



# Organization Culture and Its Effect to Work Environment in Regional Water Supply Corporation

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**Abstract.** This study aims to analyze the influence of the dimensions of organizational culture, namely visible culture, espouse values and core values in the work environment. The research was conducted at two Regional Drinking Water Companies located in the Bogor area. The number of respondents was 96 employees from the two companies who were analyzed using the SEM-PLS model. In the outer model analysis stage, the Visible Culture variable does not meet the AVE criteria, so this variable is not used. Composite reliability Core value reaches 0.769, espouse values 0.775 and work environment 0.906. So that the three variables meet the criteria for use. The AVE Core value reaches 0.516, espouse values 0.666 and work environment 0.510, greater than 0.5 so that these three variables are used for inner model analysis. The results of the inner model analysis on the three variables show that the Core value is influenced by the Espouse value by 58.2% and the work environment is influenced by the Core value and Espouse value by 68%. Espouse values affect core values significantly in the 0.763 category in the strong correlation category. Core values significantly affect the work environment 0.447 in the medium category. Espouse values correlate with the work environment significantly by 0.432 which is in the medium category. The indirect effect shows that the original sample value of 0.341 has a significant effect.

**Keywords:** Core values · Espouse values · Organization culture · Visible culture · Work environment

## 1 Introduction

Regional Owned Enterprises entered a new phase with the signing of Government Regulation Number 54 of 2017 concerning Regional Owned Enterprises on December 27, 2017. This Government Regulation is part of the implementation of Law number 23 of 2014 concerning Regional Government (Unity Indonesian Drinking Water Company, n.d.). Unfulfilled expectations from BUMD do not mean making it unnecessary. Local government activities currently show very high intensity, so that the services of public facilities need to be managed specifically, namely in the form of BUMD. Wasistiono, in the preface to the book Reengineering BUMD, said that BUMD, including PDAM, is

the cash cow for political parties that are currently holding the reins of leadership in the area concerned [1].

The problems faced by BUMDs in several regions such as in Bekasi, Bandung and Makasar illustrate that there are indications that BUMDs are in unhealthy condition, it is even said that 40% of 1,113 BUMDs throughout Indonesia have poor performance [2]. In Riau Province there are indications that out of four BUMDs only two BUMDs have audit commissions. This shows that the supervisory mechanism in BUMD is weak [3]. Siswadi [1] stated that the carrying capacity of asset ownership and large business scales owned by BUMD such as Regional Water Supply Companies (PDAM) and Regional Development Banks (BPD) have not been able to fully contribute to PAD significantly. This can be caused by an erroneous perspective on bureaucratization within BUMD, so that BUMD operations become less professional.

To be able to improve service to customers and contribute to local government revenue, conditions that support the achievement of high performance are needed. Among these conditions are organizational culture and work environment. The work environment is currently a theme that continues to develop following efforts to meet employee needs and continues to develop dynamically including a comfortable, safe and humane physical environment. However, it is not only the physical environment that employees demand to fulfill to support work, but also the non-physical environment that is able to support the creation of a more harmonious atmosphere so as to create synergy between employees and employees and leaders. According to Markey et al. [4] when the work environment as a moderator variable is in good condition, this can affect job satisfaction. The results of this study also show that a good work environment is indicated by a low level of stress. Likewise, when the working environment is good, with high levels of stress and there is limited information on important decisions, it can affect the decrease in the level of satisfaction and then increase the desire to leave the company.

Adjustment of the work environment requires an organizational culture that can accommodate employee expectations of the conditions of the work environment. Organizational culture is a work of human thought that is in it, so that it can reflect the situation and relationships between people in the organization. For this reason, organizational culture needs to be built to get habits that support increasing employee engagement. The habits carried out by employees, the shape of the building, the layout of the office, the relationship between employees will reflect an organizational culture / corporate culture that they adhere to. Organizational culture or corporate culture is the result of a thought, observation, and experience of members of the organization/employees which then becomes a set of shared values. Several studies have shown the influence of organizational culture on employee engagement variables [5], also on organizational commitment [6], and on organizational performance [7]. Based on the results of some of these studies and other research results can still be found, describing organizational culture is a variable that can affect many aspects of the organization. Organizations/companies, including BUMD companies, are aware of this, of course they need to invest to build a better organizational culture.

## 2 Literature

Organizational culture in various views includes Schein [8], Robbin [9], Gibson [10], Kinicki [11], Luthan [12] explains that organizational culture is not only related to the values espoused, but also how members of the organization act or behave within the organization. Thus that organizational culture will also influence the behavior of members of the organization related to the delivery of opinions or ideas, creativity, attachment to the organization and others. Mejia and Balkin [13], stated that there are three aspects of organizational culture, namely: Visible culture, Espoused Values, and Core Values. Thus it can be synthesized that organizational culture is a value that is understood and embraced together which is the result of interaction between members of the organization and with that the members of the organization run their organization and solve the problems they face.

The development of the concept of human relations that developed from 1924 to 1932 was marked by a Hawthorne survey result where the survey showed that the work environment can affect productivity through better lighting [14]. Odedina et al. [15] states that the work environment involves many variables that can significantly affect the organization including: 1) The immediate task environment, 2) The national environment scene. 3) The international environment. Likewise Ruche and Surinder quoted by Odedina, who said that the work environment includes the physical environment, mental environment and social environment. Physical environment consisting of air ducts, room temperature, infrastructure and interior and other facilities. The mental environment concerns matters related to the behavior of supervisors and co-workers. The social environment refers to the group to which employees belong.

Opinions of Olukunle S. Oludeyi [16], Jain and Kaur [17], Noah and Steve [18], explain the work environment as the relationships that exist between employees and employers and the environment in which employees work including technical, human and organizational environment. The work environment concerns matters related to individual employees and their work, in the workplace. This definition can be interpreted that the work environment is the environment in which people work. Jain and Kaur categorize the work environment into three parts, namely the physical work environment, the mental work environment and the social work environment. Kafui [19], Jan Dul & Canan Ceylan [20], Razak et al. [21] the environment is divided into various forms, including the physical environment (Physical work environment), Psychological work environment (psychological work environment) and Social Environment (social work). Environment). The physical environment includes machines, office layout, room temperature, ventilation, lighting, space, and noise. In the psychological environment, there are three aspects that need to be considered, namely regarding affective (emotions, mood, symptoms), disorder, cognitive (attitude, perception and decision-making) and behavior (effectiveness, attendance, and motivation). The social environment concerns various matters regarding communication styles, superior-subordinate relationships, and peer-to-peer relationships. Idaya Husna Mohd [22] states that working environment conditions will be able to attract prospective employees to apply for certain work environment conditions. Associated with a positive work environment, a positive work environment such as a healthy workplace, a safe workplace, access to the information needed to complete work can increase employee productivity and commitment to the company.

Foldspang, et al. [23] The physical work environment of employees includes the overall health and safety of employees including workplaces that can be identified as a cause of accidents and illnesses. Meanwhile, the psychosocial environment can be interpreted as the psychosocial work environment of employees, including work factors related to interactions between people, people with their jobs and organizations. Another opinion was conveyed by Abdul Raziq [24] who stated that the work environment consists of two dimensions, namely work and context. The condition of a good working environment will not only be felt by the employees at that time, but will also become one of the bases for prospective employees to apply to the organization/company.

Another influence from certain environmental conditions is employee engagement [22, 25, 26]. The influence of the work environment also has the potential to affect employee job satisfaction [27–29].

### 3 Method

The data used to analyze the relationship between employee engagement, job satisfaction, work environment and organizational culture variables were collected using a questionnaire instrument. The indicators for each variable are expressed in the form of statements presented in the questionnaire. The indicators used refer to indicators that have been used in previous studies, taking into account theoretical studies and frameworks.

Data analysis will be carried out using several analytical tools, namely descriptive analysis and inferential analysis. Descriptive analysis displays the data obtained which is then given a descriptive conclusion. In the descriptive analysis the analytical tools used are average, minimum value, maximum value. Inferential analysis of research data uses variant-based Structural Equation Modeling (SEMPLS), where measurements are made using a first order approach and the relationship between latent variables and indicators is reflective. The stages in research analysis using SEM were carried out through several stages, namely: 1) creating an SEM model, 2) preparing research designs and data, 3) model identification, and 4) testing the model [30].

### 4 Result and Discussion

Testing is carried out through two stages, namely the outer model and structural equation testing (Inner Model). The outer model includes testing outer loading, Average Variance Extracted (AVE), and Composite Reliability. Inner Model testing is done by looking at the value of R square (goodness fit model), Path Coefficient, and the significance of the two tails.

Outerloading analysis uses a limit of  $>0.6$ , so indicators can be used. The calculation results show that there are several indicators whose loading value is  $<0.6$ . On the visible culture dimension there is 1 indicator dropped (OC\_8) and Espouse values 1 indicator dropped (OC\_12). In the Work Environment variable there are indicators that are dropped, namely WE\_1, WE\_18, WE\_2, WE\_3, WE\_4, WE\_5. In the second round, there is still an indicator whose value is  $<0.6$ , namely WE\_6, so it must be dropped. In the third calculation stage, the result is that all indicators have a loading value of  $>0.6$ , so the conclusion is that all indicators can be used for subsequent analysis.

**Table 1.** Reliability and AVE

Variable	Cronbach alpha	Composite reliability	AVE
Core Value	0.764	0.770	0.515
Espouse Value	0.750	0.775	0.686
Visible Culture	0.839	0.844	0.470
Work Environment	0.903	0.906	0.510

Indicator reliability is measured using Composite reliability, where the instrument is reliable if it has a value of  $>0.6$ . The next outer model analysis is Average Variance Extracted (AVE) with the criterion of  $AVE > 0.5$ , so the instrument is reliable.

Based on the validity and reliability in Table 1, the Visible Culture variable is dropped because the AVE value  $< 0.5$ . Thus the variables to be used in the model analysis are Core Value, Espouse Value and Work Environment.

By removing the Visible Culture variable from the model, the reliability and AVE values are obtained which meet the validity and reliability criteria in Table 2.

Analysis of the Inner Model on structural equations using the parameters of the coefficient of determination, path coefficient, hypothesis test, p value. The results of the inner model analysis show that the Core value is influenced by an exposure value of 0.582 or 58.2%, which is included in the moderate category. The work environment is influenced by the Core value and Espouse value of 0.680 or 68% which are in the strong category. The Espouse Value path coefficient to the Core value shows that the original sample value of 0.763 is in the strong and significant correlation category. The effect of Core value on the work environment shows that the original sample value of 0.447 is included in the moderate and significant correlation category. The relationship between Espouse value and work environment shows that the original sample value of 0.432 is in the moderate and significant correlation category. The original sample value of the influence of Espouse value on the work environment through the Core value shows a value of 0.341 in the moderate and significant correlation category with a statistical t value of 3.372 and a P value of 0.001.

The value of the confidence interval path coefficients in the structural equation shows that at a 2.5% confidence interval the effect of the core value on the work environment is 0.242 in the weak correlation category, and at 97.5% it shows a strong category with a value of 0.686. The effect of Espouse value on core value shows a value of 0.643

**Table 2.** Reliability and AVE without Visible Culture

Variable	Cronbach alpha	Composite reliability	AVE
Core Value	0.764	0.769	0.516
Espouse Value	0.750	0.775	0.666
Work Environment	0.903	0.906	0.510

included in the strong category at 2.5% intervals and 0.863 in the very strong category at 97.5% intervals. The effect of Espouse value on Work Environment shows the number 0.175 at 2.5% interval, it is included in the very weak correlation category and at 97.5% interval it shows a strong influence with a value of 0.632. The indirect effect has a value of 0.176 at 2.5% intervals and 0.564 at 97.5% intervals.

Visible culture consists of four forms, namely physical forms, clothing, interpersonal and spatial [31], cultural aspects that can be seen and heard such as how people dress, how fast people talk and walk, room layout, parking facility layout, furniture and others [13]. The results of the analysis show that visible culture cannot be used to explain the work environment. Respondents considered that there are things that are more important and contribute significantly, namely espouse values and core values. These two things form the basis for establishing a work environment. The values shared and recognized jointly by employees become dominant in thinking and acting.

## 5 Conclusion

Visible culture is a variable that cannot explain the work environment based on Average Variance Extracted, so it is not used in the structural equation model analysis.

The dimensions of organizational culture, namely Espouse values and Core Values, are two variables that significantly influence the formation of work environments, both physical and non-physical environments. The indirect effect of espouse values on the work environment through Core values shows a significant effect.

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