

# The Relationships of Organizational Culture on Employee Performance in Public Universiti in Malaysia

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## Abstract

This research examines the correlation between organizational culture and employee performance at Sultan Idris University of Education (UPSI). A descriptive survey design was employed, with 309 structured questionnaires sent online to UPSI personnel. The results reveal a substantial association between corporate culture and employee performance, with employee involvement exhibiting the most pronounced relationship. The regression analysis indicates that employee involvement is the primary factor affecting employee performance. A culture of employee engagement fosters active participation, innovation, and accountability among employees, hence building a happy and supportive work environment. The dimensions of organizational culture, including Clan Culture ( $r = 0.324$ ,  $p < 0.01$ ), Adhocracy ( $r = 0.298$ ,  $p < 0.01$ ), Competitive Culture ( $r = 0.287$ ,  $p < 0.01$ ), and Hierarchy ( $r = 0.265$ ,  $p < 0.01$ ), exhibit positive correlations with employee performance. Employee involvement exhibits the most robust correlation with performance ( $r = 0.618$ ,  $p < 0.001$ ), establishing it as the variable with the highest degree of association. Multiple linear regression analysis reveals that employee involvement is the primary factor affecting employee performance, with a coefficient of  $\beta = 0.583$ ,  $p < 0.001$ , and a standard error of 0.057. The four elements of organizational culture were not statistically significant in the regression model ( $p > 0.05$ ). The study finds that company culture significantly enhances employee performance. Management should enhance cultural components, like open communication, creativity, and well-defined work structures, to foster an environment that promotes motivation and work efficacy.

**Keywords:** Organizational Culture, Employee Performance, Employee Involvement

## Introduction

Organizational culture plays a fundamental role in shaping employee behavior, attitudes, and overall performance. In today's dynamic and competitive work environments, especially within public higher education institutions, understanding and nurturing the right

organizational culture has become essential. A positive culture helps align individual goals with organizational objectives, promotes motivation, and enhances work satisfaction, which ultimately drives performance and institutional success (Schein, 2010; Cameron & Quinn, 2011). The importance of studying organizational culture in the context of Malaysian public universities stems from the increasing pressure to improve service quality, academic excellence, and global competitiveness. Universities such as Universiti Pendidikan Sultan Idris (UPSI) are required to not only deliver high academic standards but also ensure administrative efficiency. However, sustaining high employee performance in such an environment poses a significant challenge. The transformation of the public sector and shifting national policies have introduced complexities that require a deeper understanding of how internal organizational factors, such as culture, influence employee behavior and performance outcomes (Kotter & Heskett, 1992). Despite its critical role, the relationship between organizational culture and employee performance remains underexplored in the Malaysian public university setting.

There is a pressing need to understand how specific cultural dimensions—Clan, Adhocracy, Market, and Hierarchy—affect staff engagement and productivity. Exploring this relationship is particularly relevant as Malaysian universities strive to improve international rankings, retain skilled staff, and foster innovation-driven work environments. Thus, this study is both timely and significant as it addresses a crucial gap in organizational behaviour literature related to public higher education institutions in Malaysia. Moreover, this research highlights employee engagement as a key mediating variable. Engaged employees are more likely to exhibit commitment, creativity, and sustained performance (Kahn, 1990; Harter et al., 2002). As such, identifying the cultural factors that foster engagement offers actionable insights for university leaders, HR practitioners, and policy-makers.

The study provides practical recommendations that can enhance institutional effectiveness through improved staff performance, contributing not only to organizational goals but also to the broader educational development in Malaysia. By focusing on UPSI as a case study, this research contributes to both theoretical advancement and managerial relevance. It offers a framework for cultivating high-performing work cultures in the public sector, especially in institutions that serve as pillars of national development and talent generation. Therefore, the utility and effectiveness of this study lie in its ability to bridge empirical knowledge with real-world organizational challenges.

### **Literature Review**

Organizational culture significantly influences employee behaviors, attitudes, and overall performance. It denotes the collective norms, attitudes, beliefs, and practices that direct employee conduct and affect the execution of work within the firm. Schein (2010) posits that corporate culture can either facilitate or obstruct the attainment of organizational objectives. In public sector institutions such as Universiti Pendidikan Sultan Idris (UPSI), culture is crucial as these entities must reconcile academic excellence with administrative efficiency while addressing external pressures, including changing national policies, technological advancements, and global educational trends (Kotter & Heskett, 1992). UPSI, as a recognized institution of higher education, has achieved considerable advancements in improving its academic and operational efficacy. Nonetheless, akin to other higher education institutions, UPSI confronts the persistent issue of enhancing staff performance amid a highly competitive

and swiftly evolving educational environment. In the current landscape, universities must adhere to elevated criteria for productivity and academic results, necessitating institutions such as UPSI to perpetually enhance internal procedures and support their personnel to effectively fulfil these requirements (Bok, 2003).

An essential method for enhancing employee performance is cultivating a favorable organizational culture. The organizational culture—be it Clan, Adhocracy, Market, or Hierarchy—significantly impacts employee behavior, motivation, and overall performance (Cameron & Quinn, 2011). Cultural factors influence the workplace atmosphere, employee contentment, and productivity (Denison, 1990). Nonetheless, despite their acknowledged significance, the precise correlation between these cultural kinds and employee performance, especially within Malaysian public universities, remains inadequately investigated.

This study seeks to examine the influence of organizational culture on employee performance at UPSI, specifically analyzing how various cultural dimensions—namely Clan, Adhocracy, Market, and Hierarchy Cultures—affect performance results. Although considerable study has been undertaken regarding the overall relationship between organizational culture and employee performance, empirical studies specifically focusing on Malaysian public universities remain few (Zhao & Seibert, 2006). This study aims to address that deficiency by analyzing the operation of these cultural elements within a Malaysian higher education context.

This research emphasizes the significance of employee engagement as a mediator variable between company culture and employee performance. Employee engagement, defined as the degree of emotional and cognitive commitment workers exhibit towards their work and the business, significantly influences organizational outcomes (Kahn, 1990). Engaged employees are generally more productive, innovative, and loyal, which directly influences organizational performance (Harter, Schmidt, & Hayes, 2002). This study specifically examines how employee engagement mediates the relationship between organizational culture and employee performance at UPSI. Despite extensive research on the influence of organizational culture on employee performance, limited studies have particularly examined this relationship in the context of Malaysian public universities. This research seeks to address this gap by examining the impact of organizational culture at UPSI on employee performance, mediated via employee engagement. This study's findings will enhance the understanding of organizational behavior and provide significant insights for increasing employee performance at UPSI and comparable institutions in Malaysia and worldwide.

### **Methodology**

This study employs a quantitative, descriptive research approach to examine the correlation between organizational culture and employee performance among administrative staff at Universiti Pendidikan Sultan Idris (UPSI). A total of 309 participants engaged in the study, with data gathered via structured online questionnaires. The surveys were developed to assess the four principal characteristics of company culture—Clan, Adhocracy, Market, and Hierarchy—alongside employee engagement and performance. The survey utilized recognized scales to guarantee reliable measurement. Cronbach's Alpha was computed for each scale to evaluate the reliability of the constructs, with all constructions surpassing the acceptable threshold of  $\alpha > 0.80$ , so affirming the reliability of the instruments. Descriptive statistics, Pearson's

correlation, and multiple linear regression analysis were utilized via SPSS to evaluate the data.

Descriptive statistics were initially employed to encapsulate the demographic attributes of the respondents and the distribution of essential variables. Pearson's correlation analysis was subsequently utilized to examine the links among the aspects of corporate culture, employee engagement, and employee performance. This step facilitated the identification of the correlation between various cultural variables and involvement as well as performance. The research employed multiple linear regression to analyze the impact of the four elements of organizational culture on employee performance, with employee engagement evaluated as a possible mediating variable.

This methodology offered a comprehensive insight into the direct and indirect impacts of organizational culture on performance, highlighting the significance of involvement in this dynamic. The study used a mediational analysis to investigate if employee engagement mediates the association between organizational culture and performance. This investigation, grounded in the framework established by Baron and Kenny (1986), assessed the degree to which involvement enhances the influence of corporate culture on employee performance. Ethical considerations were meticulously handled, securing ethical approval from the university and obtaining informed consent from all participants. The study guaranteed respondents' confidentiality and the voluntary aspect of their involvement.

## Results

Descriptive statistics revealed that most respondents were aged 30 to 45 years, with a fair distribution of gender and marital status. The correlation study indicated substantial positive associations between employee engagement and performance ( $r = 0.68$ ,  $p < 0.01$ ). Multiple regression analysis revealed that none of the four cultural variables (Clan, Adhocracy, Market, or Hierarchy) were significant predictors of employee performance on an individual basis. Employee involvement was identified as a significant predictor ( $\beta = 0.583$ ,  $p < 0.001$ ), moderating the relationship between organizational culture and performance. The subsequent table succinctly encapsulates the results of the correlation and regression study.

*Results Table*

Variable	Pearson's r (Correlation)	p-value	$\beta$ (Regression Coefficient)	Standard Error
Clan Culture	0.324	0.01	Not Significant	-
Adhocracy Culture	0.298	0.01	Not Significant	-
Market Culture	0.287	0.01	Not Significant	-
Hierarchy Culture	0.265	0.01	Not Significant	-
Employee Engagement	0.618	< 0.001	0.583	0.057
Overall Model (R <sup>2</sup> )	-	-	0.34	-

The correlation results indicate that all four elements of organizational culture (Clan, Adhocracy, Market, and Hierarchy) exhibited a positive link with employee performance. Nonetheless, none of these cultural dimensions independently forecasted performance at a statistically significant level. The strongest link was observed between employee engagement and performance ( $r = 0.618$ ,  $p < 0.001$ ), suggesting that engagement is crucial in enhancing performance. In the regression model, employee engagement emerged as the sole significant predictor of employee performance, with a regression coefficient of  $\beta = 0.583$  and a standard error of 0.057 ( $p < 0.001$ ). This affirms that employee engagement is the primary element affecting employee performance, mediating the connection between organizational culture and performance. The model accounted for 34% of the variance in employee performance ( $R^2 = 0.34$ ). The findings indicate that although organizational culture establishes the context for engagement, it is the employee's degree of engagement that directly affects performance outcomes. Consequently, cultivating a culture that promotes employee engagement is essential for enhancing performance, particularly within higher education institutions such as UPSI.

### Discussion

This study's findings highlight the essential function of employee engagement as a mediator variable in the connection between corporate culture and employee performance. This underscores the need of comprehending how culture, as a fundamental aspect of the organizational milieu, directly and indirectly modifies employee attitudes and actions, hence affecting their performance outcomes. The findings indicate that although specific cultural dimensions, such as Clan and Adhocracy, did not exhibit a direct, statistically significant effect on employee performance, they nonetheless significantly contribute to the workplace environment, thereby influencing engagement and, consequently, performance. The Clan Culture, defined by a collaborative, supportive, and familial atmosphere, and the Adhocracy Culture, which prioritizes innovation and risk-taking, were determined to exert an indirect influence on performance via involvement.

These cultures promote an atmosphere that emphasizes relationships among individuals, trust, and creativity, hence augmenting employee engagement. Employees in such cultures are more inclined to experience emotional attachment to the organization, leading to elevated engagement levels, which has been demonstrated to enhance performance (Harter, Schmidt, & Hayes, 2002). This indicates that although these cultural characteristics may not directly influence performance outcomes, they foster an environment that promotes involvement, which is essential for performance improvement.

This discovery corresponds with Denison's (1990) Organizational Culture Model, which asserts that engagement, a fundamental characteristic of culture, is pivotal to organizational efficiency. Denison suggests that cultures promoting engagement—characterized by employee empowerment, participatory opportunities, and a sense of belonging—cultivate a more efficient organization, as employees are more inclined to take initiative, exert their utmost efforts, and collaborate effectively. This study indicates that both Clan and Adhocracy cultures enhance involvement by promoting employee engagement through the cultivation of trust and innovation. The study indicates that Hierarchy Culture, typically regarded as inflexible, organized, and authoritarian, might still facilitate elevated performance levels, contingent upon its perception as equitable and transparent. This discovery contests the

prevailing belief that hierarchical organizations are intrinsically harmful to performance because of their rigidity and focus on regulations and protocols. The study indicates that the perception of justice and openness within hierarchical structures can alleviate the adverse effects typically linked to such cultures. Employees are more likely to be engaged and dedicated to their work when they see that organizational norms are followed equitably and consistently, and when there is transparency in decision-making procedures. This thus facilitates improved performance. The clarity and organization inherent in hierarchical cultures can instill a sense of security and stability in employees, so enhancing their engagement and incentive to excel.

The study's findings enhance comprehension of the interaction between various organizational culture types—collaborative (Clan Culture), innovative (Adhocracy Culture), competitive (Market Culture), and structured (Hierarchy Culture)—and employee engagement's effect on performance. This indicates that certain cultural types may foster involvement directly, while others, like hierarchical cultures, may do it indirectly, underscoring the intricacy of the culture-performance link. This discovery is crucial for companies, indicating that there is no singular "ideal" culture for enhancing performance; rather, the focus should be on comprehending how cultural factors synergistically contribute to employee engagement, hence resulting in improved performance.

This study provides novel insights into the dynamics of organizational culture and employee engagement within Malaysian public universities. This environment remains largely unexamined in the current literature, which has predominantly concentrated on the private sector or western organizations. The findings uniquely demonstrate how Malaysian public institutions, through their distinctive organizational traits and cultural context, may cultivate a work environment that enhances engagement and performance. This study emphasizes the significance of cultural elements in influencing employee attitudes and performance within public sector institutions, offering useful insights applicable to other universities and educational institutions in Malaysia and abroad.

### **Conclusion and Implications**

This study suggests that employee engagement is a crucial mediator in the relationship between company culture and employee performance. It underscores that fostering high engagement levels is essential for maximizing the positive effects of business culture on performance. Employee engagement significantly influences individuals' relationship to their roles and the organization, serving as a crucial indicator of organizational performance. Organizational culture can enhance employee loyalty, productivity, and motivation through heightened involvement, ultimately resulting in greater performance. This highlights the imperative for institutions like UPSI to foster a culture that emphasizes engagement, clear communication, and individual development. The report recommends for the creation of a culture in universities and public sector organizations that enhances employee engagement. An inclusive culture, when employees feel empowered and recognized for their contributions, fosters engagement. This is especially vital in higher education institutions such as UPSI, where a varied staff engages in various tasks and objectives collaboratively. By prioritizing honest communication, collaboration, and professional development, UPSI can align its workforce with company goals and improve engagement.

This study theoretically advances the literature on organizational culture and employee engagement by demonstrating the indirect influence of culture on performance via engagement. This finding supports the work of Saks & Gruman (2017), who emphasize the significance of engagement in achieving the benefits of a positive organizational culture. Through its emphasis on participation as a crucial, but often overlooked, component, the study clarifies the link between culture and performance. The paper offers substantial recommendations for organizational leaders from a pragmatic viewpoint. To improve performance, organizations must prioritize fostering a culture that values employee contributions, offers growth opportunities, and encourages a positive environment. Leadership plays an essential role in developing policies that promote engagement, trust, transparency, and growth. Leadership programs, transparent communication, and professional development initiatives can improve engagement and performance.

Universities and other companies should prioritize engagement in their human resource strategy, acknowledging it as a strategic asset. This can be achieved through team-building activities, professional development initiatives, and flexible work environments. These strategies will enhance happiness and retention while simultaneously enhancing performance and organizational effectiveness. Future research should focus on the lasting effects of corporate culture and engagement on performance. Longitudinal study may clarify the impact of temporal cultural shifts on participation and performance.

Furthermore, comparative investigations across sectors and institutions may enable the generalization of findings and examine the interaction between participation and culture in diverse contexts. Exploring further mediators such as organizational commitment, job satisfaction, or workplace autonomy may yield enhanced understanding of performance consequences. This study emphasizes how important employee engagement is as a mediator between employee performance and business culture. It provides a comprehensive framework for universities, especially UPSI, to foster a culture that encourages engagement and growth. These measures will improve performance while cultivating a motivated, committed, and satisfied workforce, so ensuring enduring organizational success and competitiveness.

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