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The Effects of Organizational Culture on Employee Engagement: A Malaysian Manufacturing Company's Perspective

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Abstract

Employee engagement has been a global issue and organizations have to deal with it to strive for success. Employee engagement is defined as commitment and emotional attachment of an employee or group towards the organization. Organizational culture is one of the predictors that contributes to employee engagement. Therefore, the purpose of this research is to determine the roles of organizational culture (clan, adhocracy, hierarchy, and market) toward employee engagement in a manufacturing company in Malaysia. This research is a quantitative study, which used a self-administered questionnaire as an instrument to collect data. The data were successfully collected from 127 respondents out of 190 total population. The questionnaires and all data collected were conveniently distributed to all respondents and analysed using the Statistical Package for the Social Sciences (SPSS) software version 23 respectively. The multiple regression analysis indicated that clan, adhocracy and market culture had significant and positive relationship with employee engagement while hierarchy culture had no significant and negative relationship with employee engagement. Thus, only H^1 , H^2 and H^3 were supported. The contribution of the study is to examine how clan, adhocracy, hierarchy, and market culture affects employee engagement in manufacturing company in Malaysia. Organizational culture research in manufacturing sectors, specifically in Malaysia, remains mostly unexamined. Thus, by examining the four main working cultures, i.e., clan, adhocracy, hierarchy, and market, we can present manufacturing employers with insight into how to adapt their work culture to engage their employees.

Keywords: Employee Engagement, Organizational Culture, Clan Culture, Adhocracy Culture, Hierarchy Culture, Market Culture

Introduction

The world has created its own quality and become more globalized nowadays. However, to sustain globally, there are increasing concerns and awareness that need to be addressed with regard to the concept of employee engagement (Salleh, 2016). Employee engagement is defined as high activity at work and knowledge of work environment, and feelings and attitudes about the employers and the working conditions (Koskinen, 2015). Employee engagement is characterized by the presence of employees at the workplace, fulfilment of responsibility, leadership relationship with workers and leadership consideration of employees as focal point for organizational performance (Kazimoto, 2016). The concept of 'employee engagement' is rapidly gaining popularity and importance in the workplace (Uddin and Akhter, 2016).

The level of employee engagement is a real concept and strategy that can make or break the growth of an organization. Markedly, employee engagement is a critical issue that has been discussed by practitioners and researchers locally and globally (Skroupa, 2016). Kampaso and Sridevi (2010) stated that engaged employees are highly involved, emotionally attached to their job with a great enthusiasm going the extra mile in making sure the success of the employer beyond the employment contractual agreement. In addition, employee engagement is not only about to have positive correlation with productivity output, but also organizational commitment and intention to stay (Salleh, 2016; Kazimoto, 2016). After all, employee engagement is the best tool for companies to gain competitive advantages and stay competitive (Rashid et al., 2011).

According to Gallup (2016) in State of Global Workplace's report, across 142 countries including Malaysia, 63 per cent of the bulk of employees worldwide are not engaged and 24 per cent are actively disengaged. In both apprehensive scenarios, "not engaged" employees are those who lack motivation and are less likely to invest discretionary effort in achieving organizational goals or outcomes. While "actively disengaged" employees are those who are unhappy and unproductive at work and liable to spread negativity to co-workers. Moreover, while every country across the world is facing this phenomenon of disengaged employees, Malaysia is not exempted from this issue. Malaysia, Thailand, Indonesia, and Singapore are listed as Asian countries to have among the highest proportions of disengaged employees in the world (Gallup, 2016). Certainly, Gallup also reported that only 11 per cent of employees in Malaysia are engaged, 81 per cent and 8 per cent are said not to be engaged and actively disengaged respectively.

In addition, according to the 2020 Employee Experience Trends Malaysia Report by Qualtrics State Global Engagement, Malaysia ranked seventh in employee engagement among Asian nations, after India, Thailand, and Hong Kong (Qualtrics, 2020). Qualtrics showed that despite Malaysia's score being somewhat better than the worldwide average of 53 per cent, 30 per cent of Malaysians still want to leave their jobs within two years (Qualtrics, 2020). In addition, 16 per cent of Malaysians are willing to leave their jobs in less than a year (Chai, 2020). This means that nearly one-third of a company's employees need to be hired every two years. This is a big cost for the company and a big chance to get employees more involved (Chai, 2020). In narrowing the scope of the study, the Department of Statistics Malaysia (2016) revealed that the number of engaged employees in the manufacturing sector in February 2016 decreased to 1.02 million from 1.03 million in February 2015. The Department of Statistics Malaysia (2019) reported in a recent report that the total number of engaged employees in the manufacturing sector for June 2019 was 1.08 million, a very tiny rise of 1.1 per cent over the previous month's figure of 1.07 million.

According to the Twelfth Malaysia Plan, 2021–2025, the economy increased at an average annual rate of 2.7 per cent, mostly driven by the services and manufacturing sectors. According to the future plan, Malaysia will also shift to high-value-added and high-skilled economic activities, with the goal of becoming a high-income nation powered by modern technology. Over the next five years, concerted efforts will be made to revitalise all economic sectors, including services, manufacturing, agriculture, mining, quarrying, and construction. Productivity growth in all industries slowed as a result of the COVID-19 epidemic, both in terms of value-added and employment. Nonetheless, it is believed that growth was led by the manufacturing sector, which was aided by productivity gains across all subsectors. The government's plan says that the services and industrial sectors will continue to drive the economy (Economic Planning Unit, 2021). Thus, in these circumstances, how can Malaysian firms thrive and sustain distinctive worldwide performance when human capital is not engaged, or worse, actively disengaged? If these challenges are not addressed, Malaysia's future desire to be a well-developed country may be jeopardised.

In the local setting, research into employee engagement still remains limited and very few researchers have tested the relationships between organizational culture and employee engagement directly (Harper, 2015). In addition, organizational culture is also being said as a predictor towards employee engagement as most of the organizations cited that both as one of the top challenges (Harper, 2015; Brown et al., 2015). Considering the above-mentioned limitations and gaps; therefore, this study is carried out to address the following objectives: (i) to identify the relationships between clan culture, adhocracy culture, hierarchy culture and market culture and employee engagement and (ii) to identify the most significant variable on employee engagement.

Literature Review

Employee Engagement

Employee engagement has become the top issue on the minds of business leaders and it directs us to an entirely new model of management (Mizne, 2016). Employee engagement term is widely used and has become a popular term. In the academic literature, a number of definitions regarding to employee engagement have been discussed. First and foremost, Kahn (1990) defined engagement as “the simultaneous employment and expression of a person’s ‘preferred self’ in task behaviours that promote connections to work and to others, personal presence (physical, cognitive, and emotional), and active, full role performance”. Engaged employee is a person with full enthusiasm in completing any task that is given to him or her. Maslach (2001) characterized engagement as an energy, involvement, and efficacy, the direct opposite of the three burnout dimensions of exhaustion, cynicism, and inefficacy. Further, other researchers suggested that engaged employees are more likely to be productive and they are also able to interact positively with customers (Saks, 2006; Chalofsky, 2010). This happens because they feel the workplace is a good working atmosphere and hence they perform effectively and efficiently (Robertson-Smith and Markwick, 2009). Furthermore, Armstrong (2012) describes engaged employees are willing to go beyond the extra mile. They put extra efforts to commence work without being forced by employer. Once the engagement level among employees has increased, this competitive advantage will become a key to overcome obstacles that employees find difficult to perform at their peak (Gennard and Judge, 2014). In addition, Young (2012) linked employee engagement to employee productivity and organizational performance. As a result, organizational succession is partly depending on employee engagement. Moreover, there are three dimension of employee

engagement; intellectual, social and affective engagements. Intellectual engagement is defined as the extent to which an employee is intellectually absorbed in work. Social engagement is defined as the extent to which an employee is socially connected with the working conditions and shares common values with colleagues. While affective engagement is defined as the extent to which one experiences a state of positive affect relating to one's work role (Soane et al., 2012). The three dimensions are used to measure level of employee engagement in which, the measurement is known as ISA (Intellectual, Social, Affective) Engagement Scale. In conclusion of the definition of employee engagement, it is all about commitment and perceiving job positively. Most often, employee engagement is a commitment and emotional attachment of an employee or group towards his organization (Evangeline and Ragavan, 2016).

Organizational Culture and Employee Engagement

The relationship between organizational culture and employee engagement can be explained by the job demands-resources model (JD-R), in which work related resources are the most consistent and powerful drivers of work engagement (Bakker et al., 2011). Job resources are situational factors, and they refer to the physical, psychological, social or organizational aspects of the job that in some way are functional to the employee (Bakker & Demerouti, 2007). The job demands-resources model (JD-R) predicts that job resources will have a direct positive relationship with work engagement: "the presence of job resources leads to engagement, whereas their absence evokes a cynical attitude towards work" (Bakker & Demerouti, 2007, p. 314). Further, organizational culture is then found to have positive correlation with employee engagement (Harper, 2015; Sakovska, 2016) and this variable is the focus of study.

Clan Culture

There are four (4) dimensions of organizational culture; clan culture, adhocracy culture, hierarchy culture and market culture. Originally, clan culture is defined as a representative of a family-style organization, wherein teamwork is a crucial aspect of work and members of the organization are involved together in decision making (Cameron and Quinn, 1999). Correspondingly, the definition has been updated by researchers from time to time. Cameron and Quinn (2006) defined clan culture as it focuses on internal environment and emphasizes on employee development, teamwork, and collaboration. Further, clan culture type of organization is alleged together by loyalty, tradition, commitment, group cohesion and participation (Choi et al., 2010). Organizations that are practicing clan culture are a friendly, calmly, enjoyably and comfortably place to work and this makes the employees perform genuinely, freely express their perceptions, thoughts, ideas and feelings, and behave in any ways that adequate their own values and beliefs (Gull and Azam, 2012). Furthermore, clan is also defined as a collective culture based on concept of team (Dimitrios and Konstantinos, 2014), moulded between the dimensions of organization focus and dynamism (Acar, 2014) and these definitions made Ashraf and Rezaie (2015) summarized the term clan culture as flexibility and internally focused.

Recently, researchers modernized the definition to an internal orientation and accentuate the performance by communal cooperation and an amicable environment which employees share a lot of themselves because the work environment emphasizes on encouragement of supportive workplace, apprehending potential and commitment of employees, nurturing teams and leading to managers as facilitators and mentors (Nam and

Kim, 2016; Reis et al., 2016; Lindquist and Marcy, 2016). In fact, this is supported by Maslow's (1943) hierarchy of needs which proposed that need for affiliation is considered as a human basic need. He highlights that humans need to feel a sense of belonging and acceptance among their social groups, regardless whether it is a large or small group. On the other hand, Nam and Kim (2016) argued that clan culture practices a passive to environmental change and lacks diversity due to inner-directed. It is also said to be very difficult to control and manage as teams (Dimitrios and Konstantinos, 2014). Last but not least, clan cultures may lead to a positive impact to the organizations that are practicing it. Previous studies found that there are positive relationships between work engagement and features of clan culture; for instance, appreciation, supervisor and co-worker support, and information (Pati and Kumar 2010; Krog, 2014). Similarly, Crawford et al (2010) also stated that admission to information, and support from co-workers, supervisors, and the organization, had significant positive relationships with work engagement. A previous study by Bakker & Demerouti (2007) also provided clarification that supervisor support, appreciation, and information sharing had significant positive relationships with the three dimensions of work engagement. The three dimensions of work engagement are vigor, dedication, and absorption (Schaufeli et al., 2002). In fact, clan culture was identified as the most significant and positively related to employee engagement compared to adhocracy, hierarchy, and market culture (Harper, 2015). He also states that among the three dimensions of employee engagement (intellectual, social, and affective), clan culture has the most significant and positive relationship to social engagement because they are similar in terms of communication and social interaction with others. Therefore, it is hypothesized that clan culture has a significant and positive relationship with employee engagement.

Adhocracy Culture

There are many definitions regarding to adhocracy culture, from its original definition to the revised versions by many researchers. Tseng (2010); Acar (2014) stated other than a dynamic and entrepreneurial culture, it also promotes an innovative and creative workplace with external structure. This definition is parallel to previous research which identified that adhocracy culture fosters creativity, sovereignty, diversity, exciting and stimulating (Cameron and Quinn, 2006). In some other way, adhocracy culture is like a temporary institution which can be formed and dismissed immediately as it is flexible and adaptable based on new tasks emerge (Yu and Wu, 2009). Similarly, Erdem and Keklik (2013) believe that this culture possesses its ability to adapt changes and encounter new challenges as it places a greater focus on flexibility and external situations. Other than that, Cameron and Quinn (2011) further believe that adhocracy culture values flexibility, risk-taking, and innovation. Interestingly, Choi et al (2010) relate adhocracy culture to satisfy main external stakeholders by focusing on invention, elasticity, and transformation. Moreover, Ashraf and Rezaie (2015) added adhocracy culture as an element of discovering new markets and organizational growth. Thus, with those characteristics of adhocracy culture literally, it allows employees to design their jobs effectively (Harper, 2015). In the interim, literature review on organizational culture are not only focused on the definition itself. There are some researchers who elaborate more on the attributes of the adhocracy culture. According to Cameron and Freeman (1991), dominant attributes of adhocracy culture include entrepreneurship, creativity, and adaptability. Besides, in the Competing Values Framework (CVF) developed by Cameron and Quinn (1999), the attributes of adhocracy culture are creativity, aim for future growth and cutting-edge output. Nonetheless, this framework has been revised by Lindquist

and Marcy (2014) in which, they stressed out the attributes of adhocracy culture are focusing on innovative outputs, transformation, and agility.

Moreover, other than dominant attributes, leadership styles and bonding culture towards the organization are also discussed in previous research. Henceforward, adapting from Lund (2003), the suitable leadership styles in adhocracy culture are entrepreneur, innovator, and risk-taker. Meanwhile, the elements that bind the organizations together are commitment to innovation, emphasizing growth and acquire new resources. In common, Lindquist and Marcy (2014) acknowledged that leadership style in this culture is a transformational due to the elements of innovation and adaptation. In the end, because of transformational in leadership, this leader may contribute to success of organization performance and as a result, adhocracy culture may lead teams to a higher level on Maslow' Hierarchy of Needs which is self-actualization (Bass, 1985). Adhocracy cultures may lead the employees to engage with their work. According to Krog (2014), adhocracy culture provides employees with opportunities for being autonomous and innovative in their job which as a result, it leads employees to be engaged with their job. It was statistically found that adhocracy culture is positive and significantly related to work engagement (Barbars, 2015; Harper, 2015; Evangeline and Ragavan, 2016). Therefore, it is hypothesized that adhocracy culture has a significant and positive relationship with employee engagement.

Hierarchy Culture

According to Cameron and Quinn (1999), hierarchy cultures were originally defined as cultures that accentuate on internal focus and in the meantime, it emphasizes on centralized and bureaucratize management control. Then, the definitions have evolved and were revised by many researchers. Organizations with hierarchy culture run based on rules, policies, procedure which means, they are doing daily jobs following on existing procedures with emphasis on efficiency (Shimmoeller, 2006). Not only that, he also mentioned that organizations that focus on hierarchy culture will be unable to cope with unique circumstances. In addition, Tseng (2010) states that this culture is practiced by an organization with structured and formalized procedures that govern what employees do. Then, Choi et al. (2010) described organizations with emphasis on hierarchy culture incline to execute regulation as it focuses on internal efficiency, consistency, synchronization, and valuation and implementing its organizational strategies (Toscano, 2015).

Hartnell et al (2011) and Iroanya (2012) further added that rules and policies were believed to bind the organizations to ensure stability and predictability that in the end, helped to foster efficiency in future. At the same time, a culture of hierarchy values precise communication, clear roles, and routinization. Moreover, it is more important to follow regulations (policies and procedures) and minimize errors rather than to find a new way (Shim et al., 2015). Apart from that, Lindquist and Marcy (2016) recently characterized hierarchy culture with an emphasis on detailing, quantifying, and managing information in an organization. In general, Reis et al (2016) explained an organization that has no emotional attachment and employees with less openness is strictly bound to the formal roles and responsibilities. As a consequence of hierarchy culture, there are pros and cons for those who are practicing this type of culture. However, organizations that emphasize on hierarchy culture will lead to work disengagement and this has been tested in previous researches, and it was found that hierarchical cultures have no significance and are negatively related to work engagement (Krog, 2014; Harper, 2015). This is because, bureaucratic organizations may cause employees to feel that they have no power in their position which will cause

disengagement towards the organization. Hence, hierarchy culture is not expected to foster engagement in the majority of employees. Therefore, it is hypothesized that hierarchy culture has no significance and negative relationship with employee engagement.

Market Culture

Kimberly and Quinn (1984) introduced market culture as a rational culture which is characterized as outer directed, based on controllability and directed towards rational goals. Then, according to Cameron and Quinn (1998), the market culture involved transactions with external constituencies including suppliers, customers, contractors, licensees, unions, regulators and so forth. Market culture was trending in the 1960's and it focused on competitors and market share (Cameron and Quinn, 1999). There are evidences that market cultures are likely to provide the best business performance, even in Japan where market cultures are considered the classical style of business culture (Deshpande et al., 1993). To date, there are many definitions of market culture that have been revised by many researchers. Market culture was defined as a result-oriented which aiming on hitting target (Tseng, 2010). They also mentioned that in this culture, the employees are fortified to compete among them and to gain reputation, success, and eager to penetrate and gain market share. In other words, the organizations with market culture want to be a market leader. Likewise, market culture as an organization that is competitive, productive, performance, goal fulfilment, and achievement and tends to achieve and attain well-defined objectives such as financial success (Choi et al., 2010; Hartnell et al., 2011). Meanwhile, conferring to Gull and Azam (2012); Acar (2014), market culture is where the organizations achievement and success oriented is on output basis. Stability and control are important in order to motivate aggressive performance. However, at certain points, it may lead to negative consequences to the organizations such as employee disengagement (Krog, 2014). In addition, Harper (2015) found market culture has a significant and negative relationship with employee engagement. Therefore, it is hypothesized that market culture has a significant and negative relationship with employee engagement.

Research Framework

From the discussion above, organizational culture is regarded as the influencing factors for employee engagement. The following research framework is suggested:

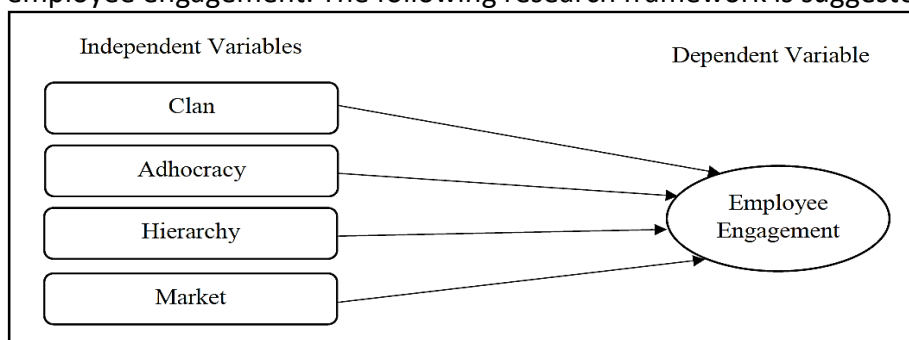


Fig. 1 Research Framework

Research Methodology

The population of this study comprised of manufacturing companies in Melaka. The respondents of this study were the individual employees. All employees in the employee list were obtained from the human resource department which was used as the population

frame. From the 190 questionnaires distributed, there were 127 returned, thus it yielded a response rate of 66.84%. The instrument used in this study was a self-administered questionnaire. All items in the questionnaires were adopted from Kim (2011); Fong and Mahfar (2013); Cameron and Quinn (2006); Soane et al (2012) using a five-points Likert-scale. Prior to the full scale data collection, a pilot test for pre and actual test was carried out and it was found that all variables recorded a Cronbach alpha of > 0.75 . This showed the questionnaires were reliable. The questionnaires consisted of six sections comprising 40 questions in total. Section A was on demographic information of the respondents. Section B until F was on the variables of the study. All sections except for Section A used a five-points Likert scale while multiple-choice questions were asked in Section A. The questionnaire was conveniently distributed to employees. It was done so to ensure that respondents were given enough time to respond to the questions and to obtain a high response rate. All data collected were keyed into computer for further analysis by using SPSS 24. Specifically, statistical tests were performed to test the hypotheses.

Findings and Discussions

Of the 190 full-time employees, 127 of them responded completely (66.8%). The descriptive statistical analysis on demographic profile revealed that a majority of the respondents were male (61.4%) meanwhile female respondents were 38.6%. The results show that 53.5% of the respondents were at the age of 20-29 years old, followed by 33.9% respondents who were between 30-39 years old. Meanwhile, 78% of the respondents were among non-managerial workers and the remaining 22% were in the managerial positions. Lastly, the findings also revealed that most of the respondents were at tenure between 1-5 years with 59.1% and only 9 employees (7.1%) had worked in the organization for more than 16 years.

Table 1 summarizes the regression analysis. The R-squared is 0.282, indicating that 28.2% of the variance in employee engagement was explained by clan, adhocracy, hierarchy and market culture. The adjusted R-squared is 25.9%. In regard to relationship between organizational culture factors and employee engagement, clan culture ($\beta = 0.214$, $p = 0.040$), adhocracy culture ($\beta = 0.231$, $p = 0.026$), hierarchy culture ($\beta = -0.097$, $p = 0.379$) and market culture ($\beta = 0.240$, $p = 0.025$). Thus, these findings indicate that clan, adhocracy and market culture have a significant and positive relationship with employee engagement, while, hierarchy culture has no significant and negative relationship with employee engagement. Thus, only H1, H2 and H3 were supported.

Table 1

Multiple Regression Analysis

Model	Beta (β)	t	Sig.
Clan	0.214	2.072	0.040
Adhocracy	0.231	2.256	0.026
Hierarchy	-0.097	-0.882	0.379
Market	0.240	2.269	0.025
<hr/>			
R ²	0.282		
Adjusted R ²	0.259		
Dependent variable: Employee Engagement			

The statistical analyses revealed that organizational culture factors, specifically clan, adhocracy, and market culture, significantly influenced employee engagement among employees. The findings revealed organizational culture factors (clan, adhocracy, and market) could motivate employees to engage with the work and organization. From the findings revealed above, clan culture practiced by that organization was found to have positive and significant relationship with employee engagement level. The result supported (Pati and Kumar's, 2010; Krog's, 2014; Harper's, 2015). Another factor which is adhocracy culture was also found to have positive and significant effect on employee engagement. It was consistent with (Barbars, 2015; Harper's, 2015; Evangeline and Ragavan's, 2016; Krog's, 2014). Hierarchy culture factor was found to have negative and no significant relationship with employee engagement. This finding confirmed (Krog's, 2014; Harper's, 2015). Finally, market culture was found to have positive significance in affecting employee engagement. The findings shown are inconsistent with Krog's (2014); Harper's (2015) as they posited that too focused on achievement will result in burnout among the employees. However, this finding revealed that market culture indeed plays the most significant role in achieving organizational objectives especially in engaging employees. Therefore, organizational culture does influence a person's behaviour because individuals who are concern about engaging to the work and the organization will bring to the success of the organization.

Conclusion

The research was conducted to examine the influences of organizational culture on employee engagement among employees in manufacturing companies. The study found that only three organizational cultural factors, namely clan, adhocracy and market culture that influenced employee engagement while hierarchy culture was been found to have no significant relationship with employee engagement. Thus, only three hypotheses were supported. As employee engagement level constitutes a large impact on organizational performance, understanding the effects of organizational culture in an organization can serve as an initial success factor to the entire organization. However, different organizations may come from different settings (i.e. culture), hence, they might provide different findings due to different organizational cultures practiced. In Malaysian organizations, the working culture seems to be consistent with the current study's findings. Employees preferably will perform better in clan, adhocracy and market culture. Therefore, organizational culture should be given sufficient attention in order to maintain a high level of employee engagement in organizations. Several limitations were identified in this study. For instance, it only considered organizational culture factors; future researchers are urged to include external factors as such leadership style, organization climate and HRM-practices. In addition, future studies can also enlarge the sample size to generalize the data to the whole population.

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