

The Effect of Organizational Culture on Employee Engagement: the Mediating Role of Employee Development

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Abstract

This thesis proves that there is effect of culture (support each other and involve others) to employee engagement and not prove employee development mediating culture to employee engagement. Employee engagement is a crucial variable because it measures level of Vigor, dedication and absorption and it has directly impact to productivity, efficiency and relationship. For culture variable involve others dimension with lowest score on leaders willing to receive critics/inputs, giving appreciation and involve staffs in group decision (decision that impact to result). This culture is really crucial to employee engagement. For employee development with knowledge, skills and attitude especially receive feedback and psychological safety indicators have lowest score in fact it really crucial to be followed up. Next, quantitative research is needed to investigate other factors that impact employee engagement such as employee well-being (psychical, emotional and financial) and employee satisfaction. For employee development, qualitative research is needed to investigate root problem in attitude dimension and psychological safety and qualitative research for culture dimension involve others related to leader's role (investigate root problem on receive critics/inputs, give appreciation and decision making that involve staff and impact to result). When employee engagement is well implemented, to have employee with employee development at best level will need organization effort for their competency and anticipate future.

Keywords:

Employee Engagement,
Employee Development,
Organizational Culture,
Further Research,
Future Anticipation

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INTRODUCTION

An organization needs to build well their internal management. Strengthen/maintain, and improve aspects of culture, employee engagement, and employee development. Currently, we can observe a phenomenon occurring in organizations where we can see fluctuating results indicate that the culture is unable to manage employee relations well, characterized by poor conflict management. Similarly, in terms of employee development, aspects of knowledge, skills, and attitudes do not yet support the culture, as if employee development has not been integrated, as indicated by areas of empowerment/opportunities to develop knowledge, skills, and collaboration, the availability of resources that are not yet supportive, and the application of knowledge and attitudes are not yet optimal. Such issues significantly affect employee engagement, where employees are expected to voluntarily contribute to the goals of organization. When employee engagement is well implemented, we may ask how culture and employee development effect, can they align each other? If not, how those three make a rhythm of synchronization in organization operational? Driven by this, this research summarizes the problem formulation as follows:

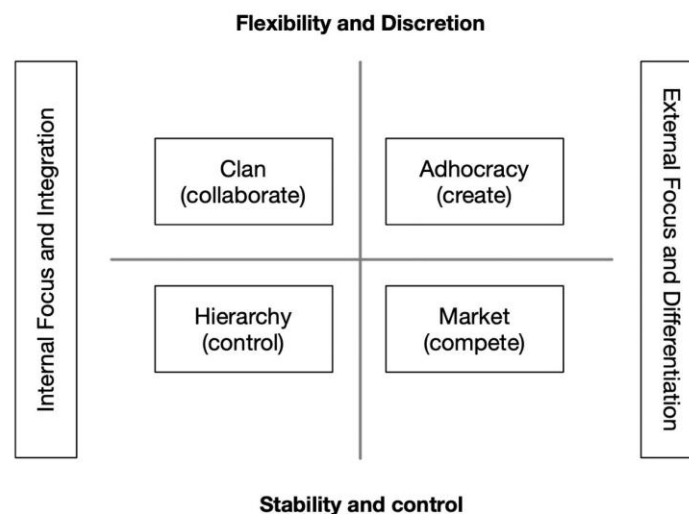
- How does organizational culture affect employee engagement?
- How does organizational culture affect employee development?
- How does employee development affect employee engagement?
- How does organizational culture influence employee engagement through employee development?

THEORETICAL BASIS

Culture

According to (Schein, 2004) in his book “organizational culture and leadership,” organizational culture is a pattern of basic assumptions learned by a group when it must adapt externally and internally integration and has been decided to be valid because it is taught to new group members about the correct way to see, think and feel about these issues. Culture is necessary to unite and reduce tension and conflict. It even needs to be continuously tested against various deep-seated assumptions that can hinder organizational growth so that a noble agreement can be reached that aims to achieve organizational goals.

This study takes two important culture aspects, namely those related to the role of leaders in involving employees, such as in decision making, accepting feedback, empowering employees, and a culture of mutual support among employees, such as acting voluntarily to help, not being selfish, and actively listening. The Clan culture theory proposed by (Cameron, 2011) in their book Diagnosing and changing organizational culture is also used as the theoretical basis for this study, in which leaders are referred to as parents, facilitators and mentors, and employee relations are implemented in the form of togetherness, kinship, consensus and participation. In Robert E. Quinn and Kim S. Cameron’s theory in their book Diagnosing and changing organizational culture, it is described in four quadrants as follows:



This study focusses on the application of Clan (collaborative) culture.

Employee engagement

The theory of employee engagement is based on Wilmar Schaufeli and (Bakker, 2014) theory of work engagement, which is translated into three dimensions, namely:

- Vigor, where employees demonstrate an individual psychological condition with abundant energy reserves, do not tire easily, and exert great effort even when facing difficulties. In this study, it indicate by desirement to extramile contribution, and have psychological safety.
- Dedication is an affective cognitve dimension in which a person is involved in work with inspiration, enthusiasm, and love challenging situations. In this study, it indicate by employees feeling that their work is important, taking pride in their work and results that they achieved.
- Absorption is where employees are fully concentrated on their work. In this study, it indicates by their willingness to be involved in projects outside of work and having sense of responsibility toward the organization goals.

Employee development

Employee development culture, with dimension of knowledge, skills and attitudes based on Benjamin Bloom’s taxonomy theory entitled Taxonomy of Educational objectives, the classification of educational goals, Handbook cognitive domain (1956), followed by handbook II: Affective domain (1964) and revisions by Lorin Anderson entitled A taxonomy for learning, teaching and assessment.

This theory states that in planning, implementing and evaluating employee development (human resources) in an organization, the general concepts of knowledge, skills and attitudes are used to improve competence.

- Knowledge (cognitive) development focuses on the theoretical, factual, procedural, or conceptual aspects needed to perform a job. In this study, it indicates by the team willingness to proactively share knowledge
- Psychomotor or skill development focusses on the practical ability to apply knowledge in work tasks (technical and non-technical). In this study, it indicates by organization effort to provide opportunities and resources for employee skill development.
- Affective (attitude) development focusses on motivation, values, discipline and ways of interacting with teams or customers. In this study, it indicates by responding to failure as a learning experience when trying new things, staff willingness to accept feedback, and employee’s responsibility for achieving organizational goals.

METHOD

This study uses quantitative methods, using variables, also known as attributes objects, that have “variation” between one person and another or one object and another (Hatch and Farhady,1981).

Table 1. Variable table

| Variables | Dimension | Indicators | Item |
|--|--------------------|--|------|
| Organizational Culture (Robert Quin and Cameron, 2011) | Support each other | Voluntary application of selfish help:initiative | 1 |
| | | Application of non-selfishness | 2 |
| | | Active listening/not interrupting | 3 |
| | Involve others | Control and authority | 4 |
| | | Appreciation for initiatives | 5 |
| | | Management that is open for input and suggestions | 6 |
| | | Employees are involved in decision; their voices are heard | 7 |

| | | | | |
|--|---|---|--|----|
| employee engagement (work engagement Schaufeli dan Bakker (2014) | Vigor | Always striving to exceed expectations | 8 | |
| | | Pyshcological safety for telling mistakes | 9 | |
| | Dedication | Proud to contribute to the success of the organization | 10 | |
| | | Work provides personal satisfaction | 11 | |
| | Absorption | Opportunities for involvement and collaboration | 12 | |
| | | Willing to devote time to completing tasks and projects | 13 | |
| | | Responsible for representing the organization internally and externally | 14 | |
| | | Team proactively share knowledge | 15 | |
| | Employee development (Bloom's taxonomy theory, Bloom (1964) | Knowledge | The organization provides opportunities and resources for employee skill development | 16 |
| | | | Skills | 17 |
| Attitude | | Other staff are willing to accept feedback | 18 | |
| | | Failure to try new things is a learning experience | 19 | |
| | | Having responsibility toward the organization to achieve its goals | 19 | |

Then in this study, data collection will be carried out by distributing questionnaires to 60 respondents from a population of 70, with the total sample taken using Slovin's theory. At this stage of the study, descriptive analysis will be used to describe, summarize, and present data using a Likert scale calculated based on ideal scores. It will also be supported by causal inferential analysis using PLS-SEM (Partial Least Square – Structural Equation Model) application software as data processing to test hypotheses using the outer model test, namely the reliability test (convergent validity by measuring the correlation of variables to their constructs, indicated by outer loading and average measures) and discriminant validity to measure whether each dimension is unique using cross loading measures and Fornell Larcker criteria, as well as construct reliability to ensure consistency of dimension, indicated by Cronbach's alpha and composite reliability measures. Furthermore, the inner model test was also using R-square measure to ensure the relationship coefficient, f^2 to assess the influence of each construct, and Q^2 (predictive relevance) to test the predictive ability of the model. Finally, path coefficient analysis and hypothesis testing were carried out.

RESULT AND DISCUSSION

Conclusions from descriptive statistical analysis

When the descriptive analysis results show that the organizational is at good category at 80%, employee engagement is at very good category 87%. These result indicate that employee engagement is at satisfied level. Vigor, dedication and absorption are running well in the organization. This have to be maintained, and one way to do this is through implementation of culture that has a direct impact. As we know, involve others is at 76% which means role of leaders in empowering employees, accepting feedback/criticism, involve employees in decision making that impact results, and showing appreciation to employees. These aspects need to be improved (as mentioned in the suggestions section).

When the descriptive analysis results show the organizational culture is at good category 80%, namely culture of mutual support at 85% and culture of involving others at 75%, and has an impact in employee development in the dimension of knowledge at 81%, skills 78%, and attitude 81%. This indicates that the clan culture (togetherness/participation) embraced by the organization may have a negative impact on performance areas that rely on loyalty/closeness rather than competence, an excessive sense of security due to the oversecure feeling that

employees will not be fired, so there is reluctance to improve knowledge/skills. These issues must be addressed (as outlined in the recommendations section)

When the descriptive analysis results show that employee development is categorized as good at 80% with knowledge dimension at 81%, skills 78% and attitude 81%, while employee engagement is at excellent category (dimension of vigor 87%, dedication 86%, and absorption 90%). And organization culture at good category 80% (support each other 85% and involve others 75%). This condition shows that employee engagement has grown well in the organization. With the current clan culture, the organization needs to improve employee development so that there will be plan to anticipate challenges in the future, produce resources with new skills, and remain orient towards managment and performance orented towards result (impact). These issues must be addressed (as outlined in the recommendations section).

Results of causal inferential analysis

1. Testing with outer model

a. Validity and reliability testing

To ensure that each dimension used truly represents the construct being measured. The convergent validity outer loading has to be > 0.7. On this case, the requirement is met

Table 2. Convergent validity table – *Outer loading*

| Dimensi | Outer Loading | Keterangan |
|----------------|----------------------|-------------------|
| X1 | 0,894 | Valid |
| X2 | 0,913 | Valid |
| Y1 | 0,841 | Valid |
| Y2 | 0,909 | Valid |
| Y3 | 0,738 | Valid |
| Z1 | 0,832 | Valid |
| Z2 | 0,753 | Valid |
| Z3 | 0,933 | Valid |

The average convergent validity or ave has to be > 0.5. In this case, this requirement is met (ave > 0.5)

Table 3. Average table

| Variabel Latent | Average Variance Extracted (AVE) |
|----------------------------|---|
| Organization culture | 0,816 |
| <i>Employee Engagement</i> | 0,693 |
| Employee development | 0,710 |

b. Discriminant validity results

To ensure that different constructs are empirically distinct from one another. Cross loading analysis, in which the loading value of a dimension on its original construct must be higher than its loading on other constructs. The cross loading result requirement in this case is met.

Table 4. Discriminant validity table – cross loading

| Dimension | Organization culture | Employee Engagement | Employee Development |
|-----------|----------------------|---------------------|----------------------|
| X1 | 0,894 | 0,635 | 0,717 |
| X2 | 0,913 | 0,692 | 0,794 |
| Y1 | 0,655 | 0,841 | 0,584 |
| Y2 | 0,685 | 0,909 | 0,560 |
| Y3 | 0,468 | 0,738 | 0,441 |
| Z1 | 0,734 | 0,543 | 0,832 |
| Z2 | 0,572 | 0,406 | 0,753 |
| Z3 | 0,789 | 0,641 | 0,933 |

The results of the Fornell-Larcker criteria analysis require that the square root of the average variance extracted (ave of a construct placed on the main diagonal of the table) must be greater than the correlation coefficient of that construct with all other constructs (values located outside the diagonal).

Table 5. Discriminant validity table - Fornell-Larcker

| | Organization Culture | Employee Engagement | Employee Development |
|----------------------|----------------------|---------------------|----------------------|
| Organization Culture | 0,904 | | |
| Employee Engagement | 0,735 | 0,832 | |
| Employee Development | 0,838 | 0,640 | 0,843 |

c. Result of construct reliability analysis

To ensure the extent to which the dimension in a construct show high internal consistency with the requirement of Cronbach's Alpha > 0.7 and composite reliability > 0.7, in this case these criteria have been met.

Table 6. Construct reliability table – Cronbach's Alpha dan Composite Reliability

| Latent variables | Cronbach's alpha | Composite reliability |
|------------------------|------------------|-----------------------|
| Organizational culture | 0,776 | 0,780 |
| Employee Engagement | 0,778 | 0,807 |
| Employee development | 0,794 | 0,826 |

2. Testing with inner model

a. Quality Model Testing

1) R-Square (R²) analysis

The *R-Square* (R²) value is used to measure the proportion of variance in the dependent variable that can be explained by the independent variables in the model. The higher the R² value, the better the model's predictive ability for that variable. The R-Square results for employee engagement in the moderate category and employee development in the strong category both are meet the requirements.

Table 7. R-Square table

| Latent variables affected | R-square |
|---------------------------|----------|
| Employee Engagement | 0,543 |
| Employee development | 0,702 |

2) f^2 analysis (Effect Size)

f^2 value is used to determine how much a dependent variable contributes to or influences a dependent variable in a structural model. The general interpretation of f^2 value is as follows: insignificant if $f^2 < 0,02$, *small effect* if f^2 is between 0,02 – 0,15, *medium effect* if f^2 is between 0,15 – 0,35 and *large effect* if $f^2 \geq 0,35$

Table 8. f^2 table

| The influence of independent variables on dependent variables | f-square |
|---|----------|
| Organizational culture → employee Engagement | 0,292 |
| Organizational culture → employee engagement | 2,351 |
| Employee development → employee engagement | 0,004 |

3) Q^2 analysis (Predictive Relevance)

The Q^2 values is used to evaluate the predictive ability of the model on the dependent variable using the blindfolding approach. Q^2 is calculated using the formula:

$$Q^2 = 1 - \frac{SSE}{SSO}$$

Explanation:

- SSO: *Sum of Squares Observations*
- SSE: *Sum of Squares Error*
- Q^2 value > 0 indicates that the model has predictive ability

The general interpretation of Q^2 value is: low predictive ability (0,02 – 0,14), moderate predictive ability (0,15 – 0,34) and high predictive ability ($\geq 0,35$).

Table 9. Q^2 table

| Dependent variable | SSO | SSE | $Q^2 (=1-SSE/SSO)$ |
|----------------------|-----|---------|--------------------|
| Employee Engagement | 180 | 118,091 | 0,344 |
| Employee development | 180 | 94,588 | 0,475 |

b. Hypothesis Testing

1) Path coefficient analysis and hypothesis testing

Hypothesis testing is conducted to determine the significant effect of independent variables on dependent variables. The parameters used include:

- Original Sample (O): original path coefficient values.

- T Statistics ($|O/STDEV|$): statistical test, compared to the critical t value (1,96 for $\alpha = 0,05$).
- P Values: statistical significance, significant if $p < 0,05$.

The following presents the results of hypothesis testing using the t-test.

Table 10. Path Coefficient Analysis and Hypothesis testing table

| No | Hypothesis | Original sample (O) | Standard deviation (STDEV) | T statistics ($ O/STDEV $) | P values |
|----|---|---------------------|----------------------------|------------------------------|----------|
| H1 | Organization culture → Employee Engagement | 0,669 | 0,193 | 3,470 | 0,001 |
| H2 | Organization culture → Employee development | 0,838 | 0,042 | 19,901 | < 0,001 |
| H3 | Employee development → Employee Engagement | 0,080 | 0,194 | 0,412 | 0,680 |
| H4 | Organization culture → Employee development → Employee Engagement | 0,067 | 0,166 | 0,404 | 0,686 |

Hypothesis testing 1: organizational culture affects employee commitment

Based on the table above, the test results for hypothesis 1 are as follows: path coefficient: 0.669, T statistics: 3.470, and P value: 0.001. A t-value greater than 1.960 and a p-value < 0.05 indicate that this effect is statistically significant. As conclusion that organization culture has a significant positive effect on employee engagement

Conclusion: Hypothesis 1 is accepted

Testing Hypothesis 2: organizational culture affects employee development

Based on the table above, the test results for hypothesis 2 are as follows: path coefficient: 0.838, T statistics: 19.901 and p value: < 0.001. A t-value greater than 1.960 and p-value < 0.05 indicate that this effect is statistically significant. Therefore, as conclusion that organizational culture has significant positive effect on employee development.

Conclusion: hypothesis 2 is accepted

Testing Hypothesis 3: employee development affects employee engagement

Based on table above, the test results for hypothesis 3 are as follows: path coefficient: 0.080, T statistics: 0.412, and P values: 0.680. A t-value smaller than 1.960 and a p-value > 0.05 indicate that this effect is not statistically significant. Therefore, as conclusion that employee development does not have a significant effect on employee engagement

Conclusion: Hypothesis 3 is rejected

Testing Hypothesis 4: Employee development mediates the influence of organizational culture on employee engagement

Based on the table above, the test results for hypothesis 4, which presents the mediation hypothesis or indirect effect, are as follows: path coefficient: 0.067, T statistics: 0.404, and P value: 0.686. A t-value smaller than 1.960 and p-value > 0.05 indicate that this effect is not statistically significant. In testing the direct effect of organizational culture

on employee engagement, or hypothesis 1, the results were significant. As conclusion that organizational culture has a direct, positive, and significant effect on employee engagement, and employee development does not act as a mediating variable for the relationship between the two variables.

Conclusion: Hypothesis 4 is rejected.

CONCLUSION

The results of the Structural Equation Modelling (SEM) based on Partial Least Squares (PLS) indicate that organizational culture plays a crucial role in enhancing employee engagement, as evidenced by its positive and significant effect. Organizational culture is also found to have a positive and significant impact on employee development, suggesting that a strong organizational culture supports employee competence and growth opportunities. However, the findings reveal that employee development does not have a significant effect on employee engagement, indicating that the development initiatives provided by the organization have not directly strengthened employees' engagement levels. Furthermore, employee development does not mediate the relationship between organizational culture and employee engagement. Therefore, it can be concluded that employee engagement is more strongly influenced directly by organizational culture rather than through employee development.

Recommendations

Organizations that adopt a clan culture characterized by togetherness and participation need to strengthen employee development by emphasizing attitudes such as openness to feedback, psychological safety when facing failure, and courage to try new approaches. Further qualitative research is recommended to explore why employees may be reluctant to accept feedback or experience low psychological safety in a family-oriented culture. In cases where employee development does not influence organizational culture, organizations should improve development processes so that knowledge, skills, and attitudes are aligned with cultural values, supported by future quantitative and qualitative studies on relevant skill and attitude dimensions. When employee development does not mediate the relationship between culture and engagement, it becomes important to identify unimplemented development factors that could strengthen culture and engagement, including further research on compensation, career systems, and welfare. Practically, leaders must enhance appreciation, openness, empowerment, and involvement in decision-making to strengthen engagement. The clan culture may also create challenges such as reliance on loyalty over competence, excessive security, and reluctance to develop skills, which can be addressed through coaching, external learning, conflict resolution training, performance improvement plans, and competency-based evaluations. Although engagement and development are already good, organizations must continue to enhance future-oriented development, foster new skills, and support collaborative culture through coaching, data and technology training, and AI-related capabilities to maintain a competent and adaptive workforce.

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