

## **Relationship between organizational culture, employee satisfaction and organizational commitment**

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### **Abstract**

Organizational culture is an important human resource management issue that affects the success and sustainability of a company. In organizational settings, culture describes what is unique about an organization, as expressed by the shared beliefs and values established by the founders and communicated through different ways. This shapes employees' perceptions and behaviour, as well as the principles that apply to members of an organization.

Job satisfaction refers to an employee's feelings about their job and is frequently studied in relation to organizational culture and other variables, such as job commitment, performance and organizational commitment.

Organizational commitment refers to whether an employee wishes to continue working for an organization or leave it. Employees tend to be attracted to those organizations with a culture that values their work and focuses on organizational wellbeing. There is a positive relationship between organizational culture, job satisfaction and the organizational commitment of employees.

**Keywords:** *Organizational culture; job satisfaction; organizational commitment; case study*

### **Introduction**

An organization is a group of people united by common goals, with an open system that adapts to the ever changing external environment. Regardless of company size and the industry they operate in, organizations embrace three elements- goals, people and systems. People interact within a system, thereby contributing to the achievement of an organization's goals. Every organization embraces its own culture, which includes its goals, values and interactions with the external environment. What makes an organization's culture unique are the feelings, beliefs, standards, customs and rules that it is based on.

By nurturing a strong positive organizational culture, employees become more committed and responsible. It unites the ambitions of employees to become goal oriented. If an organization has loyal

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and committed employees, this may be a sign of job satisfaction, which is essential for achieving an organization's goals.

### **Literature review**

Organizational culture is an important topic for researchers and practitioners of human resource management. In organizational settings, culture describes what is unique about an organization, as expressed by the shared beliefs and values established by the founders and communicated through different ways. This shapes employees' perceptions and behaviour, as well as the principles that apply to members of an organization. The majority of researchers agree that organizational culture is a system of shared values, beliefs and behaviours of members of an organization (Ravasi & Schultz, 2006).

According to the Schein (Schein, 2004), organizational culture can be observed in three forms, namely a) observable artefacts - specific attitudes, beliefs, values and other features like dress code, stories, rituals and special ceremonies that are specific to an organization; b) supported values – values widely promoted by the leaders and which are very likely reflected in the behaviour of employees. These values generally guide the behaviour of members of an organization in different situations; and c) basic assumptions or perceived situations – these regulate the collective actions of the members, which are the result of long-term practice and are valued by every organizational member, who practices them instinctively. In doing so, a sense of belonging to a community is generated.

Numerous studies have been conducted into types of organizational cultures, thereby referring to their format and functions (Deal & Kennedy, 1982), environmental requirements (Daft, 2001), and models (Cameron & Quinn, 2006) based on employee relations. They identified four completely different cultures, namely hierarchical, market, clan and adhocracy. Other researchers identified the existence of sub-cultures within an organization (Denison, Lief, & Ward, 2004) based on individualistic and collective cultures related to employees' social groupings. Beyond this, organizational culture has also been studied in relation to workplace related issues, such as wellbeing or quality of work life. This concerns an organization's ability to promote and maintain the physical, psychological and social wellbeing of employees at all levels and for all jobs (Torri & Toniolo, 2010). This includes the employees' physical and mental health, sense of happiness and social wellbeing, which are recognized in the term job satisfaction (Grant, Christianson, & Price, 2007).

A widely studied topic closely linked to organizational culture is that of job satisfaction. Job satisfaction refers to an employee's feelings about their job and is frequently studied in relation to organizational culture and other variables, such as job commitment, performance and organizational commitment. Job satisfaction is an important issue for all organizations because it is a crucial factor for organizational success and sustainability (Robbins & Judge, 2013). According to Lund (2003), if job satisfaction is high, this reflects a strong organizational culture, and vice versa, if job satisfaction is low, the organizational culture is weak. Other studies show that satisfied employees tend to be more productive, creative and committed to their employers. According to Bhatti & Qureshi (2007), job satisfaction leads to higher productivity through greater motivation and the enhancement of the working capabilities of employees.

Bigliardi & et al (2012) conducted research into the effect of organizational culture on job satisfaction. They showed that organizational culture had a positive effect on job satisfaction. The research conducted by Nayak and Barik (2013) produced a similar result. Moreover, Park & Kim (2009), Cronley & Kim (2017) and Belias & Koustelios (2014) conducted comprehensive studies into organizational culture and related variables, all of which also confirmed that organizational culture has a positive influence on job satisfaction.

Another widely observed and often researched topic is that of the relationship between organizational culture and organizational commitment. Organizational commitment refers to an individual's psychological attachment to the organization they work for. The relationship between organizational culture and organizational commitment is theoretically described by Peters and Waterman (2006). They suggest that organizational culture influences a variety of organizational and individual outcomes including productivity, performance, commitment and self-confidence.

Organizational culture is considered to have a strong relationship to organizational commitment. This is reflected in how members of an organization follow the provisions made by an organization. If an organization is well-organized, whereby the leader takes their authority and responsibility seriously, then its members will certainly be committed to the organization (Lim, 2003). Another study suggests that organizational culture in the form of good communication, trust and an innovative culture, positively influences organizational commitment (Muliaty, Basri, & Jasruddin, 2017).

Organizational cultures characterized as being collaborative, a brotherhood, participatory, consensual, constructive and supportive are more likely to benefit from higher levels of organizational commitment. Abdullah, Shamsuddin and Wahab (2015) showed this to be true. Organizational culture has also been studied in relation to different variables, such as leadership and employee performance (Xenukou & Simosi, 2006), and the impact of it on leadership style, organizational commitment and its relationship to job satisfaction (Yiing & Ahmad, 2009).

### **Problem statement**

Numerous studies have previously been conducted on the relationship between organizational culture, job satisfaction and employee commitment in universities in Pakistan (Awan & Mahmood, 2010). Denisten, Sarros and Gray (2002) attempted measuring the levels of employee satisfaction in organizational cultures against the job satisfaction of marketing staff. Similar research was conducted in the fertilizer industry in Pakistan. These attempts to measure the correlation between organizational culture, job satisfaction and organizational commitment serve as examples for extending the research on the selected topic.

When taking onto consideration past research and the opportunities to apply such concepts to the analysis of the current state of affairs within a local context, the following problems statements were formulated:

- The examined organizational culture has an impact on job satisfaction;
- The examined organizational culture has an impact on organizational commitment.

### **Scope of the study**

The purpose of the study presented here is to explore the impact of the organizational culture of an insurance company on the job satisfaction and organizational commitment of its employees. The study's aims are, based on the results of an analysis, to enhance human resource management practices, including potential changes to the workplace environment, to improve job satisfaction and organizational commitment.

**Research design:** Based on previous studies, the following research model was developed to achieve the proposed aims of the study.

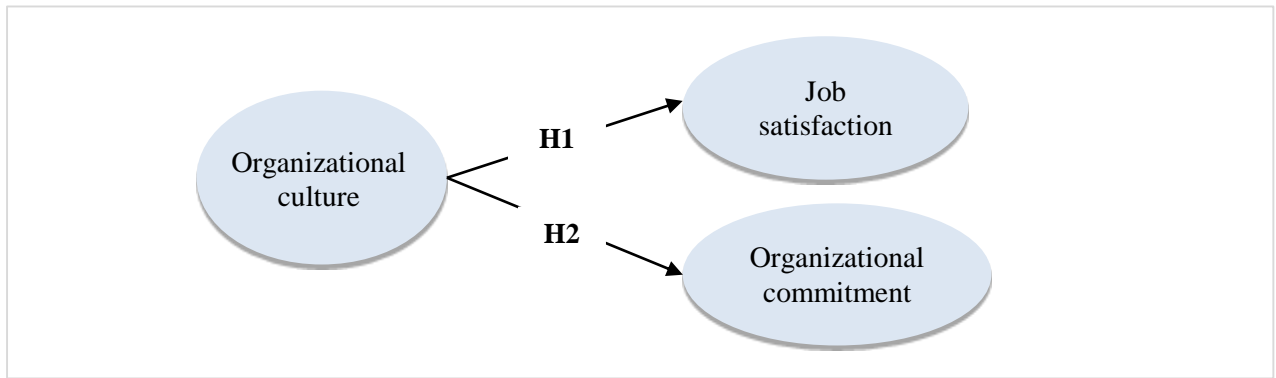


Figure 1. Research model

**Research hypotheses:**

H1: Organizational culture has an impact on job satisfaction.

H2: Organizational culture has an impact on organizational commitment

**Materials and methods**

The beneficiary of the conducted socio-metric survey and analysis is a major insurance company operating in the local market. SPSS 23 software was used for the data analysis. Reliability tests, and correlation and regression analyses were conducted to determine the relationship between the independent and dependent variables.

The survey was conducted between 4<sup>th</sup> and 20<sup>th</sup> November 2019. Out of the 180 questionnaires distributed to employees, 152 were returned (a response rate of 84.4%). After cleaning the data, it was determined that the data from 151 questionnaires could be used for the analysis.

The questionnaire includes confidentiality statement to ensure collecting anonymous responses to protect the participants’ privacy.

The questionnaire consisted of 61 questions, each with a 5-point Likert scale, grouped into 3 categories. In this study, there was one independent variable namely organizational culture that affects the dependent variables which are job satisfaction and organizational commitment. The background data of the respondents is summarized in Table 1.

Table 1

*Background of the respondents*

Gender		Age level		Education background		Years of service in current position	
Gender	%	Age (in yrs)	%	Education level	%	Tenure	%
Male	35.8	≤ 20	0.7	Master’s degree	15.9	≤ 1 year	31.8
		21-25	7.3			1-3 years	23.3
		26-30	24.5	Undergraduate degree	76.8	4-10 years	33.1
Female	64.2	31-35	25.8	Professional education	4.6	11-15 years	3.3
		36-40	15.9			16-20 years	4.6
		41-50	12.6	Incomplete secondary education	1.3	> 21 years	3.3
		> 55	11.3				

Source: Authors

By demographics: 64.2% of the respondents were female; 58.3% were younger than 35 years old; and 55.1% had worked in their current positions for up to 3 years.

By the positions held by the respondents: 68.2% were employees; 9.9% senior executives; and the remaining 16.6% were department or branch managers (see Figure 2).

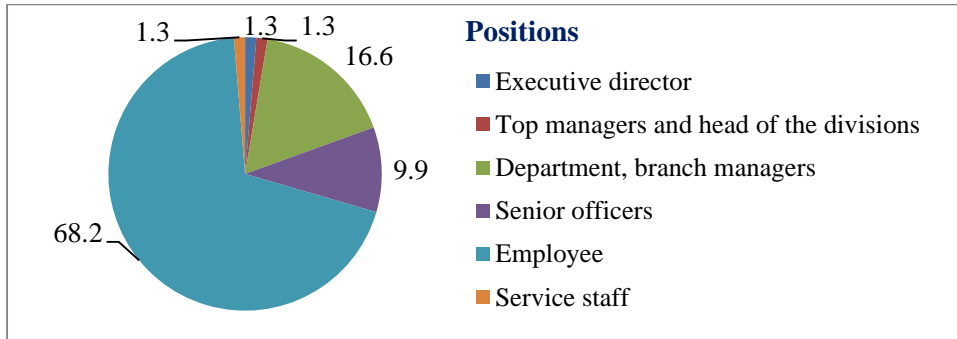


Figure 2. Positions held by the respondents

### Sample size

To ensure the adequacy of the sampling, Kaiser-Meyer-Olkin (KMO) and Bartlett's tests were performed. In general, the higher the KMO value, the greater the adequacy of the sample size and the less likely remedial measures need to be taken. The significance test (Sig.) checks the variances across samples. A KMO value less than 0.5 indicates that the sample size is inadequate. The results of the Kaiser-Meyer-Olkin (KMO) and Bartlett's tests are summarized in Table 2.

Table 2

*Summary of sampling adequacy tests*

<b>KMO and Bartlett's tests</b>		
Kaiser-Meyer-Olkin measure of sampling adequacy		0.725
Bartlett's test of Sphericity	Approx. Chi-Square	17293.155
	df	6328
	Sig.	.000

*Source: Authors*

According to the test results, the KMO value is 0.725, which means that the sample size is adequate. The significance value (Sig. = 0.000) of Bartlett's test of Sphericity means that the variances across the samples are equal and that the data are reliable for conducting further analysis.

### Results and discussion

#### Reliability analysis of variable

Data reliability was tested to ensure the consistency of the set of variables. For the measurement of the closeness, or scale reliability of the related set of items, Cronbach  $\alpha$  was estimated. According to Nunnally (Nunnally, 1978), a Cronbach  $\alpha$  value of 0.7 is an acceptable value for measurement. On the basis of the results (see Table 3), it can therefore be said that the design of the developed questionnaire was appropriate for the purpose of the survey, which was found to be capable of measuring the proposed issues. The results of the test are summarized in the table below.

Table 3

*Reliability test results*

Set of items	Number of questions	Cronbach's $\alpha$
Organizational culture	15	.912
Organizational commitment	15	.843
Job satisfaction	34	.969

*Source: Authors*

#### Correlation analysis

The results of the correlation analysis are summarized in Table 4.

Table 4

*Correlation Analysis*

<b>Correlations</b>				
		OC	OCOM	JS
OC	Pearson correlation			
	Sig. (2-tailed)	1		
	N			
OCOM	Pearson correlation	.558**		
	Sig. (2-tailed)	.000	1	
	N	151		
JS	Pearson correlation	.718**	.450**	
	Sig. (2-tailed)	.000	.000	1

	N	151	151	
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\*\* correlation is significant at the 0.01 level (2-tailed).

Source: Authors

Although the correlation between organizational culture [ $r=.718$ ;  $N=151$ ;  $p<0.01$ ] and job satisfaction [ $r=.522$ ;  $N=405$ ;  $p<0.01$ ] is strong, the correlation with organizational commitment [ $r=.558$ ,  $N=151$ ,  $p<0.01$ ] is only slightly positive.

### Regression analysis

To test the hypotheses of the study, regression analyses were performed, the results of which are presented in Table 5.

Table 5

#### Regression analysis

Model summary				
Model	R	R Square	Adjusted R Square	Std. error of the estimate
1	.718 <sup>a</sup>	.515	.512	11.6222
2	.558 <sup>a</sup>	.311	.306	2.762

a. Predictors: (Constant), OC

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	49181.427	1	49181.427	158.373	.000 <sup>b</sup>
	Residual	46270.745	149	310.542		
	Total	95452.172	150			
2	Regression	512.738	1	512.738	67.235	.000 <sup>b</sup>
	Residual	1136.282	149	7.626		
	Total	1649.020	150			

a. Dependent variable: JS, OCOM

b. Predictors: (Constant), OC

Coefficients <sup>a</sup>						
Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	JS	.944	.154	.718	12.585	.000
2	OCOM	.199	.024	.558	8.200	.000

a. Dependent variable: JS, OCOM

Source: Authors

According to the test results, there is a positive correlation between organizational culture and job satisfaction (51.5%; R Square=.515) and a slightly positive one with organizational commitment (31.1%; R Square=.311). In the case of the surveyed organization, the organizational culture of the organization has a positive impact on the job satisfaction of its employees. An increase of one unit in organizational culture results in  $\beta = .718$ , or in other words, an increase in job satisfaction [ $\beta = .718$ ;  $p < 0.01$ ]. However, the results also show that organizational culture has only a slightly positive

correlation with organizational commitment. Clearly, an increase of one unit in organizational culture only increases organizational commitment by  $\beta = 0.558$  unit or [ $\beta = .558, p < 0.01$ ]. The aforementioned results are graphically presented in Figure 3.

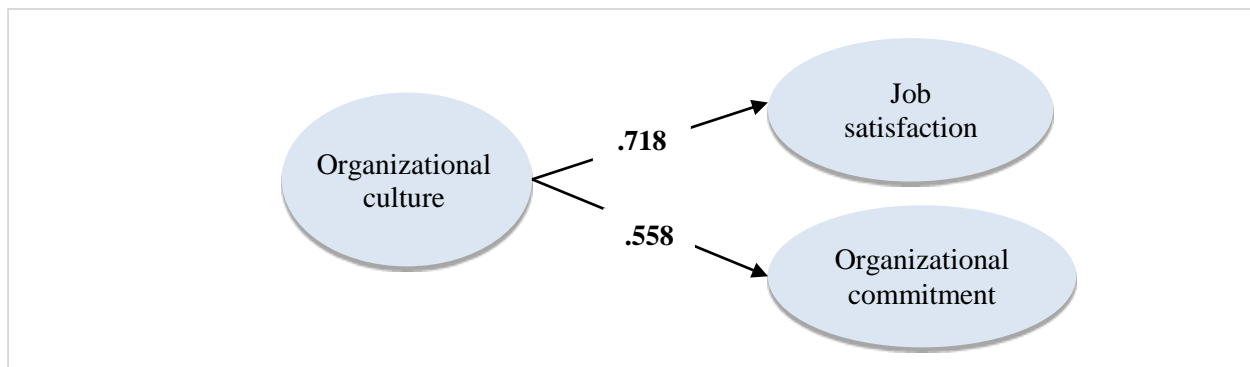


Figure 3. Results of the study

The strength of the independent variable in relation to the dependent variables shows a positive effect (high Beta coefficient value) and demonstrates strong statistical significance ( $p < 0.01$ ). This enables us to confirm both hypotheses.

The results of testing hypotheses one (H1), it was found that the results of the analysis supported H1, namely organizational culture has an impact on job satisfaction, an increase in job satisfaction of employees. This result supported the researches that had been previously done by (Bigliardi & et al, 2012; Nayak & Barik, 2013; Park & Kim, 2009; Cronley & Kim, 2017; Belias & Koustelios, 2014) showed that organizational culture had a positive effect on job satisfaction. Based on the results, universally behaviour and attitude possessed by a group of people who work together has a positive impact on job satisfaction or a positive and satisfied mood that results from assessing their work and experience (Saari & Judge, 2004). It means that nurturing a favorable culture within the organization can contribute to stimulating the positive attitude of the employees towards to their jobs.

As it shown in results analysis part, the results of testing hypothesis two (H2), it was found that the results of analysis supported marginally, namely organizational culture has an impact on organizational commitment. This results also supported by research conducted (Abdullah, Shamsuddin, & Wahab, 2015) and can be said that the research supports this relationship. It means to improve the employee's commitment need to make extra efforts to build a strong organizational culture.

### Conclusion

Organizational culture is a strong variable that ensures the long-term sustainability of an organization by enabling it to distinguish itself from its competitors. Organizations with a strong culture are better able to retain committed employees who feel satisfied about their jobs, which reduces staff turnover.

Job satisfaction is a challenging issue for the management of any organization. Through organizational culture, it is possible to increase job satisfaction, which in turn can nurture an employee's commitment and willingness to stay for a longer period of time.

The presented study was based on the evidence of similar previous studies conducted in different countries among diverse communities into the relationship between organizational culture and job satisfaction, and organizational culture and organizational commitment. The principles applied in those earlier studies were applied to a local case, namely a local insurance company. The survey results



showed that there is a positive relationship between the selected variables, thereby confirming the results of the previous studies.

According to our study, an increase in the strength of organizational culture by one unit, leads to an increase in job satisfaction. Similarly, an increase in the strength of organizational culture by one unit leads to an increase in organizational commitment ( $\beta = 0.558$  unit), although to a lesser degree than the former.

We can conclude that organizational culture has a strong impact on employee job satisfaction and less so on organizational commitment.

On the assumption that the principles of the presented study are valuable and reliable, it may be useful to add more dependent variables in relation to organizational culture in order to improve human resources management within an organization and to encourage people to become more goal oriented and committed to achieving organizational goals.

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