

Creating Company Culture To Drive Employee Engagement And Performance

Valensius Alvin

Cut Azyya Triatsari

Ahmad Syamil

Binus Business School, Bina Nusantara University, Indonesia

Abstract: *This research aims to identify the effect of organizational culture values towards the engagement of employees. On the other hand we also want to know whether a good organizational culture could affect not only employee performance but also job satisfaction for each individual. A purposive sample was taken from employees who worked in the manufacturing industry in Indonesia. The results showed that there is a relationship between organizational culture and employee engagement and employee engagement towards employee performance and job satisfaction.*

Keywords: *Organizational Culture, Employee Engagement, Job Satisfaction, Employee Performance*

I. INTRODUCTION

Employee engagement is becoming very popular for study in human resources management. Researchers have studied about the causes and effects of it not only on the company but also the employees. Robinson (2004) defined employee engagement as “a positive attitude held by employees towards the organization and its values” (p.15). An organization that has a strong hierarchical culture can keep up its way of life if the associates in the organization remind each other to maintain the quality factors.

Several factors are believed to be the cause of employee engagement. In accord with McBain (2007), one important factor that affects employee engagement is the organizational or hierarchical culture. Organizational culture is the values and behaviors that are held and contributed to by members of the organization. A perfect culture is a hierarchical culture of transparency, steady mentalities, and correspondence between the association and its representatives. Reasonableness and trust as hierarchical qualities also give positive effects on the production of representative commitment (Dannhauser, 2007).

Employee engagement is believed to bring good influence on employee performance and satisfaction. Employee engagement has been well discussed by researchers about its

impact on job satisfaction and job performance. An employee who is satisfied with their job is usually engaged and they have a high involvement which is good for job performance. So the organizations that have employees who are satisfied and provide good performance may have significant growth impact for business performance as well.

According to research conducted by Gallup Consultancy employee engagement has an influence on business performance related to business results. Gallup consultants categorized employees into employees who were engaged or disengaged. As an engaged employee, they were more creative and had a higher level of satisfaction with their job.

Research conducted on 7,939 business units including 38 corporations confirmed that there was a relationship between employee engagement affecting outcomes such as employee productivity, consumer’s satisfaction, employee turnover rate and business profit, (Harter, Schmidt, and Hayes, 2002). Saks (2006), likewise found that specialist commitment had a colossal effect on work fulfillment, responsibility to the association and organization citizen conduct.

Research that was conducted by Tower Perrin (2007) on about 85,000 workers in 16 countries confirmed that there was a wide difference of employee engagement level among those countries. The lowest in Asia was 7%, as compared to Mexico

with around 40% and America on 21%. The employee engagement model had many opportunities based on the company characteristics and therefore the circumstances of the environmental culture.

The purpose of this research is to describe an organization culture in a manufacturing company in Indonesia using a particular framework consisting of: *involvement index*, *consistency index*, *adaptability index*, and *mission index* Dutton, Thomas, and Karl (1995), and observe its impact on not only the employees but also the company. The intention of this research is to assess the cultural values in the organization and how they could impact upon employee engagement; then we assess the employee engagement level to their employee performance, job satisfaction and their business performance.

The research questions are:

- ✓ To find out whether there is a positive relationship between organizational culture and employee engagement.
- ✓ To find out whether there is a positive relationship between employee engagement and employee performance.
- ✓ To find out whether there is a positive relationship between employee engagement and job satisfaction.

II. LITERATURE REVIEW

Schein (1990) defines organizational culture as a design of simple suppositions, created, revealed or established by a given group as it finds ways on how to cope with its problems arising from the need to adapt to the external setting. From Schein's definition it is clear that the organization has to articulate clearly what its basic assumptions will be as well as consider the external and internal customers to shape those assumptions. We can therefore say that organizational culture is formed not only by basic assumptions but by patterns. A pattern refers to a repeated design which reaches a level where it can be followed effortlessly.

Organizational culture is an essential notion in organizational behavior studies. It is generally defined as "social or normative glue that holds an organization together". It expresses the values or social ideals and the beliefs that organization members come to share" (Smircich, 1983). Most countries, sectors and organizations have different cultures from each other. Rus and Rusu (2015) have reached a conclusion that each organization has a unique culture. The administration of public organizations is highly affected by leadership style and organizational culture. The organizational culture is a system of beliefs that govern the behavior of people in an organization and when people become attached to those behaviors, it is known as "norms and practices". Organizational culture is also defined as "how work gets done" considering innovativeness and productivity (Johnson, Haegeli, Hendrikx, and Savage, 2016).

The meaning of employee engagement was first interpreted by Kahn (1990) as "the simultaneous employment and expression of a person's 'preferred self' in task behaviors that promote connections to work and to others, personal presence (physical, cognitive, and emotional) and active, full performances" (p. 700).

The connection between worker commitment and organization culture can be clarified by utilizing Social Exchange Theory. As it is known, the commitment of associates and their organization is a consequence of two-way collaboration between the workers and the association (Robinson, 2004). Employees who think that they worked in conducive environments and get attention from the organization may feel that they have the duty to compensate the organization by for instance, working better. This is verifiably expressed in the trade standard as indicated by Social Exchange Theory; a decent relationship exists between two gatherings which will bring trust, steadfastness, and duty every once in a while as long as that connection still offers mutual advantages (Cropanzano and Mitchell, 2005). In the meantime, some research found that perceived organizational support (POS) was decidedly identified with worker commitment. Organizational culture has comparative development with POS in which the usage of good qualities and an administration framework can be accepted as a help from the association to its employee. Strong hierarchical culture accepted by the workers can bring a sentiment of being protected mentally by the associates themselves. Research done by Kahn (1990) discovered that there was a positive connection between workers' psychological safety and representative commitment.

Employee engagement is defined by Schaufeli, (2007) as an optimistic, rewarding, work-related frame of mind typified by absorption, and vigor. The basic tenet is that in order for an organization to thrive and endure in unceasingly shifting surroundings, organizations require inspired and fit employees, which can only be achieved when occupational health and human resource policies are integrated (Schaufeli, 2007). Vigor is demonstrated through showing increased levels of drive and mental resilience at the workplace as well as a desire to devote effort in what one is doing at work and their willingness to overcome problems. Dedication refers to robust participation in the work that one does and experiencing a feeling of meaning, zeal, stimulation, challenge and pride. Absorption is being able to fully concentrate as well as engross oneself in the work and one finds that time passes very fast and one has difficulties disengaging from work.

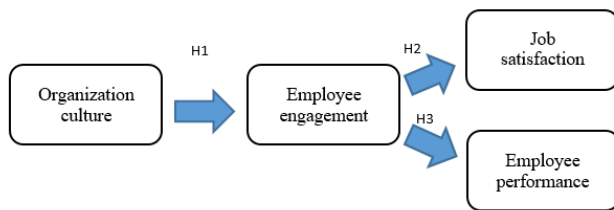
Scott (1966), demonstrated that employees' performance is the total output that employees' give to an organization, which it recognizes. Researcher also stated that employees' performance is the sum of total abilities, opportunities and motivation. Similarly, Meneze (2005), argued that job performance is an activity in which an individual is able to accomplish the task assigned to him/her successfully, subject to the normal constraints of reasonable utilization of the available resources. Moreover, Brown (2012), asserts that best employees' performance can be achieved in the presence of adequate balance such as employees who may have proper authority, control and empowerment to make effective decisions.

Unlike most Western countries, the idea of employee performance within Asia goes beyond the real work of the employees and includes several non-work related aspects. Miao and Kim (2010) said that employee performance were classified into two dimensions such as work performance and OCB (extra roles behavior); work performance is an important

concern to consider in any organization, as it's generally viewed as a role of the responsibilities of the employees performing for their benefit and the compensation they get afterwards.

Balzar (1997) claimed job satisfaction was a sensation that staff had regarding their environment and expectations towards work. This suggests that the culture of the organization creates the satisfaction of employees. The study was about relationship between work adjustment and satisfaction that developed strategies and rules for the workers associated with policy development, pay scales, the work environment and employees input, that might result in satisfaction, employee engagement, and employee loyalty with the organization. Satisfied employees will be considerate while dealing with customer while employees who are not satisfied with the job can also make customers unhappy (Hanif and Kamal, 2009).

Based on the theory above, the researchers developed a research framework to determine the effect of each variable in a manufacturing company in Indonesia. Below is the framework:



Organization culture to employee engagement

Framework 1: Research Framework

Robbins and Judge (2012) believed that organization culture had a positive impact for the employee to be engaged not only in their job but also in their work environment. Organizations with positive culture might help the employee to develop, grow, and operate at their full potential. The more the employee engaged the more its effect is felt by the organization; engaged employees are dedicated to their job and work and feel pressure at a minimum level. Dutton, Thomas and Karl (1995), measured organization culture on 4 indices: *involvement index*, *consistency index*, *adaptability index*, and *mission index*.

Research done by Richard and Theresa (2017) stated that achievement culture had a positive and significant effect on employee engagement. The achievement culture engenders a strong sense of purpose in employees. It can thus be inferred that when achievement culture exists, employees are allowed to use their discretion which increase their level of engagement, thus achievement culture positively affects employee engagement.

H1: Organization culture positively impacts employee engagement

EMPLOYEE ENGAGEMENT TO JOB SATISFACTION

The previous research study concluded that employee engagement had a significant impact on job satisfaction in a manufacturing unit. Holbeche and Springett (2003) conducted research using primary data collected by questionnaires according to employee engagement and job satisfaction. This

also verified that employee engagement plays a crucial role in manufacturing companies. Thus, a company should seek to attain a high job satisfaction level among employees that may result in higher performance and commitment to the organization.

Gaurav, (2017) stated that employee engagement is a phenomenon which is only going to develop when employees are more involved in their work. The satisfaction of employees has a relationship with the employee engagement as denoted by the result of his study

H2: Employee engagement positively impacts job satisfaction

EMPLOYEE ENGAGEMENT TO EMPLOYEE PERFORMANCE

According to Michael, Andrew, and Justin (2017), employee engagement has a positive impact on employee performance. They concluded that employees that could specify tasks, prioritize those tasks and determine when to accomplish them were more engaged with the company and therefore they also had significantly better performance than those who were engaged.

A study done by Ng Kim-soon (2017) stated that organizations that featured formal structured goal setting and leadership processes led to higher level employee engagement and this led to increased employee optimism which in turn led to improved employee performance.

H3: Employee engagement positively impacts employee performance.

III. RESEARCH METHOD

This research uses a Likert scale for the questionnaire; the measurement of each variable is based on previous studies. This research will use the measurement items of organizational culture concept by Dutton, D'Aunno, and Weick (1995) consisting of 8 statements. Participants reported the extent to which they agreed (1 = strongly disagree; 7 = strongly agree) to sample items for organizational culture such as: Most people in this company have input into the decisions that affect them; Cooperation & Collaboration across functional roles is actively encouraged; There is a high level agreement about the way that we do things in this company; Our approaches to doing business is very consistent and predictable; Customer's comments and recommendations often lead to changes in this organization; This organization is very responsive and changes easily; This company has a long-term purpose and direction; and There is a shared vision of what this organization will be like in the future".

Some of the engagement sample are: sometimes I am so into my job that I lose track of time; My mind often wanders and I think of other things when doing my job; I am highly engaged in this job; I am really into the 'what's going on' in this organization; Being a member of this organization makes me come alive; Being a member of this organization is exhilarating for me.

Information investigation and data collection was done in a few phases before testing the hypothesis by methods for various relapse tests utilizing the SPSS program.

In the employee performance research conducted by Michael, Andrew, and Justin, (2017) participants reported the extent to which they agreed — 1 = strongly disagree; 7 = strongly agree) — they fulfilled their job requirements. The items are I fulfilled all the responsibilities specified in my job description today; I consistently met the formal performance requirements of my job today; and, I adequately complete all of my assigned duties today.

The measurement of job satisfaction in the previous research was classified into three dimensions: job requirements; working environment; and reputation of the company (Jaiswal, Pathak, and Kumari, 2017). This research measured *job requirement* which had the antecedents: My wages are good; all my talent and skills are used at work. *Working environment* has the antecedents: I receive recognition or a job well done; and I feel close to the people at work. *Reputation of the company* has the antecedents: I believe management is concerned about me; and I feel good about working at this company.

IV. DATA ANALYSIS AND RESEARCH RESULT

Table 1 : Outer model, convergent validity and composite reliability

Construct	Items	Loading	CR	AVE
Organization culture	I feel that my opinion affecting decision making in my unit or my department	0.794	0.962	0.762
	Cooperation and collaboration across department is actively encouraged	0.921		
	There is a high level of agreement about the way that we do things in this company	0.961		
	Our approaches to doing business is very consistent	0.87		
	Customer comments and recommendation often lead to changes in this organization	0.89		
	This Organization is very responsive to changes implemented in the company	0.702		
Employee engagement	This company has a long term purpose and direction	0.965	0.928	0.683
	There is a shared vision of what this organization will be like in the future	0.851		
	I am so into my job that I lose track of time	0.93		
	My mind often wanders and I think of other things when doing my job	0.781		
	I am highly engaged in this job	0.856		
	I am really into the "what's going on" in this organization	0.907		
Employee performance	Being a member of this organization makes me come alive	0.744	0.878	0.648
	Being a member of this organization is exhilarating for me	0.717		
	I fulfilled all the responsibility specified in my job description today	0.915		
	I consistently met the formal performance requirements of my job today	0.705		
	I conscientiously perform task that were expected of me today	0.805		
	I adequately complete all of my assigned duties today	0.859		
Job satisfaction	My salary is commensurate with the job that I do	0.724	0.916	0.647
	All my talents and skills are used at work	0.805		
	I receive recognition for a job well done	0.949		
	I feel close to the people at work	0.718		
	I believe management is concerned about me	0.764		
	I feel good about working at this company	0.841		

Table 1

Table 2: Discriminant validity - square root of AVE

Construct	Organization culture	Employee engagement	Employee performance	Job satisfaction
Organization culture	0,873			
Employee engagement	0,592	0,827		
Employee performance	0,146	0,327	0,805	
Job satisfaction	0,151	0,248	0,091	0,804

Table 2

Table 3: Path coefficient of the research hypotheses

Relationships	P. Value	Decision
Organization culture to employee engagement	0,001	Supported
Employee engagement to employee performance	0,001	Supported
Employee engagement to job satisfaction	0,002	Supported

Table 3

Using Smart PLS 2, we try to analyze the collected questionnaire. Table 1 provides the outer convergent validity statistics for all items with respect to its variable. All factor of the research measurement exceed the minimum of 0.70, which mean the consistency of each items (Hair et al., 2009). Similar, reliability test of this study was confirmed as all value of composite reliability exceed the recommended cut-off 0.70 and range between (0.702 – 0.965) as presented in Table 1. In addition, the recommended standard value of average variance extracted (AVE) was found to be greater than 0.50 as

suggested by Fornell and Bookstein (1982), in order to make sure that the latent variable has the capability to explain more than 50% of the variance of its indicator average.

Latent variable correlation which examining the correlations between the measures of potentially overlapping construct appear in table 2. The table clearly shows that the values of all square root of AVE exceed the correlation with other construct which manifest the discriminant validity of this study. As this research proves the measurement of validity and reliability, we proceed into the bootstrapping level to test the research hypothesis. P. value of the research hypothesis illustrated in table 3. It shows that all variable has a positive impact since the P. value of each variable is less than 0.05 (supported).

V. DISCUSSION

This research showed that companies or organizations must pay more attention to their culture (p = 0.01). First, organizational culture positively impacts upon employee engagement. In addition to increased engagement of the employee the company must have a good culture that is suitable for the employees. This result is consistent with Robbins and Judge (2012) who stated that organizational culture had a positive impact for the employee to be engaged not only with their job but also to their work environment. On the other hand research done by Richard and Theresa (2017) state that achievement culture has a positive and significant effect on employee engagement. Achievement culture engenders a strong sense of purpose in employees.

The results also show that employee engagement positively impacts employee performance (p = 0.01); for employee to perform well in the company, they must feel that they are engaged with their organization. This result is consistent with Michael, Andrew, and Justin (2017) that state employee engagement has a positive impact on employee performance. They concluded that employees that could specify tasks, prioritize those tasks and determine when to accomplish them were more engage with the company and therefore they also significantly performed better than those who were not engaged.

The research also shows that employee engagement has a positive impact on job satisfaction (p = 0.02). Employee most likely will be satisfied with their job if they feel engaged with it. This result is consistent with Jaiswal's (2017) research which states that employee engagement is one phenomenon which is only going to develop when employees are more involved in their work. Satisfaction of employees has a relationship with employee engagement as denoted by the results of this study.

VI. CONCLUSION

The primary goal of this study is to determine whether organizational culture has a positive impact on employee engagement and whether employee engagement has a positive impact on employee performance and job satisfaction.

The findings show that organizational culture has a positive impact on employee engagement and employees who are engaged with their organization will tend to perform better and be more satisfied with their jobs.

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