

The Mediation Effect of Organizational Commitment in the Relation of Organization Culture and Employee Performance

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Abstract—The present study investigate the relation of organization culture and employee performance and the mediation role of organizational commitment. The research conducted in a local public company who served clean water to the society. Non-probability sampling method with accidental sampling technique was used to gather 260 employees to participate in this study. Descriptive and verificative method were used to analyze the relation between variables through hypothesis testing. The study found that organizational culture has significant effect on employee performance. Meanwhile organizational commitment proved to be a mediator in the relation. Organization should develop strong culture and commitment in order to enhance employee performance.

Keywords—*Organizational Commitment; Organization Culture; Employee Performance*

I. INTRODUCTION

According to [1] organization performance greatly affected by their human resources. It is also believed that human resources play an important role in helping the organization to thrive and win the competition. To boost their performance, organization need to drive their human resources to excel. All employees must maintain great performance. The state-owned water company (PDAM) in Purwakarta although they do not have actual competition but they need to serve their customer better. [2] argued that PDAM's performance to meet the customer demand is still low. This is exacerbated by the increasing of population which makes more difficult to provide clean water. Based on research from [3] only 20% of the Indonesian population enjoy the clean water from PDAM.

In Purwakarta the situation is not different. [4] convey that in May PDAM service was down for 36 hours. In 2016 the same problems still exist [5]. To overcome these problems Head of Purwakarta Regency, Dedi Mulyadi provides PDAM with Rp 33 billion to improve the facilities and infrastructure which related to the water supply [6]. Furthermore, the Head of Regency also insists that PDAM should improve its customer service especially in the way they handle the complaint [7].

Despite these enourmous challenges, PDAM Purwakarta also has problems regarding their employee performance. One indicator which can be related to the performance is the attendance and disciplinary report. According to the internal report, in 2015 there are negative trend regarding the employee absenteeism. The number of employees who was not come to work without notice increase 18.84% from previous year. Another poor records came out from the number of employee who was sick, increase 66.9% from 2014. With such unsavory records, PDAM need to improve their human resources performance. Moreover, the Head of Regency also emphasizes that PDAM should change the way they conduct the business. They have to become more professional to catch up with the customer demand.

II. LITERATURE REVIEW

2.1 The current study investigate the effect of organization culture on employee performance with the mediation of organizational commitment. Company need to develop strong culture which can provide positive work environment to drive the performance. Meanwhile, the organizational commitment also believed to have positive impact on performance. Highly committed employee tend to give their best at work. The study hopefully can help the company to improve the employee performance by applying the right instruments.

A. Organization culture and organizational commitment

Corporate culture considered a critical factor when organization needs to enhance or pursue their goals and objectives. The core value inside the organization culture can guide the employee to achieve more. Thus, we can say that the effectiveness of an organization might be influenced by organizational culture. Culture usually brought to practices in terms of how management manage their planning, organizing, controlling, evaluation were carried out. Strong corporate culture would enable employees to easily understand the company's goals. Organization culture is a vital foundation in developing and sustaining commitment. The more employee felt they fit with the culture, they will work towards organizational goals and then drive the increase of commitment. In a study in India, [8] used 200 middle level

executive from public & private organizations and found that participative organization culture is related to identification with involvement type of organizational commitment. Meanwhile, [9] argued that in Hongkong and Australia innovative and supportive cultures had positive effects on both job satisfaction and commitment. Furthermore [10] conducted study in Taiwan and found that organizational culture plays an important role in driving the level of job satisfaction and commitment. Another research using 1838 employees in US and China by [11] reveals significant relations between perceived organizational culture and work attitudes. In particular, perceived constructive culture has a strong positive relationship with job satisfaction and organizational commitment.

More studies from Nigeria [12], Iran [13], [14], and Malaysia [15], also confirm the finding that there is a significant relationship between organizational culture and organizational commitment. Either as one dimension or in sub-dimension, the strong culture of the organization, will eventuate to the higher organizational commitment. For this study we propose the first hypothesis as below;

H1: Organization culture will have significant positive effect on organizational commitment.

B. Organization culture and employee performance

Nowadays organization consistently faces opportunities and challenges to thrive. One component which can affect the organization's capability is their employees who become the key element. The success or failure of the organization was influenced by employee performance. One particular factor which can affect employee performance is organizational culture. Enormous study has been done in search of the relationship between organizational culture and performance. Nevertheless, yet organization culture still received less attention among several others possible antecedents of employee performance. We will contribute to this area by adding more reference which discussed the relation. Social norms, rites, the way the work should be done, and other specific and unique way of each organization could affect employee performance. The culture is important as basic for human resources practices.

[16] argued that culture of organizations has a significant positive impact on employee's job performance. Study in a software houses in Pakistan found that employee's participation is the most important factor for achieving organizational goals. Study from [17] in India banking industry reveals that organizational corporate culture has influence on employee work performance and also the level of productivity of the organization. Positive relationship between organization culture and employee performance was also established in Kenya [18]. Another result from Kenya [19] found that organizational culture has a great influence on performance. Using subdimension for organization culture, [20] in Somalia argued that competitive culture,

entrepreneurial culture and consensual culture statistically have significant and positive effects on employee performance. Further research from [21] claimed that strong culture of an organization based upon the action of managers and leaders would help improving employee's performance. Finally, [22], [23] both studies found significant positive correlation between organizational culture and employee's performance. It is vital to make organizational culture strong in order to enhance the job performance of employees. Based on the result from previous literatures, we determine the second hypothesis as;

H2: Organization culture will have significant positive effect on employee performance.

C. Organizational commitment and employee performance

Employees are willing to give more to their job if they felt interested or committed. They will perform better and even exceed the standard. Such behavior will certainly have positive impact on organization performance. Strong organizational commitment has been believed as critical success to achieve higher performance. Enhancing organizational commitment among employees is an important aspect to perform better since the success of organization very much depends on the performance of its employees. We studied several previous academic articles that tend to reinforce the notion that organizational commitment has significant positive relationship with employee performance. Research in Indonesia by [24] found that organizational commitment significantly influence employee performance directly or indirectly through work satisfaction. A study in oil and gas sector in Pakistan [25] revealed positive relationship between organizational commitment and employees' job performance. Using employee from educational industry as participant, Tolentino in Manila 2013 found that only affective commitment correlates significantly with job performance. Meanwhile among the administrative staff, not a single commitment dimension is related to job performance. This result gives new perspective that different type of jobs might reveal different result. Meanwhile, [26] revealed a positive relationship between organizational commitment and employee's performance in banking industry in Iran. Research from Indonesia using 115 employees in a district hospital [27] showed that organizational commitment has a positive and significant impact on employee performance. Other studies that support a positive influence came from [28] in Bali, [29] in Nusa Tenggara Indonesia, [30] in Iran, and [31] in Pakistan. They are all argued that the more committed employees for their organization, the more possible they tend to foster their performance. Indeed the organizational commitment had a positive significant effect on the job performance. Contrary to the other result, [32] studied 274 Portuguese workers and argued that commitment components did not present significant predictor strength for employee performance. This

is interesting since proved that researcher cannot take for granted just one result. For our study, we prepare our hypothesis using most common finding.

H3: organizational commitment will have significant positive effect on employee performance.

III. METHODOLOGY

A. Participants

PDAM Purwakarta consists of three regency and has total employees 550. We distribute the questionnaire to 300 employees and received 260 feedback as participants (86.7% return rate). Participants were asked to complete the questionnaire in their office.

56% of participants were male and 44% were female. It showed the balance between male & female in PDAM which mean most of the job can be done by both man and woman. From the table below we can see that the dominant age group is between over 30 – 40 years. People within this range considered quite mature. Surprisingly, PDAM still had employee who had education lower than senior high school (7%). The dominant range for education is senior high school (vocational) which can be explained because of the nature of work in PDAM. Actually most of jobs do not need higher education level. Most of employees in PDAM are regular which mean they already receive full benefit from organization. Most of PDAM employees pertained happy in their job. This is indicated by the highest percentage (37%) had more than 5 years of service. Table 1 display detail information regarding the demographic aspects.

Table 1. Demographic aspects.

Demographisc Factor	Classification	Number of Respondent	%	Total
Sex	Male	146	56%	100%
	Female	114	44%	
Age	18-30	75	29%	100%
	>30-40	114	44%	
	>40-50	55	21%	
	>50	16	6%	
Employement	Reguler	231	89%	100%
	Contrat	29	11%	
Length of Service	<1 year	34	13%	100%
	1-3 years	49	19%	
	>3-5 years	77	30%	
	>5-10 years	39	15%	
	>10 years	61	23%	

B. Data analysis

To test the significance of organizational commitment as mediation, bootstrapping approach using the PROCESS Macro for SPSS 23 was used [33]. Bootstrapping approach considered as appropriate because it do not require normality assumptions of the sampling distribution through the application of bootstrapping confidence intervals [34]. Macro for SPSS facilitates quite easy bootstrapping equation. The tool shows the significance of mediation effects if Upperlevel and Lower level Confidence Interval contain no zero value.

C. Measurement

A questionnaire consisted of total 89 items (28 items for organization culture, 15 items for job satisfaction, 14 items for organizational commitment, 12 items for work discipline, and 20 items for employees performance) used to collect the data. Each item has 5 choices of answers based on Likert’s scale option from 1 - strongly disagree, 2 - disagree, 3- neither agree nor disagree, 4 – agree, and 5 - strongly agree. Cronbach’s Alpha for internal consistency reliability for items representing organizational culture was .957; for job satisfaction was .955; for organizational commitment was .897; for work discipline was .869; and for employee performance was .907.

IV. RESULT AND DISCUSSION

Table 2 present the model coefficients and other statistics information resulted from the mediation analysis obtained from a macro program [33] using SPSS. Organization culture had significant positive effect on organizational commitment (p-value 0.000) and employee performance (p-value 0.000). Organizational commitment had significant positive effect on employee performance (p-value 0.000).

Table 2. Regression coefficient, standard error, & model summary.

	Organization Commitment			Performance		
	Coef f	SE	p-value	Coef f	SE	p-value
Organizaion culture	0.509	0.042	0.000	0.367	0.033	0.000
Organization Commitmen t				0.301	0.039	0.000
Constant	2.161	0.159	0.000	1.418	0.129	0.000
	R Square= 0.361			R Square= 0.644		
	F= 145.595			F= 232.810		
	p= 0.000			p= 0.000		

This means hypothesis H1, H2 and H3 all were accepted. Employee in PDAM who perceive stronger organization culture will show higher commitment and perform better. Meanwhile, employee who perceive higher organizational commitment also had impact on their performance. That is the management can use both culture and commitment to improve the employee performance.

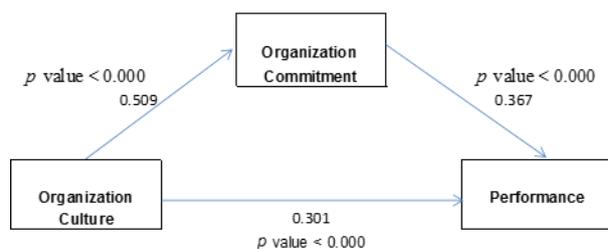


Figure 1: The Mediation model.

Organization should build strong and positive culture which correspond to the employee. After they established great culture the process of socialization of the culture must be done immediately with the right method. Then the management have to embed the culture in every decision, policy, and action. Only with such continuous implementation, then employees gradually would understand and implement the culture. Understanding and implementation of organizational culture will strengthen the organizational commitment which in the end will affect the performance.

Table 3 showed the total, direct, and indirect effect of organization culture on employee performance. As we can see from the table, total effect was bigger than direct effect which mean, the organizational commitment had significant positive mediation effect. This is corroborated by the Lower Level Confidence Interval (LLCI) and Upper Level Confidence Interval (ULCI) both did not have zero value.

Table 3: Total, direct, & indirect effect.

Total Effect of Organization Culture on Employee Performance					
Effect	SE	t	p	LLCI	ULCI
0.5239	0.291	17.9782	0.0000	0.4666	0.5813
Direct Effect of Organization Culture on Employee Performance					
Effect	SE	t	p	LLCI	ULCI
0.3671	0.327	11.2313	0.0000	0.3028	0.4315
Indirect Effect of Organization Culture on Employee Performance Through Organization Commitment					
ORGCMM	Effect	Boot SE	Boot LLCI	Boot LLCI	Boot ULCI
	0.1568	0.264	0.1073	0.2114	

In PDAM case employee performance can be improved using approach related to culture and commitment. PDAM already develop strong culture and the positive side is that employee perceived such culture somewhat suitable for them. It is up to the management to take advantage from this situation. Routine communication, good relationship between peers, good system & work procedures, the way they took decision and solving the problems, should be formalized. Formal way of doing in PDAM then can become more useful if employees instill in their works. When employees work with their heart, they become more committed and usually follow by increase in performance.

The present study support previous literatures regarding the relation of organization culture, organizational commitment, and employee performance. Study in India [8], Hongkong and Australia [8], Taiwan [10], US and China [11] reveal significant relations between perceived organizational culture and work attitudes (organizational commitment). Our study also shows the significant and positive relation between culture and organizational commitment. Both in western and eastern culture, it was proved that organizational culture can become a driver to boost organizational commitment.

Researches that discuss organizational culture and employee performance has often been done. [16] stated that organization

culture has a significant positive impact on employee's job performance. Other study which reveals the same conclusion conducted in India [17], Kenya [18]; [19], and [20]. Furthermore, study from [21] also mentions that culture of an organization based on the action of managers and leaders would help improving employee's performance. The same notion delivered by [22], [23]. Indeed, the organization culture would positively impact employee performance.

The next previous researches studied the relation of organizational commitment and employee performance. [24] found significant influence of organizational commitment on employee performance. Study from Pakistan [25], [31], Phillipine [35], Indonesia [27], [28], [29], and Iran [26], [30] found the same direction. The difference result presented by (Cesario & Chambel 2017) who studied Portuguese workers and found that commitment components did not predict employee performance.

1. MANAGERIAL IMPLICATION

Public company should aware that development of strong culture would drive organizational commitment which in the end will have impact on employee performance. The result suggests that managers have to set the way organization do and conduct the business. Then they have to become the first to implement the organization way before it passes on the all employees. For example if they want result oriented and disciplined work environment, then they should show seriousness. Only then the lower level of employees can understand and take such positive action to change and adjust to the new culture.

Management can rely on their human resources department to create program to introduce new culture. A set of training inside and outside the organization can help employee more quickly to adjust. Outbound program can enhance the sense of cooperation between departments. Implement a rotation also can increase employee awareness for different department so they would not give negative judgment. Human resources department could propose other comprehensive program which fit with organization's need.

V. CONCLUSION

All three hypotheses were accepted, organization culture significantly positive affect organizational commitment and employee performance, while organizational commitment has significantly positive effect on performance. Employees in PDAM perceive that they were fitted with the culture the company developed, they also have high organizational commitment and perceive their performance was met the organization standard. The latter is debatable because employee answers the question using self-evaluation. Management needs to discuss the differences to improve the overall performance. They should investigate what causes the customer's complaint or any other deficiencies. From the result, PDAM could develop its culture to enhance commitment and in the end affecting the performance. The result adds to the enrichment of the discussion regarding organizational culture, commitment, and employee

performance.

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