani Medan Branch Office.**

Test findings show that the work motivation variable has a positive and significant effect on employee performance. It can be seen from the coefficient value of 0.262, which means that every increase in competency of 0.01 or 1% will result in an increase in employee performance of 0.262 or 26.2%.

Statistical analysis showing a positive and significant relationship between work motivation and employee performance at PT. PNM Medan Branch Office indicated that the higher the level of work motivation that employees have, the better the performance they produce. In other words, when employees feel motivated and passionate about doing their work, they tend to achieve better results in terms of productivity and overall performance. This shows the important role of work motivation in improving individual and organizational performance as a whole. Research findings were confirmed by Wahyudi (2019), Agusta (2013), Ratnawati, et al. (2020) all of whom confirm that there is a positive correlation between work motivation and employee performance.

The results of this research show a clear relationship between work motivation and employee performance. Specifically, these findings show that increasing employees’ work motivation has a positive impact on their performance. Employees who feel motivated tend to be more productive and achieve individual and team goals more effectively. This is in line with the findings of Sitorus (2020) adding that work motivation includes everything from within a person that influences and directs the individual in achieving work goals. However, these results contradict previous research by Adha et al., (2019) which stated that motivation has no effect on employee performance.
The results of the interview with the Support Manager showed how important support from superiors and colleagues is in the form of appreciation for their work. When employees feel valued and supported, they are more confident in completing their tasks. This can also increase their enthusiasm and motivation to work better. Plus, providing opportunities for the millennial generation to learn and develop in the workplace is also very important. (Anisyah Dwi Kutaty, interview, 13 December 2023). The results of this interview are in line with the views of Urika (2022) who emphasizes the importance of giving the millennial generation opportunities to expand their knowledge and insight in the workplace. Apart from that, providing opportunities for them to continue learning and developing their abilities is also important.

Meanwhile, the results of interviews with Business Managers stated that interaction between unit leaders and AOM, as well as direction regarding marketing strategies from unit leaders, could make AOM feel more motivated in carrying out their duties and responsibilities. In addition, it is important for companies to pay attention to salaries, incentives and promotional opportunities for employees. Plus, currently the majority of employees are the millennial generation, so it is important to assign them to tasks that are suitable according to their skills (Zakaria, interview, 17 December 2023). The results of this interview are in line with the views of Urika (2022) who stated that one strategy in managing the HR competencies of the millennial generation is to provide tasks that suit the abilities and skills of the millennial generation.

The explanation above shows that this research has a more comprehensive approach because it combines data from questionnaires with the results of direct interviews regarding employee performance with officials who have authority. However, research by Adha et al. (2019) which states that work motivation has no effect on the performance of the Jember Regency Social Service. The differences in this research are due to the different business segments in the research, namely the non-bank sector, with a limited sample size of only 32 respondents. In addition, the research methodology is based entirely on the use of questionnaires, with no direct interview method.

H3: Organizational culture has a positive effect on employee performance at PT. Permodalan Nasional Madani Medan Branch Office.

Test findings show that the work motivation variable has a positive and significant effect on employee performance. It can be seen from the coefficient value of 0.574, which means that every increase in competency of 0.01 or 1% will result in an increase in employee performance of 0.262 or 57.4%.

Research findings were confirmed by Ainanur and Tirtayasa (2018), Andriprianto and Maridjo (2022), Aryani et al. (2021) all of whom confirm that there is a positive correlation between organizational culture and employee performance.

The results of this research show a clear relationship between organizational culture and employee performance. Specifically, these findings indicate that a well-built organizational culture has a significant impact on employee performance. In other words, the more positive and strong the
organizational culture implemented in a company, the higher the level of performance that can be achieved by employees. This is in line with the findings of Sule and Saefullah (2019) who stated that organizational culture includes beliefs and guidelines that are endorsed by the organization in accordance with surrounding conditions, influences individual performance, and creates organizational cultural dynamics which are reflected in the shared understanding held by members of a group or group. organization to the culture of that organization. However, these results contradict previous research by Nasir (2020) which found that organizational culture had no effect on employee performance.

The results of the interview with the Support Manager stated that the work environment has an influence on improving employee performance because it influences their work habits. Apart from that, unit leaders must also create a balance between work and their personal lives (Anisyah Dwi Kutaty, interview, 13 December 2023). The results of the interview are in line with the views of Urika (2022) who stated that one of the strategies in managing the HR competencies of the millennial generation is to create a work environment that focuses on taking sides with employees.

Meanwhile, the results of interviews with Business Managers revealed that the majority of employees today are the millennial generation who have a high attitude of optimism, they tend to prefer working in teams, open communication and collaboration. In addition, slogans about organizational culture have not yet been posted in every employee's workspace (Zakaria, interview, 17 December 2023). The results of this interview are in line with the views of Robbins (2013) who states that guidelines for employees to pay attention to the interests of all members of the organization are the basis of organizational culture.

The explanation above shows that this research was carried out with a more comprehensive approach, combining data from questionnaires and direct interviews with authorized officials regarding employee performance. However, findings from research by Nasir (2010) show that organizational culture has no effect on the performance of the Village Government in the Bengkalis Regency Region. The differences in research results are due to the number of samples used, with a total of 127 respondents and differences in business segments. In addition, the research methodology only uses data obtained through questionnaires, without involving direct interview methods.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of research and data analysis, as well as by referring to relevant theories and previous discussions, the following conclusions can be drawn:

1. Competence has a positive and significant effect on employee performance in distributing financing at PT. Permodalan Nasional Madani Medan Branch Office.

2. Work motivation has a positive and significant effect on employee performance in distributing financing at PT. Permodalan Nasional Madani Medan Branch Office.
3. Organizational culture has a positive and significant effect on employee performance in distributing financing at PT. Permodalan Nasional Madani Medan Branch Office.

The results, analysis and conclusions of this research can provide an important contribution to improving employee performance in the financing distribution process at the PNM Medan Branch Office. Therefore, some practical suggestions and recommendations that can be put forward are as follows:

In this section, the researcher will explain the managerial implications of this research as follows:

1. The research findings show the acceptance of H1, namely that competence has a positive and significant effect on employee performance at PT. PNM Medan Branch Office. Based on the explanation given by the author in the previous chapter, both from the results of questionnaires and direct interviews with authorized officials regarding employee competency, it is hoped that these findings can become a reference for companies in improving employee competency, in the following way:
   a. Recruiting for AOM positions with a minimum education requirement of a Diploma (D3) and minimum 2 (two) years experience in a financing institution. Apart from that, AOM candidates are required to have prospective customer data. This is intended so that prospective employees have skills that support them to complete tasks well.
   b. Providing opportunities for employees to increase digital knowledge and employee abilities through training, seminars or workshops that are relevant to their field of work. In doing so, we support their professional development and help them stay relevant in an ever-changing industry.
   c. Companies provide e-learning courses in various forms using various types of technology. This course presents material relevant to the microfinance industry, microfinance analysis, and sales techniques.

2. The research findings also show the acceptance of H2, that work motivation has a positive and significant effect on employee performance at PT. PNM Medan Branch Office. Based on the explanation given by the author in the previous chapter, both from the results of questionnaires and direct interviews with authorized officials regarding work motivation, it is hoped that the results of these findings can become a reference for companies in increasing employee motivation, in the following way:
   a. Placing employees according to the abilities and skills of the millennial generation can ensure that they can perform optimally and productively in work teams. This helps ensure that each employee is placed in a position that suits his talents and skills, so that he can make maximum contribution to achieving common goals.
   b. Unit leaders create a conducive and supportive work atmosphere, so that employees feel comfortable interacting with other colleagues and feel appreciated.
   c. Provide opportunities for employees to take internal training on digital marketing strategies and improve skills relevant to their jobs. This helps
them remain relevant and effective in facing challenges and changes in the
dynamic world of work.

d. Provide appreciation when employees achieve productivity targets to
increase their motivation. Recognition for work achievements can be
promotions for permanent employees or monthly incentives to increase
employee morale.

e. Holding employee gatherings strengthens communication and
relationships between Unit Leaders and AOM. This provides an
opportunity for informal interaction outside the office and allows the Unit
Leader to better understand the AOM's needs. Thus, this can increase
employee motivation and productivity.

f. Create a policy of periodic salary increases and position allowances every
year based on employee performance assessments. This step shows
appreciation for employees' hard work and can increase their motivation
to continue performing well.

3. The research findings also show the acceptance of H3, that organizational
culture has a positive and significant effect on employee performance at PT.
PNM Medan Branch Office. Based on the explanation given by the author in
the previous chapter, both from the results of questionnaires and direct
interviews with authorized officials regarding organizational culture, it is
hoped that the results of these findings can become a reference for companies
in implementing organizational culture, in the following way:

a. To ensure a deep understanding of the vision, mission, values, work
culture, company regulations, and duties of each employee, it is proposed
to carry out more intensive socialization at least three times a month. "This
step aims to ensure that all employees have comprehensive knowledge of
their duties and can carry them out with full responsibility, in accordance
with the company's direction and objectives."

b. Creating a positive work environment includes ensuring fair treatment
and appreciation of employees. Apart from that, it is also important to
build strong collaboration between employees and support each other in
the work team."

c. Unit leaders must respect diversity within the team and actively
collaborate with AOM. Most AOMs are millennials who have the ability
to solve problems efficiently and effectively.

d. Creating policies that support flexibility in AOM working hours, both
when entering and leaving the office, is important in creating a balance
between work and personal life. An organizational culture that pays
attention to flexibility and balance will be more attractive to the millennial
generation.

e. The company creates an optimistic and dynamic work environment, as
well as a work culture that supports innovation and creativity, which will
attract the millennial generation who generally have an optimistic
character.

f. Companies develop digital platforms (websites, blogs, newsletters) to
convey information about organizational culture in an easily accessible
manner. Through this platform, employees, including the millennial
generation, can access company values and the latest news quickly and
transparently.

ADVANCED RESEARCH

This research has several limitations, so several suggestions are needed for
future research, including:

1. This research only focuses on PT. PNM Medan Branch Office, so it cannot
fully reflect the situation in 62 PNM branch offices spread throughout
Indonesia. Each branch has differences in performance and factors that
influence employees.

2. In this research, interviews only involved two officials at PNM Medan
Branch. It is recommended to complement the research with interviews with
officials from other branches and, if possible, also from the PNM Head Office,
to obtain a broader view regarding the research hypothesis.

3. This research was only limited to employees of PNM Bisnis ULaMM, without
involving employees from other businesses such as PNM Business Mekaar. It
is recommended that further research involve the positions of Finance
Administration Officer (FAO), Mekaar Unit Head, Mekaar Area Head, and
Mekaar Area Manager to obtain more comprehensive information regarding
employee performance at PT. PNM group.

4. In this research, the variables considered are limited to competence, work
motivation, and organizational culture. However, there are other factors such
as career development, employee discipline, millennial generation
involvement in work, and work motivation on employee engagement that
need to be considered to gain a more complete understanding of employee
performance.

5. In this study, the variables of competence, work motivation and
organizational culture were able to explain most of the employee's
performance, amounting to 67%, but there were still 33% of other factors that
influenced their performance. Therefore, further research needs to explore
aspects such as career development, employee discipline, millennial
generation involvement in work, and the relationship between work
motivation and employee engagement.

6. Further research involving other industrial sectors is needed to understand
the differences in factors that influence employee performance. This will help
in developing more effective strategies in improving employee performance
in various sectors.

These aspects are important for further research because they are directly
or indirectly related to company performance. This research can also have an
impact on company strategy and policies. This means that if employee
competency is closely related to increased performance, the company can create
a special employee development program that includes additional training,
further education, or relevant work experience. In addition, companies can
update employee incentive systems by providing performance bonuses or
promotions based on achievements. Lastly, supporting a work culture that
encourages the development of employee competence and motivation, such as a work environment that supports innovation, increasing skills and knowledge. It is also necessary to expand the scope of research so that it does not only focus on branch offices, but also regional or national areas.

REFERENCES


Putra, YS. (2016). Theoretical review: Teori perbedaan generasi. Among Makarti, 9(2)

Multicultural and Multireligious Understanding, 7(8), 109–116. https://doi.org/10.18415/ijmmu.v7i8.1809


