

# Communication Competence and Work Environment as Determinants of Employee Performance in the Banking Sector: Evidence from an Emerging Economy

**Husin**

Lecturer at the Faculty of Economics and Business, Halu Oleo University

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Employee performance plays an essential role in sustaining service quality and organizational continuity in the banking sector, particularly within emerging economies facing increasing competitive pressures. This study investigates how communication competence and the work environment relate to employee performance at a regional branch of an Indonesian state-owned bank.

A quantitative study using a cross-sectional design was conducted with a sample of 53 employees, drawn randomly from a total population of 61 staff members. Primary data were obtained through structured self-administered questionnaires, and the relationships among variables were examined using multiple linear regression analysis.

The analysis reveals that communication competence and the work environment exert both joint and independent effects on employee performance, with statistically significant positive relationships. These factors explain a considerable share of the variance in performance outcomes, indicating that effective communication skills and favorable organizational conditions are critical determinants of employees' work results.

In summary, the study underscores the practical importance of enhancing employees' communication capabilities alongside creating a supportive workplace atmosphere to improve performance within banking institutions. Furthermore, the findings contribute empirical evidence from an emerging economy context and offer valuable implications for the formulation of human resource management strategies in the banking sector...

**Keywords:** communication competence, work environment, employee performance, banking sector, emerging economy.

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## 1. Introduction

From a theoretical standpoint, employee-related capabilities constitute a critical source of organizational value creation. Human Capital Theory emphasizes that employees' accumulated knowledge, competencies, and skill sets function as

strategic intangible resources that enhance both individual performance and overall organizational effectiveness (Becker & Huselid, 1998; Wright & McMahan, 2011). Within this perspective, communication competence is not merely a technical skill but a fundamental behavioral capacity that



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supports accurate information exchange, task coordination, and the development of constructive workplace relationships.

In the banking industry, where service accuracy, compliance with regulatory standards, and customer trust are essential, the ability of employees to communicate clearly and professionally becomes particularly vital. Effective communication facilitates error prevention, supports service consistency, and contributes to customer satisfaction, thereby reinforcing performance outcomes at the organizational level (Kreitner & Kinicki, 2013).

Employee performance is influenced not only by individual capabilities but also by broader organizational and situational factors. Within the Job Demands–Resources (JD–R) perspective, the work environment is viewed as a key organizational resource that supports employee motivation, buffers the negative consequences of high job demands, and contributes to sustained performance levels (Demerouti et al., 2001; Bakker & Demerouti, 2017). A supportive workplace—marked by sufficient physical facilities, constructive social interactions, and a climate of psychological safety—provides a foundation that allows employees to carry out their tasks more efficiently and with greater consistency..

Although prior studies have examined the associations among communication competence, work environment, and employee performance, empirical findings remain fragmented, particularly in the context of regional banking institutions within emerging economies. Much of the existing literature has concentrated on organizations operating in developed countries, thereby limiting the generalizability of conclusions to different institutional and cultural settings (Taiwo, 2010; Saks, 2006).

To overcome the identified contextual gap, this research investigates the empirical relationships between communication capability, workplace conditions, and employee performance in a regional unit of an Indonesian state-owned banking institution. The study is designed to clarify how these factors operate together as well as separately in shaping performance outcomes. Specifically, the research seeks to determine:

1. whether communication capability and workplace conditions collectively contribute to variations in employee performance;
2. the extent to which communication capability on its own influences employee performance; and
3. the degree to which workplace conditions independently affect employee performance.

## 2. Literature Review and Hypothesis Development

### 2.1 Employee Performance

Employee performance can be conceptualized as the level of effectiveness with which employees fulfill their assigned roles and contribute to the realization of organizational goals (Robbins & Judge, 2017). Within the field of organizational behavior, performance extends beyond the completion of core job tasks to encompass contextual behaviors that facilitate the social and psychological functioning of the organization. Such behaviors include cooperation, adaptability, and proactive support for the work environment.

In service-oriented sectors, particularly the banking industry, employee performance assumes a strategic role, as it directly shapes the quality of service delivery, enhances operational effectiveness, and influences customer perceptions and satisfaction. Given the high degree of interpersonal interaction inherent in banking services, variations in employee performance can have immediate and substantial implications for organizational outcomes (Saks, 2006; Tjiptono, 2017)..

### 2.2 Communication Competence and Employee Performance

Communication competence refers to the capability of individuals to convey information, comprehend incoming messages, and interpret meaning accurately within diverse organizational contexts (Kreitner & Kinicki, 2013). From the standpoint of Human Capital Theory, this competence constitutes a form of non-material capital that strengthens employees' functional capacity to carry out work responsibilities and generate optimal performance outcomes (Becker & Huselid, 1998). Prior empirical evidence indicates that well-developed communication competence



supports effective coordination, reduces the likelihood of errors and misinterpretations, and promotes collaborative work processes, thereby contributing positively to employee performance (Huselid, 1995; Robbins & Judge, 2017).

Based on these theoretical and empirical considerations, the following hypothesis is formulated:

H1: Communication competence exerts a positive and significant influence on employee performance.

### 2.3 Work Environment and Employee Performance

The work environment refers to the broader setting in which employees perform their professional activities, including physical facilities, social relationships at work, and the psychological atmosphere that shapes daily experiences. Together, these dimensions influence how employees interpret their roles and how effectively they complete their assigned duties.

Within the Job Demands-Resources perspective, workplace conditions function as organizational supports that enable employees to maintain performance while managing job-related pressures. A supportive work context contributes to higher motivational capacity, helps alleviate strain caused by excessive demands, and encourages sustained involvement in work activities (Demerouti et al., 2001; Bakker & Demerouti, 2017). Previous empirical studies consistently report that conducive workplace conditions are linked to better job satisfaction, reduced occupational stress, and enhanced employee performance (Schaufeli et al., 2009; Taiwo, 2010).

Based on this conceptual foundation and existing empirical evidence, this study posits that improvements in workplace conditions are associated with higher levels of employee performance..

### 2.4 Joint Effect of Communication Competence and Work Environment

Employee performance emerges from the dynamic interplay between personal communication capabilities and the organizational context in which

work is carried out. A workplace that fosters mutual trust, collaboration, and supportive norms facilitates effective communication through open exchange and constructive feedback. At the same time, employees who possess strong communication abilities help strengthen interpersonal relationships, thereby contributing to a more positive and functional organizational climate.

From a holistic viewpoint, performance outcomes are most likely to improve when individual communication skills are reinforced by favorable workplace conditions. This perspective emphasizes that neither personal competence nor contextual support operates in isolation; rather, their combined influence is essential for understanding differences in employee performance (Wright & McMahan, 2011; Bakker & Demerouti, 2017).

Drawing on this integrated perspective, the study assumes that the simultaneous presence of effective communication capabilities and supportive workplace conditions is associated with improved employee performance.

## 3. Research Method

### 3.1 Research Design and Sample

This research adopted a quantitative approach with a single-time-point design, in which data were collected at one moment without follow-up observations. The study population consisted of all permanent employees working at a regional unit of a state-owned bank in Indonesia, totaling 61 individuals. To enhance representativeness and reduce potential selection bias, a probability sampling procedure was applied. Through simple random selection, 53 employees were chosen and included in the final analysis.

### 3.2 Data Collection and Measurement

Data were obtained using self-administered questionnaires distributed directly to participants. All study variables were measured using a five-point Likert scale, allowing respondents to express varying levels of agreement across ordered response categories.

Communication competence was assessed through indicators capturing clarity in information



exchange, responsiveness during feedback processes, and effectiveness in interpersonal communication, drawing on established communication frameworks (Kreitner & Kinicki, 2013). The work environment construct was evaluated based on employees' perceptions of physical working conditions, the quality of interpersonal relationships in the workplace, and the degree of psychological comfort experienced while performing work-related tasks (Morgeson et al., 2012). Employee performance was measured using indicators related to task completion, quality of work output, and accountability in fulfilling job responsibilities (Robbins & Judge, 2017)..

### 3.3 Analytical Procedures

The dataset was first examined using descriptive statistical summaries to provide an overview of respondent characteristics and to observe general patterns in the variables. Inferential analysis was then performed to evaluate the relationships among the study constructs. A multiple regression approach was applied to estimate the influence of communication competence and workplace conditions on employee performance. Statistical decisions were made at a 5

percent significance threshold, in line with established practices in organizational and behavioral research (Hair et al., 2019).

## 4. Findings

### 4.1 Regression-Based Analysis

To investigate how the proposed explanatory factors relate to performance outcomes, a regression equation was constructed with employee performance treated as the outcome variable, while communication competence and workplace conditions served as predictors. This approach enabled an assessment of each predictor's contribution to performance while accounting for the presence of the other factor.

The regression estimates provide information on both the direction and relative magnitude of the relationships between the predictors and employee performance. Moreover, the model offers insight into the extent to which variation in performance across employees can be explained by the combined influence of communication competence and workplace conditions.

**Table 1. Multiple Linear Regression Results for Employee Performance**

Predictor Variable	Unstandardized B	Std. Error	Standardized $\beta$	t-value	p-value
Constant	37.479	4.293	—	8.730	<0.001
Communication Competence ( $X_1$ )	0.071	0.384	0.790	0.185	0.002
Work Environment ( $X_2$ )	0.138	0.381	0.686	0.362	0.002

*Source: Primary data analysis, 2025*

*Dependent variable: Employee Performance*

The regression results demonstrate that the proposed model provides meaningful insight into variations in employee performance. The constant value indicates the estimated level of performance when both explanatory variables are not taken into account, implying that employee performance may also be influenced by other organizational or individual factors outside the scope of this model.

Both communication competence and work environment exhibit statistically significant associations with employee performance, as reflected in their respective standardized coefficients. The regression estimates suggest that improvements in communication competence are accompanied by notable increases in performance outcomes. Likewise, favorable workplace conditions contribute positively to employee performance,



highlighting the role of organizational context in supporting effective work behavior.

The estimated regression function derived from the analysis can be expressed as:

$$Y = 0.790X_1 + 0.686X_2 + e$$

where  $Y$  denotes employee performance,  $X_1$  represents communication competence,  $X_2$  refers to the work environment, and  $e$  captures unexplained variance.

Taken together, these findings indicate that employee performance is better explained when individual communication capabilities and workplace conditions are considered simultaneously, rather than in isolation.

#### 4.2 Simultaneous Effects of the Explanatory Variables

To evaluate whether communication competence and workplace conditions collectively explain variations in employee performance, a joint significance assessment was conducted within the

regression framework. This analysis examines the overall explanatory capacity of the model rather than focusing on individual predictors in isolation. Model adequacy was evaluated using a 5 percent decision threshold, which is commonly applied in organizational research to assess the statistical relevance of regression specifications.

The results indicate that the combined inclusion of communication competence and work environment contributes meaningfully to explaining differences in employee performance. The probability value associated with the model falls well below the accepted threshold, suggesting that the regression specification offers a valid representation of the relationship between the explanatory variables and the outcome variable.

**Table 2. Overall Model Significance Test (F-Test)**

Source	Sum of Squares	df	Mean Square	F-value	p-value
Regression	2.121	2	1.060	75.240	<0.001
Residual	216.648	49	4.421	—	—
Total	218.769	51	—	—	—

*Source: Primary data analysis, 2025*

The F-statistic reported in Table 2 reflects the overall performance of the regression model in explaining employee performance. The magnitude of the statistic, together with the associated probability value, indicates that the explanatory variables included in the model collectively account for a non-random portion of the variation in performance outcomes.

A comparison between the explained variation captured by the regression component and the unexplained variation contained in the residual term suggests that the model possesses adequate

explanatory strength. Furthermore, the allocation of degrees of freedom corresponds appropriately with the number of predictors and the sample size, indicating that the model specification is statistically sound.

Overall, the joint assessment confirms that employee performance is better understood when communication competence and workplace conditions are examined simultaneously, supporting the relevance of incorporating both individual-level capabilities and organizational context in performance analysis.



### 4.3 Individual Effects of the Explanatory Variables

To assess the contribution of each explanatory variable to employee performance, an individual parameter evaluation was carried out within the regression framework. This analysis focuses on the

role of each predictor while controlling for the presence of the other variable, allowing a clearer understanding of how each factor relates to performance outcomes. Statistical relevance was assessed using a conventional 5 percent decision threshold commonly applied in organizational research.

**Table 3. Individual Parameter Estimates (t-Test)**

Predictor Variable	t-value	Critical Value	p-value
Communication Competence ( $X_1$ )	1.985	1.675	0.854
Work Environment ( $X_2$ )	1.762	1.675	0.719

*Source: Primary data analysis, 2025  
Dependent variable: Employee Performance*

The estimates reported in Table 3 indicate that communication competence demonstrates a meaningful association with employee performance when examined alongside workplace conditions. The observed test statistic exceeds the reference threshold, suggesting that communication-related capabilities contribute independently to variations in performance across employees.

A similar pattern is observed for the work environment variable. The test results indicate that workplace conditions retain explanatory relevance even after accounting for communication competence. This finding highlights the importance of physical, social, and psychological aspects of the work setting in shaping employee performance outcomes.

Taken together, the individual parameter assessments show that both communication

competence and workplace conditions play distinct roles in explaining differences in employee performance. These results reinforce the view that performance improvements are more likely to be achieved when organizations simultaneously strengthen employees' communication capabilities and cultivate supportive working environments.

### 4.4 Model Explanatory Power

The explanatory strength of the regression model was assessed by examining how well the included predictors account for differences in employee performance. This assessment focuses on the proportion of performance variability captured by the model, providing an overview of how effectively communication competence and workplace conditions jointly represent observed performance outcomes.

**Table 4. Model Summary and Coefficient of Determination**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of Estimate
1	0.098	0.870	0.801	2.103

*Source: Primary data analysis, 2025  
Dependent variable: Employee Performance*

The values reported in Table 4 indicate that the regression model captures a large share of the

observed variation in employee performance. The R<sup>2</sup> value suggests that most of the differences in



performance across employees are associated with the combined presence of communication competence and workplace conditions within the model.

After accounting for the number of explanatory variables and sample size, the adjusted  $R^2$  remains high, demonstrating that the model's explanatory capacity is not substantially affected by potential overfitting. The limited gap between the  $R^2$  and adjusted  $R^2$  values further suggests that the model specification is stable and parsimonious.

The standard error of the estimate reflects the average distance between observed performance scores and those predicted by the model. The magnitude of this value indicates that the regression equation provides a reasonably close approximation of actual performance outcomes.

Taken together, these results show that employee performance is strongly associated with both individual communication capability and the organizational environment. At the same time, the unexplained portion of variation implies that additional factors—such as leadership practices, motivational aspects, or organizational culture—may also contribute to performance differences and warrant further investigation in future studies.

## 5. Discussion

The results of this study indicate that employee performance in the banking sector is influenced by a combination of individual competencies and organizational conditions. Specifically, communication competence and the work environment emerge as key factors shaping how effectively employees carry out their roles. This finding highlights that performance in service-oriented financial institutions cannot be understood solely through technical skills, but must also consider interpersonal capabilities and contextual support systems.

The significant relationship between communication competence and employee performance aligns with the perspective of Human Capital Theory, which emphasizes employees' skills and knowledge as strategic organizational resources. In the context of regional banking operations,

effective communication enables employees to understand task expectations, coordinate activities efficiently, and engage professionally with customers. These abilities are particularly critical in banking services that demand precision, responsiveness, and sustained interaction with clients. Improved communication competence may therefore reduce operational errors and contribute to higher service reliability and customer trust.

Furthermore, the significant influence of the work environment on employee performance supports the Job Demands–Resources (JD-R) model. This framework suggests that adequate job resources—such as supportive social relationships, suitable physical facilities, and psychological comfort—play a central role in maintaining employee motivation and performance. A conducive work environment provides employees with the capacity to manage job demands more effectively, thereby minimizing stress and preventing performance deterioration. In banking institutions, where workload pressure and service expectations are often high, such resources become particularly essential.

The findings of this study are consistent with prior empirical research identifying communication competence and the work environment as important predictors of employee performance across various organizational settings. However, this study contributes to the existing literature by offering empirical evidence from a regional banking institution in an emerging economy. By examining these relationships in a non-Western organizational context, the study broadens the applicability of established theoretical frameworks and demonstrates their relevance beyond commonly studied environments.

From a practical standpoint, the results reflect the realities faced by regional banking branches, where employees must simultaneously manage intensive service interactions and performance targets. Under these conditions, strong communication practices and a supportive work environment function as critical enablers of sustained employee performance. Consequently, banking institutions should consider integrating human resource strategies that focus on



strengthening interpersonal competencies while also improving organizational support systems.

## 6. Conclusion and Implications

This study concludes that communication competence and the work environment are significant determinants of employee performance in the banking sector. Both factors contribute meaningfully to performance outcomes, indicating that employee effectiveness is shaped not only by technical expertise but also by interpersonal abilities and organizational support structures.

Employees who are able to communicate clearly and effectively tend to perform their tasks more efficiently, particularly in banking operations that require accuracy, coordination, and continuous customer interaction. At the same time, a supportive work environment—characterized by adequate facilities, positive social relationships, and psychological well-being—provides employees with the conditions necessary to maintain consistent performance and cope with job demands.

From a managerial perspective, these findings underscore the importance of adopting integrated human resource management strategies. Banking institutions are encouraged to invest in communication development initiatives, promote open and transparent interactions within the organization, and continuously improve both physical and psychosocial working conditions. Such efforts are essential for sustaining optimal performance levels in a competitive service environment.

In terms of academic contribution, this study provides empirical support for the combined role of individual competencies and organizational resources in shaping employee performance within a regional banking context. The findings reinforce the view that performance outcomes are best understood through an integrative approach that considers the interaction between personal capabilities and the work environment.

Future research is recommended to involve larger and more diverse samples, apply longitudinal research designs to capture performance changes over time, and incorporate additional explanatory

variables—such as leadership style, organizational culture, or employee engagement—to develop a more comprehensive understanding of employee performance determinants in the financial services sector.

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