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The influence of transformational leadership and knowledge management on the performance of Indonesian Chamber of Commerce and Industry (Kadin) members, mediated by organizational culture in East Kalimantan Province

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Abstract

The Indonesian Chamber of Commerce and Industry (KADIN) is an independent organization that serves as a forum for Indonesian entrepreneurs in various sectors, including trade, industry, and services. The function and role of KADIN as a forum for entrepreneurs brings together entrepreneurs from small to large scales to encourage collaboration. Then, as a partnership with the government, KADIN plays a role as a strategic partner of the government in formulating economic, trade, and industry policies. As for the development of MSMEs, KADIN plays a role in helping the development of Micro, Small, and Medium Enterprises (MSMEs) through training, funding, and market access. KADIN has national, provincial, and district/city management levels, managed by a Board of Directors consisting of entrepreneurs and professionals in various sectors, with training and workshop programs and activities that provide education to increase the capacity of entrepreneurs. Furthermore, investment promotion activities attract foreign investment to Indonesia and expand business networks to the global market, and business forums hold trade exhibitions, conferences, and business dialogues to bring together business actors. With its vision, KADIN supports inclusive and sustainable Indonesian economic growth, and with KADIN's mission to develop a conducive business ecosystem, increase the competitiveness of the business world, and encourage innovation in the economic sector. KADIN collaborates with international business organizations to expand the market and increase the competitiveness of Indonesian products. This study aims to determine the effect of transformational leadership and knowledge management on the performance of KADIN members in East Kalimantan Province. This study describes the causal relationship between variables, or what is called explanatory research, namely a study to determine and explain the influence between existing variables, and is continued with testing of 7 (seven) hypotheses. In this study, the population was 270 KADIN members in East Kalimantan Province. Using WarpPLS 7.0, the author tested 7 (seven) hypotheses in this study. The results found that all variables of transformational leadership, knowledge management, and organizational culture had a positive and significant influence on performance, and organizational culture could mediate transformational leadership and knowledge management. This means that all variables have an important role in improving the performance of KADIN members in East Kalimantan Province.

Keywords: Business performance, KADIN (Indonesian Chamber of Commerce and Industry), knowledge management, organizational culture, transformational leadership.

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1. Introduction

The Indonesian Chamber of Commerce and Industry (KADIN) is the primary organization representing the business sector in Indonesia. Established under Law No. 1 of 1987, KADIN plays a crucial role in advancing economic growth, advocating for business interests, and contributing to national development. As a key partner of the government, KADIN acts as an intermediary between policymakers and the private sector, ensuring that business concerns are considered in economic decision-making processes. The organization's structure spans from the national level down to provincial and district levels, allowing it to effectively address the needs of businesses across Indonesia, including micro, small, medium, and large enterprises.

KADIN's role extends beyond advocacy; it also serves as a hub for business networking, investment promotion, and capacity building for its members. In an era of globalization and digital transformation, businesses face increasing challenges in maintaining competitiveness. To navigate these complexities, organizations must leverage strong leadership, effective knowledge management, and a well-established organizational culture. These factors are essential for improving performance and ensuring sustainable business growth. Transformational leadership, in particular, has been recognized as a driving force in inspiring and motivating members to achieve higher levels of performance, innovation, and strategic adaptability.

East Kalimantan, as the designated location for Indonesia's new capital city (IKN Nusantara), presents significant economic opportunities. The relocation of the capital is expected to stimulate business activities, infrastructure development, and investment inflows. However, to capitalize on these prospects, KADIN East Kalimantan must ensure that its members are equipped with the necessary skills, resources, and strategic vision. The effectiveness of KADIN in this transition depends largely on how well leadership fosters collaboration, knowledge sharing, and innovation within the business community. Additionally, the role of knowledge management in facilitating information flow, decision making, and business development cannot be overlooked.

This study aims to examine the influence of transformational leadership and knowledge management on the performance of KADIN members in East Kalimantan, with organizational culture serving as a mediating factor. Given the evolving business landscape and the increasing demands for adaptability and innovation, understanding these relationships is essential for strengthening the role of KADIN in fostering a competitive and resilient business environment. The findings of this research will provide insights that can help KADIN enhance its leadership strategies, optimize knowledge management practices, and cultivate an organizational culture that supports growth, collaboration, and long-term success.

2. Literature Review

2.1. Transformational Leadership and Organizational Performance

Transformational leadership has been widely recognized as a crucial factor in enhancing organizational performance [1, 2]. This leadership style is characterized by four key dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration [1]. Leaders who exhibit these traits inspire and motivate their subordinates to exceed their personal interests for the greater good of the organization [3]. Research has consistently demonstrated that transformational leadership has a significant positive impact on employee motivation, job satisfaction, and overall performance [4].

A study by Bass and Riggio [5] highlighted that transformational leadership enhances organizational innovation by fostering a culture of trust, risk-taking, and commitment among employees. This leadership style has been particularly effective in dynamic business environments, where rapid changes require adaptability and proactive leadership [6]. In the context of business organizations, such as the Indonesian Chamber of Commerce and Industry (KADIN), transformational leadership can play a vital role in facilitating economic development, fostering investment, and ensuring strategic alignment with government policies [7].

Despite the widely accepted positive impact of transformational leadership, some studies suggest that its effectiveness may vary depending on contextual factors. For instance, Noermijati and Muhajiroh [8] found that transformational leadership did not significantly affect employee performance in certain industries where task-oriented leadership was more effective. Similarly, Shin and Zhou [9] argued that high workload conditions could diminish the benefits of transformational leadership, leading to employee burnout rather than enhanced performance.

2.2. The Role of Transformational Leadership in KADIN

Within KADIN, transformational leadership is expected to drive business performance by encouraging collaboration, knowledge sharing, and innovative business practices. Given the strategic significance of East Kalimantan as the location for Indonesia's new capital

(IKN Nusantara), transformational leadership within KADIN can help optimize the economic potential of the region by aligning business strategies with national development goals [10].

2.3. Knowledge Management and Organizational Performance

Knowledge management (KM) has been widely acknowledged as a critical factor influencing organizational performance. Nonaka and Takeuchi [11] introduced the SECI model (Socialization, Externalization, Combination, and Internalization) to explain how organizations create, share, and utilize knowledge to achieve competitive advantage. Effective KM practices facilitate decision-making, enhance innovation, and improve overall productivity [12, 13].

According to Grant [14], knowledge is a strategic resource that directly contributes to an organization's competitive advantage. Organizations that successfully implement KM strategies tend to have higher adaptability, improved decision-making capabilities, and enhanced innovation processes [15]. Studies have shown that KM positively affects employee engagement, organizational learning, and operational efficiency [16, 17].

However, the effectiveness of KM in improving performance is subject to various challenges. Limited technological infrastructure, low digital literacy, and lack of systematic KM integration can hinder the benefits of knowledge-sharing initiatives [18]. In the case of KADIN, particularly in East Kalimantan, KM can be a crucial enabler for local businesses to gain access to market intelligence, financial literacy training, and investment opportunities.

2.4. Knowledge Management in the KADIN Context

For KADIN members, KM practices play a significant role in enhancing business performance by facilitating access to industry insights, best practices, and market trends. By integrating KM into organizational operations, businesses can accelerate innovation, improve service quality, and strengthen competitive positioning in both domestic and international markets [19].

2.5. Organizational Culture as a Mediator

Organizational culture has been identified as a critical mediator in the relationship between transformational leadership, KM, and organizational performance. Schein [20] defines organizational culture as a system of shared values, beliefs, and norms that shape employee behavior and decision-making processes. A strong organizational culture fosters employee commitment, enhances teamwork, and promotes knowledge sharing [21].

Several studies support the mediating role of organizational culture in enhancing the effects of transformational leadership and KM on performance. Research by Peachey and Zhou [22] found that organizational culture partially mediates the relationship between transformational leadership and employee commitment, while Uddin et al. [23] demonstrated that organizational culture significantly enhances the impact of transformational leadership on performance in small and medium enterprises (SMEs).

However, conflicting findings exist. For example, Tyas and Fitriani [24] found that knowledge management had a positive but statistically insignificant impact on employee performance, and organizational culture did not significantly mediate this relationship. Similarly, Lucia et al. [25] observed that while KM influenced performance, organizational culture did not serve as a significant mediator, suggesting that other contextual factors might play a more dominant role.

2.6. Organizational Culture and Business Performance in KADIN

In the context of KADIN, fostering a strong organizational culture that encourages collaboration, continuous learning, and innovation is essential for improving business performance. As East Kalimantan undergoes economic transformation due to the capital relocation, KADIN's ability to cultivate a resilient and adaptive culture will be crucial in ensuring the long-term success of its members.

2.7. Research Gap and Contribution

Despite extensive literature on transformational leadership, KM, and organizational culture, there is a need for further empirical research in the context of business associations such as KADIN. Existing studies have primarily focused on corporate settings, with limited exploration of how these variables interact within business chambers that operate at the intersection of private enterprises and government policies.

Additionally, while prior research has established the positive effects of transformational leadership and KM on performance, inconsistencies remain regarding the role of organizational culture as a mediator. This study seeks to address these gaps by investigating the specific dynamics within KADIN East Kalimantan, providing theoretical insights and practical recommendations for business leaders and policymakers.

3. Methodology

3.1. Research Design

A research design is a plan or framework used to systematically conduct a study. Its main purpose is to ensure that the data obtained is relevant to the research problem, testable, and helps answer research questions validly and reliably. The research design includes methods, procedures, and techniques for data collection and analysis.

This research is descriptive in nature, aiming to describe or explain specific phenomena, determine the degree of relationship between variables, and make specific predictions. It follows a quantitative approach, focusing on numerical measurements, relationships between variables, and statistical analysis. The research is based on observable or measurable empirical phenomena as the foundation for scientific development. It seeks to confirm theories and apply theoretical concepts in a specific research area for explanation or prediction purposes.

This study employs a survey technique by distributing questionnaires, and the collected data are processed using statistical methods through WarpPLS software. The data analysis method utilizes PLS (Partial Least Squares). This study is

categorized as explanatory research, which tests a theory or hypothesis to reinforce or reject existing research theories and highlights causal relationships between research variables.

3.2. Population and Sample

3.2.1. Population

The population in this research refers to the entire group of objects or individuals that form the focus of the study, possessing specific characteristics relevant to the research problem. The population encompasses all elements that meet specific criteria to serve as data sources in the research. In practical research, a representative sample is usually used to represent the entire population. The population in this study consists of all KADIN (Indonesian Chamber of Commerce and Industry) members in East Kalimantan Province, totaling 270 members.

3.2.2. Sample

A sample is a subset of the population selected to represent the entire population in a study. A sample is used when conducting research on the entire population (census) is not feasible due to time, cost, or resource constraints. Researchers use a sample to collect data, expecting that the findings from the sample can be generalized to describe the entire population. Based on probability sampling techniques and a saturated sampling technique (census), this study includes the entire population as a sample, consisting of 270 KADIN members in East Kalimantan Province.

3.3. *Research Variables*

In general, research variables are attributes, characteristics, or phenomena measured or observed in a study. Variables are the key elements used to answer research questions, test hypotheses, and achieve research objectives. Research variables are the primary components that define the direction and focus of the study. A clear understanding of variable types helps researchers design data collection methods, analysis, and interpretation of results.

In this study, variables are classified into two groups: exogenous (independent) variables and endogenous (dependent) variables.

- Exogenous Variables: Also known as independent variables, these are the causes or predictors of other variables. In this research, the exogenous variables are transformational leadership and knowledge management.
- Mediating Variable: Organizational culture serves as the mediating variable.
- Endogenous Variable: Also known as the dependent variable, its value is highly influenced by exogenous variables. In this research, the endogenous variable is performance.

3.4. Operational Definition and Variable Measurement

Research variables are essential elements in research design as they guide data collection, analysis, and result interpretation. A clear understanding of variable types enables researchers to answer research questions systematically and validly. Variables are measurable, observable, and variable elements that focus on research objectives. They help identify, analyze, and understand the relationships between specific elements in research, whether as causes, effects, or intermediaries.

- Performance Variable: The performance of KADIN members includes contributions to the success of organizational programs, personal business growth, and positive impacts on fellow members and the business sector overall. Performance is measured through relevant indicators, including participation, policy contributions, and business achievements.
- Transformational Leadership Variable: Transformational leadership is a leadership style that inspires, motivates, and empowers team members through clear vision communication, attention to individual development, and encouragement for innovation and collective goal achievement.
- Knowledge Management Variable: Includes all activities aimed at optimizing the utilization of organizational knowledge to enhance efficiency, innovation, and decision-making through knowledge creation, storage, distribution, and application.
- Organizational Culture Variable: Refers to the values, norms, beliefs, and behavioral patterns accepted and developed within an organization.

3.5. Research Instrument

The research instrument is a tool or device used to collect data systematically and objectively. A well-designed instrument provides valid, reliable, and relevant data for research objectives. This study employs a questionnaire survey with a Likert scale. Respondents rate their answers from 1 (Strongly Disagree) to 5 (Strongly Agree).

To ensure the reliability of the questionnaire data, validity and reliability tests are conducted before the research. The research instrument is tested on 30 respondents to assess:

- Validity Test: Conducted using PLS (Partial Least Squares) to measure the correlation between constructs and latent variables.
- Reliability Test: Measures the consistency of the instrument using Cronbach's alpha and composite reliability.

Table 1.
Reliability Measures.

Measures	Value
Cronbach's alpha	> 0.6
Composite reliability	> 0.7

3.6. Research Location and Time

The research is conducted among KADIN members in East Kalimantan Province, covering Mahakam Ulu, Berau, East Kutai, Kutai Kartanegara, West Kutai, Bontang, Samarinda, North Penajam Paser, Paser, and Balikpapan.

3.7. Data Collection Procedure

Research data is collected from respondents' answers to questionnaire questions through an online survey using Google Forms, targeting KADIN members in East Kalimantan Province. The collected data is then statistically processed.

3.8. Data Analysis Techniques

The researcher uses WarpPLS software for data analysis, which is a development of PLS (Partial Least Squares). The SEM (Structural Equation Modeling) method is applied, combining factor analysis, structural modeling, and PLS analysis.

3.9. Hypothesis Testing

Hypothesis testing determines whether a hypothesis is reasonable and should not be rejected or if it is unreasonable and should be rejected. The hypothesis testing process involves:

1. Formulating the null hypothesis (H0) and alternative hypothesis (H1).
2. Determining the significance level ($\alpha = 0.05$).
3. Using the t-test for small sample sizes.
4. Establishing the decision rule based on the critical value.
5. Interpreting the test results.

The relationship between variables is statistically significant if the t-statistic ≥ 1.645. The R-squared (R^2) value indicates the explanatory power of exogenous variables on endogenous variables. A higher R^2 value suggests a better model.

Hypotheses are tested using SEM analysis with WarpPLS software. The SEM analysis stages include:

1. Developing a model based on theory.
2. Constructing a path diagram.
3. Evaluating model fit using goodness-of-fit indicators.

The model fit is determined by various statistical indicators such as the Average Path Coefficient (APC), the Average R-Square (ARS), and Tenenhaus GoF, ensuring the robustness of the model.

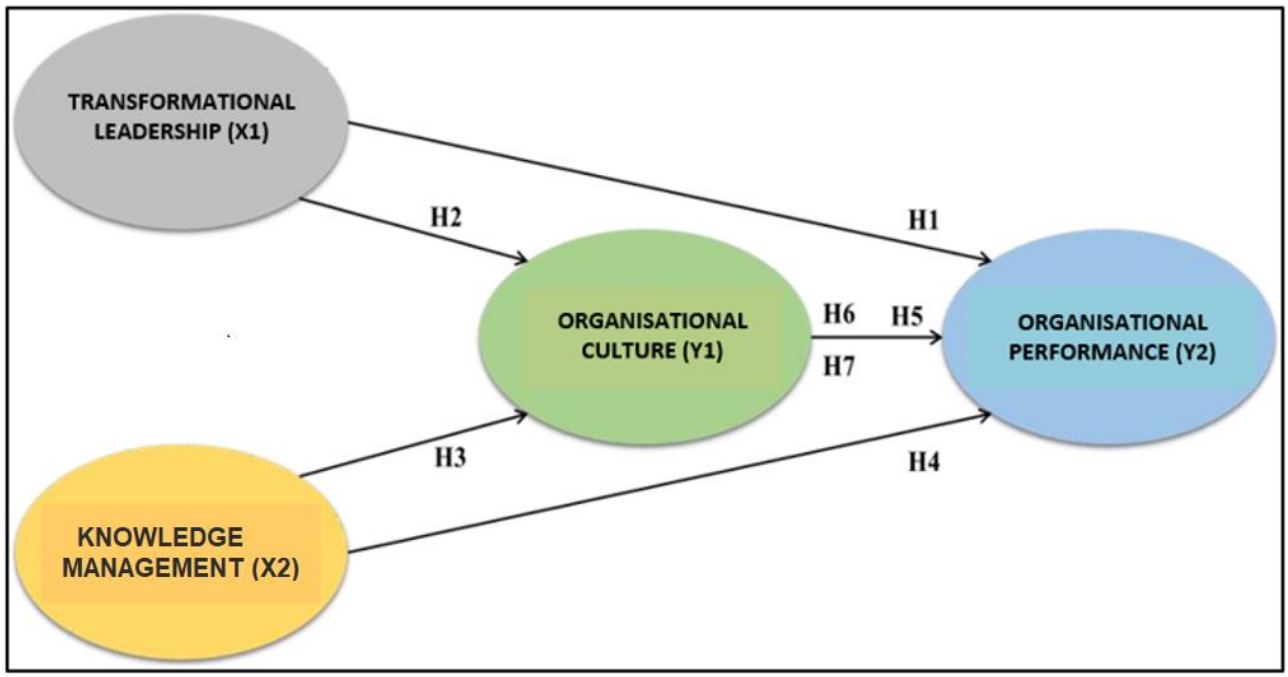

Figure 1.
Research Conceptual Framework.

3.10. Research Hypotheses

A hypothesis is a temporary statement or assumption proposed as an answer to a research problem, which is then tested for validity through data collection and analysis. Hypotheses serve as guidelines in research to explain the relationships between the variables being studied. The hypotheses in this study are as follows:

1. Transformational leadership has a significant positive effect on the performance of KADIN members in East Kalimantan Province.
2. Transformational leadership has a significant positive effect on the organizational culture of KADIN members in East Kalimantan Province.
3. Knowledge management has a significant positive effect on the performance of KADIN members in East Kalimantan Province.

4. Knowledge management has a significant positive effect on the organizational culture of KADIN members in East Kalimantan Province.
5. Organizational culture has a significant positive effect on the performance of KADIN members in East Kalimantan Province.
6. Transformational leadership has a significant positive effect on the performance of KADIN members, mediated by organizational culture in East Kalimantan Province.
7. Knowledge management has a significant positive effect on the performance of KADIN members, mediated by organizational culture in East Kalimantan Province.

4. Result

4.1. General Overview of the Research Object

The Indonesian Chamber of Commerce and Industry (*Kamar Dagang dan Industri Indonesia* or KADIN) reflects the evolution of the business sector in Indonesia since the early years of independence. KADIN serves as an organization that oversees and coordinates the interests of entrepreneurs across various economic sectors, ranging from small to large-scale enterprises.

4.2. Formation and Early Development of KADIN

In the early years of Indonesian independence (1945-1960s), the business sector began to develop, especially with the emergence of indigenous entrepreneurs competing with foreign and non-indigenous business actors. At that time, there was no official organization like KADIN. Instead, the business landscape was fragmented into various organizations based on sectors or regions.

KADIN Indonesia was officially established on September 24, 1968, and later formally recognized through Presidential Decree No. 49 of 1973 as the sole organization representing the business sector in Indonesia. The formation of KADIN was initiated by the New Order government to unify various trade and industry organizations for better coordination in supporting national economic development.

4.3. Objectives of KADIN Formation

The establishment of KADIN aims to:

a) Represent the interests of the business sector in its interactions with the government.
b) Enhance cooperation among business actors both domestically and internationally.
c) Promote Indonesia's economic growth through synergy between the private sector and the government.

4.4. The Role of KADIN in Different Periods

1. New Order Era (1968–1998):
- KADIN acted as a strategic partner of the government in implementing economic development programs.
- The primary focus of KADIN at that time was to support industrialization, increase exports, and encourage foreign investment.

2. Reformation Era (1998–Present):
- Post-reformation, KADIN became more independent from the government and played a critical role as both an economic policy watchdog and a strategic partner.
- KADIN actively promotes the development of micro, small, and medium enterprises (MSMEs), environmental sustainability, and the enhancement of Indonesia's economic competitiveness in global markets.

3. Structure and Organization of KADIN
- National Level: KADIN Indonesia is headquartered in Jakarta and is led by a Chairman.
- Regional Level: KADIN has branches in each province and district/city, representing business interests at the local level.

4.5. Current Strategic Roles of KADIN
- Partnering with the government in implementing economic policies such as the Omnibus Law, green investment, and digital transformation.
- Strengthening MSMEs through training, access to financing, and business mentoring.
- Supporting the relocation of Indonesia's new capital city (Ibu Kota Nusantara – IKN) in East Kalimantan as a new business opportunity.
- Enhancing collaboration between domestic and international entrepreneurs through global business forums.

KADIN's official logo in Indonesia is as follows:

Figure 2.
KADIN Indonesia Logo.

4.6. Results of WarpPLS Data Analysis

The data analysis in this study utilizes the structural equation model (SEM) with WarpPLS. This analytical technique was chosen to test the moderating variable in this study by assessing the feasibility of each indicator used for the research variables.

The initial step in data analysis involves conducting an outer model test on each variable with its respective indicators to evaluate their validity through indicator convergence. Subsequently, an inner model test is performed to determine the magnitude of the path coefficient influence between exogenous and endogenous variables.

The following are the projected variables and their respective indicators:

1. Performance Variable, represented by:
   - Quality of Work,
   - Quantity of Work,
   - Timeliness,
   - Teamwork and Collaboration,
   - Initiative and Creativity.
2. Transformational Leadership Variable, represented by:
   - Idealized Influence (Exemplary Influence),
   - Inspirational Motivation,
   - Intellectual Stimulation,
   - Individualized Consideration,
   - Inspiration and Positive Influence in Achieving Goals.
3. Knowledge Management Variable, represented by:
   - Knowledge Creation,
   - Knowledge Sharing,
   - Knowledge Application,
   - Knowledge Retention,
   - Knowledge Management Practices.
4. Organizational Culture Variable, represented by:
   - Artifacts and Symbols,
   - Rituals and Traditions,
   - Adopted Values,
   - Norms and Unwritten Rules,
   - Basic Assumptions.

This structural equation model (SEM) is used to test hypotheses H1, H2, H3, H4, H5, H6, and H7. The following section presents the data analysis process and inferential statistics using WarpPLS 7.0, which serves as the basis for drawing conclusions regarding the hypotheses proposed in this dissertation study.

Table 2.
Data Analysis Process and Inferential Statistics.

Indicator	X1	X2	Y1	Y2	Type	SE	P value
X1.1	0.960	-0.054	-0.054	0.045	Reflect	0.054	<0.001
X1.2	0.968	-0.037	-0.063	0.025	Reflect	0.054	<0.001
X1.3	0.963	-0.038	-0.066	-0.003	Reflect	0.054	<0.001
X1.4	0.931	0.115	-0.293	0.102	Reflect	0.054	<0.001
X1.5	0.851	0.021	0.527	-0.186	Reflect	0.055	<0.001
X2.1	0.000	0.876	-0.194	0.140	Reflect	0.054	<0.001
X2.2	-0.018	0.892	-0.000	-0.021	Reflect	0.054	<0.001
X2.3	0.004	0.905	0.011	-0.059	Reflect	0.054	<0.001
X2.4	0.129	0.899	0.029	-0.063	Reflect	0.054	<0.001
X2.5	-0.119	0.872	0.154	0.006	Reflect	0.054	<0.001
Y1.1	-0.013	-0.001	0.910	-0.068	Reflect	0.054	<0.001
Y1.2	-0.022	0.003	0.884	0.051	Reflect	0.054	<0.001
Y1.3	0.012	0.021	0.865	-0.056	Reflect	0.055	<0.001
Y1.4	0.012	0.002	0.899	0.052	Reflect	0.054	<0.001
Y1.5	0.010	-0.024	0.901	0.020	Reflect	0.054	<0.001
Y2.1	0.000	0.018	0.030	0.794	Reflect	0.055	<0.001
Y2.2	0.039	-0.019	-0.066	0.773	Reflect	0.055	<0.001
Y2.3	0.025	0.015	-0.094	0.748	Reflect	0.056	<0.001
Y2.4	0.001	-0.010	-0.033	0.804	Reflect	0.055	<0.001
Y2.5	-0.061	-0.002	0.154	0.807	Reflect	0.055	<0.001

Table 2 illustrates the use of data analysis techniques with WarpPLS to assess the outer model, including convergent validity, discriminant validity, and composite reliability. The convergent validity of the measurement model with reflective indicators (where indicators are considered as effects of the observed/measured construct) is evaluated based on the correlation between item scores/component scores, estimated using PLS Software.

4.7. Structural Model Evaluation (Outer Model)

The outer model evaluation in this study is conducted by examining the values of Adjusted R-squared, Goodness of Fit Model, q^2 predictive, effect size, and Full Collinearity VIF, as well as the significance of path coefficients. The results of the structural model evaluation (outer model) are presented in Table 3:

Table 3.
Structural Model Evaluation (Outer Model).

Model fit and quality indices	Fit criteria	Model Results	Description
Average path coefficient (APC)	P < 0.001	0.320	Good fit
Average R-squared (ARS)	P < 0.001	0.526	Good fit
Average adjusted R-squared (AARS)	P < 0.001	0.521	Good fit
Average block VIP (AVIF)	Acceptable if < = 5, ideally < = 3.3	1.343	Ideally
Average full collinearity (AFVIF)	Acceptable if < = 5, ideally < = 3.3	1.890	Ideally
Tenenhaus GoF	Small ≥ 0.10, medium ≥ 0.25, large ≥ 0.36	0.636	Large
Sympson's paradox ratio (SPR)	Acceptable if > = 0.7, ideally = 1	1.000	Acceptable
R-squared contribution ratio (RSCR)	Acceptable if > = 0.9, ideally = 1	1.000	Acceptable
Statistical suppression ratio (SSR)	Acceptable if > = 0.7	1.000	Acceptable
Nonlinear bivariate causality direction ratio (NLBCDR)	Acceptable if > = 0.7	1.000	Acceptable

The APC (Average Path Coefficient) has an index of 0.320 with a p-value of 0.001. This indicates that endogenous and exogenous variables exhibit a causal relationship, both directly and indirectly.

The ARS (Average R-Squared) has an index of 0.526 with a p-value < 0.001. ARS is used to measure the accuracy of the path model in explaining the influence of an independent variable on its predictive value (dependent variable).

This study confirms that multicollinearity is not present, as the AVIF (Average Variance Inflation Factor) value is ≤ 3.3. This result indicates that the model is free from vertical collinearity, lateral collinearity, and common method bias.

The Average R-Squared (ARS) or Q-Squared (Q^2) value is used to assess the predictive validity or relevance of a set of exogenous latent variables and endogenous variables. The output ARS value is 0.526, and the Q-Squared (Q^2) predictive relevance is used to determine the predictive validity or relevance of a set of endogenous latent variables. The Q^2 value in this research model is greater than zero, leading to the conclusion that the research model demonstrates good predictive validity.

4.7.1. Convergent Validity of Transformational Leadership

An individual reflective measure is considered high if it exceeds 0.70 in relation to the measured construct. According to Ghozali [26], for early-stage research in developing a measurement scale, a loading value between 0.50 and 0.60 is considered adequate. In this study, a loading factor threshold of 0.50 will be used.

Table 4.
Convergent Validity of Transformational Leadership.

No	Indicator	Original Estimate	Description	
1	Influence Based on Example	0.960	Valid	
2	Inspirational Motivation	0.968	Valid	Highest
3	Intellectual Stimulation	0.963	Valid	
4	Individualized Attention	0.931	Valid	
5	Inspiration and Positive Influence in Goal Achievement	0.851	Valid	Lowest

Based on Table 5, it is known that of the 5 indicators used to measure transformational leadership, all indicators have a loading factor value greater than 0.5 with t-statistical support> 1.96 and the strongest indicator of inspirational motivation is 0.968 and the lowest is inspiration and positive influence in achieving goals of 0.851, meaning that all indicators meet the criteria for processing.

1) Convergent Validity Knowledge management

The outer loading output of the knowledge management model with the WarpPLS program can be explained as follows:

Table 5.
Convergent Validity of Knowledge Management.

No	Indicator	Original Estimate	Description	
1	Knowledge Creation	0.876	Valid	
2	Knowledge Sharing	0.892	Valid	
3	Knowledge Application	0.905	Valid	Highest
4	Knowledge Storage	0.899	Valid	
5	Knowledge Management	0.872	Valid	Lowest

Based on Table 5, it is evident that all five indicators used to measure transformational leadership have a loading factor greater than 0.5, supported by a t-statistic > 1.96. The strongest indicator is knowledge application, with a value of 0.905, while the lowest is knowledge management, with a value of 0.872. This indicates that all indicators meet the required criteria for further analysis.

4.7.2. Convergent Validity of Organizational Culture

The outer loading output of the Organizational Culture Model using WarpPLS software can be explained as follows:

Table 6.
Convergent Validity of Organizational Culture.

No	Indicator	Original Estimate	Description	
1	Artifacts and Symbols	0.910	Valid	Highest
2	Rituals and Traditions	0.884	Valid	
3	Espoused Values	0.865	Valid	Lowest
4	Norms and Unstated Rules	0.899	Valid	
5	Basic Assumptions	0.901	Valid	

Based on Table 6, it is evident that all five indicators used to measure organizational culture have a loading factor greater than 0.5, supported by a t-statistic > 1.96. The strongest indicator is artifacts and symbols, with a value of 0.910, while the lowest is adopted values, with a value of 0.865. This indicates that all indicators meet the required criteria for further analysis.

4.7.3. Convergent Validity of Performance

The outer loading output of the Performance Model using WarpPLS software can be explained as follows:

Table 7.
Convergent Validity of Performance.

No	Indicator	Original Estimate	Description	
1	Quality of Work	0.794	Valid	
2	Quantity of Work	0.773	Valid	
3	Timeliness	0.748	Valid	Highest
4	Cooperation Ability	0.804	Valid	
5	Initiative and Creativity	0.807	Valid	Lowest

Based on Table 6, it is evident that all five indicators used to measure performance have a loading factor greater than 0.5, supported by a t-statistic > 1.96. The strongest indicator is initiative and creativity, with a value of 0.807, while the lowest is timeliness, with a value of 0.748. This indicates that all indicators meet the required criteria for further analysis.

The analysis results indicate that the Model Fit and Quality Index have met the necessary requirements. Ten parameters have fulfilled the criteria outlined by Kock [27] and Tenenhaus et al. [28]. This research model is capable of producing a Coefficient of Determination (R^2).

The Organizational Performance variable has an R^2 value of 0.64 (64%), meaning that organizational performance can be empirically explained and accounted for by transformational leadership, knowledge management, and organizational culture, contributing 64% to its variance. The remaining 36% is attributed to latent variables outside this study and error factors.

Model Measurement Results Indicate That:

- Transformational leadership has a positive and significant effect on performance, with a coefficient of 0.53 and a P-value of 0.01.
- Transformational leadership has a positive and significant effect on organizational culture, with a coefficient of 0.63 and a P-value of 0.01.
- Knowledge management has a positive and significant effect on performance, with a coefficient of 0.36 and a P-value of 0.01.
- Knowledge management has a positive and significant effect on organizational culture, with a coefficient of 0.33 and a P-value of 0.01.
- Organizational culture has a positive and significant effect on performance, with a coefficient of 0.79 and a P-value of 0.01.
- Transformational leadership has a positive and significant effect on performance, mediated by organizational culture, with a coefficient of 0.74 and a P-value of 0.01.
- Knowledge management has a positive and significant effect on performance, mediated by organizational culture, with a coefficient of 0.75 and a P-value of 0.01.

2) Average Variance Extracted (AVE)

The Average Variance Extracted (AVE) value for each construct must be above 0.50. The AVE values for all variables are presented in Table 8:

Table 8.
Average Variance Extracted.

Variable	(AVE)	Root AVE	Description
Transformational Leadership_X1	0.875	1	Valid
Knowledge Management_X2	0.790	1	Valid
Organizational Culture_Y1	0.795	1	Valid
Performance_Y2	0.617	1	Valid

Source: Data Processing with PLS, 2023.

Based on Table 8, the AVE (Average Variance Extracted) values for the constructs of transformational leadership, knowledge management, organizational culture, and performance are all above 0.50. This indicates that all variables have high composite reliability.

3) Goodness of Fit Model in PLS

The evaluation of the structural model, also known as the Goodness of Fit (GoF) test for the PLS model, is measured through the Q-Square (Q^2) predictive relevance. This metric assesses how well the observed values are predicted by the model and its estimated parameters.

The goodness of fit is evaluated using the predictive relevance (Q^2) value. The R^2 values for each endogenous variable in this study are presented in Table 9:

Table 9.
R-Square Values.

Variable	R Square
Performance (Y2)	0.63

Source: Data Processing with PLS, 2024.

Based on the results of the analysis in Table 9, it can be concluded that transformational leadership, knowledge management, and organizational culture influence performance by 63% ($R^2 = 0.63$). The remaining 37% is predicted to be influenced by other variables (not examined in this study) that may contribute to improving performance.

4.8. Structural Model Testing (Inner Model)

The inner model testing, also known as structural model testing, is conducted to examine the relationships between constructs in the research model. The basis for hypothesis testing relies on the values presented in the output result for inner weight. In this study, hypothesis testing is conducted using the t-test, which is a statistical test to verify the validity of a hypothesis.

In WarpPLS software, the t-test is performed on each path within the model. The hypothesis test parameters use a t-value comparison, where:

If the P-value < 0.05, then H_0 is rejected and H_a is accepted.

The results of the statistical analysis and hypothesis testing are presented in Table 10:

Table 10.
Result for Inner Weight.

Variable	Original Sample	P Value	Value Interpretation
Transformational Leadership → Performance	0.53	0.01	Significant positive effect
Transformational Leadership → Organisational Culture	0.63	0.01	Significant positive effect
Knowledge Management → Performance	0.36	0.01	Significant positive effect
Knowledge Management → Organisational Culture	0.33	0.01	Significant positive effect
Organisational Culture → Performance	0.79	0.01	Significant positive effect
Transformational Leadership → Performance with Organisational Culture Mediation	0.74	0.01	Significant positive effect
Knowledge Management → Performance with Organisational Culture Mediation	0.75	0.01	Significant positive effect

Based on Table 9, the positive influence and significance level of each variable can be determined. If the P-value < 0.05, it indicates that the exogenous variable has a significant effect on the endogenous variable. Conversely, if the P-value> 0.05, the effect is not significant. The findings are explained as follows:

1) Transformational leadership has a positive and significant effect on the performance of KADIN members in East Kalimantan Province.

Transformational leadership significantly influences performance with a path coefficient of 0.53 and a P-value of 0.01. This supports Hypothesis 1, which states that transformational leadership has a positive and significant effect on the performance of KADIN members in East Kalimantan Province.

2) Transformational leadership has a positive and significant effect on the organizational culture of KADIN members in East Kalimantan Province.

Transformational leadership significantly influences organizational culture with a path coefficient of 0.63 and a P-value of 0.01. This supports Hypothesis 2, which states that transformational leadership has a positive and significant effect on the organizational culture of KADIN members in East Kalimantan Province.

3) Knowledge management has a positive and significant effect on the performance of KADIN members in East Kalimantan Province.

Knowledge management significantly influences performance with a path coefficient of 0.36 and a P-value of 0.01. This supports Hypothesis 3, which states that knowledge management has a positive and significant effect on the performance of KADIN members in East Kalimantan Province.

4) Knowledge management has a positive and significant effect on the organizational culture of KADIN members in East Kalimantan Province.

Knowledge management significantly influences organizational culture with a path coefficient of 0.33 and a P-value of 0.01. This supports Hypothesis 4, which states that knowledge management has a positive and significant effect on the organizational culture of KADIN members in East Kalimantan Province.

5) Organizational culture has a positive and significant effect on the performance of KADIN members in East Kalimantan Province.

Organizational culture significantly influences performance with a path coefficient of 0.79 and a P-value of 0.01. This supports Hypothesis 5, which states that organizational culture has a positive and significant effect on the performance of KADIN members in East Kalimantan Province.

6) Organizational culture mediates the relationship between transformational leadership and the performance of KADIN members in East Kalimantan Province.

Organizational culture mediates the relationship between transformational leadership and performance, with a path coefficient of 0.74 and a P-value of 0.01. This supports Hypothesis 6, which states that organizational culture mediates the relationship between transformational leadership and the performance of KADIN members in East Kalimantan Province.

7) Organizational culture mediates the relationship between knowledge management and the performance of KADIN members in East Kalimantan Province.

Organizational culture mediates the relationship between knowledge management and performance with a path coefficient of 0.75 and a P-value of 0.01. This supports Hypothesis 7, which states that organizational culture mediates the relationship between knowledge management and the performance of KADIN members in East Kalimantan Province.

5. Conclusion

Based on the analysis and discussion conducted, several conclusions can be drawn. Transformational leadership has a significant positive effect on the performance of KADIN members in East Kalimantan Province. This indicates that leaders who inspire, provide motivation, facilitate personal development, and encourage innovation tend to enhance the productivity and effectiveness of their members. Additionally, transformational leadership significantly influences the organizational culture of KADIN members. This suggests that leaders who adopt a transformational approach can foster an innovative, collaborative, and vision-oriented organizational culture.

Furthermore, knowledge management has a significant positive effect on the performance of KADIN members. This means that the implementation of effective knowledge management systems, including knowledge sharing, documentation, and continuous learning, can enhance organizational members' productivity and efficiency. Similarly, knowledge management significantly influences the development

of organizational culture, indicating that a well-structured knowledge management system promotes a collaborative, innovative, and learning-oriented organizational culture.

Moreover, organizational culture has a significant positive effect on the performance of KADIN members, suggesting that a strong and well-aligned organizational culture fosters increased productivity, work effectiveness, and commitment to achieving organizational goals. Transformational leadership also has a significant impact on performance through the mediation of organizational culture, meaning that transformational leaders who inspire, motivate, and provide individual attention contribute to higher productivity and efficiency. Organizational culture plays a mediating role in this relationship, as transformational leadership fosters a strong, innovative, and collaborative culture, ultimately leading to improved member performance.

Lastly, knowledge management significantly influences the performance of KADIN members through the mediation of organizational culture. This implies that knowledge management practices, such as the acquisition, sharing, and application of knowledge, effectively enhance productivity, efficiency, and competitiveness among organizational members. Organizational culture serves as a significant mediator in this relationship, reinforcing the positive impact of knowledge management on performance. This finding highlights that a well-established knowledge management system supports the creation of an organizational culture that further strengthens the link between knowledge management and improved performance outcomes.

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