Organizational Culture, Transformational Leadership, Job Satisfaction Influence on Employee Engagement in Millennial Generation

Dian Kristiana Suryaningrum
Doctoral Program in Human Resource Management,
Universitas Negeri Jakarta, Jakarta, Indonesia

Billy Tunas
Postgraduate,
Universitas Suryadarma, Jakarta, Indonesia

Corry Yohana
Departement of Economics,
Universitas Negeri Jakarta, Jakarta, Indonesia

ABSTRACT

This paper investigates whether there is a direct effect of organizational culture, transformational leadership, and job satisfaction on employee engagement of millennial generation. The analysis of this study uses path analysis to test the hypothesis and takes 399 simple random sampling of millennial employees. The research finds that sales who are all millennial generation in 2017, fall into the 15% engaged category, 72% in the not engaged category and 13% in the actively engaged category. The low level of sales fall in the engaged category causes high turnover. This study successfully revealed novelty, and that is making modeling that integrates several variables studied including organizational culture, transformational leadership, job satisfaction and employee engagement in the millennial generation in which transformational leadership must become the management focus area priority to increase the sales' engagement. It is required an effort from top leaders to create a strong organizational culture that will lead to increase job satisfaction and higher employee engagement.

Keywords: Organizational culture; Transformational leadership; Job satisfaction; Employee engagement; Millennial generation.

INTRODUCTION

To deal with intense competition in the current era of globalization, companies must maintain the assets they have in order to be able to handle the competition. One asset that is not free from attention is human resources in a company. The entry of the millennial generation into the largest workforce in Indonesia has become a challenge so special treatment is needed to maintain loyalty to the company.

Recognizing the importance of human resources, organizations must be able to manage and utilize the potential of their human resources. Managing here can be either applying the existing organizational culture properly. Schein in (Ivancevich.et.al, 2009) defines culture as a pattern of basic assumptions that are created, discovered, or developed by certain groups when learning to deal with problems of external adaptation and internal integration that have run well enough to be considered valid, and therefore that, to be taught to new members as the right way to perceive, think and feel in connection with the problem at hand [1].

The success of a company to implement aspects or values of the company culture depends on the way of leadership in the company. (Greenberg, 2010) defines leadership: "leadership is defined as the process by which individuals influence others in ways that help achieve groups or organizational goals which means that leadership is a process of influencing other people in order to achieve group goals or organization goals [2].

Fulfillment of employees' needs is not only measured by the amount of salary, but also other thing that is not less important, namely how the boss or company appreciates the success of its employees. Job satisfaction has different levels, as defined by (Kreitner & Kinicki, 2001) that job satisfaction is effectiveness or emotional response to various aspects of work. This definition implies that job satisfaction is not a single concept. On the other hand, someone can be relatively satisfied with an aspect of his work and not satisfied with one or several other aspects. Job satisfaction is basically a way of looking at one's work both from positive and negative poin of view [3].

To be able to realize job satisfaction, we need a leader role in the organization. Employee relations with leaders will have a direct impact on the desire to stay working in an organization. Leaders that are supportive to their employees' career and individual-development for each employee will be an important factor for employee loyalty. Therefore, leaders in organization must be observant to see employee satisfaction. If employee satisfaction has reached the highest level, employee engagement will arise.

Employee engagement is one way to make employee have high loyalty, as in the opinion of (Macey & Scheider, 2014), which states that employee engagement makes employee has higher loyalty, thereby reducing the urge to leave the company. Employee engagement is a condition of employee who is directly connected psychologically with his/her work. Employees will be connected physically, cognitively, or emotionally while showing their performance at work. Employee engagement is a method of working that is designed to ensure employee will be committed to the goals and values of his/her organization, motivated to contribute to the success of the organization, and at the same time will encourage employee's potential to achieve high performance [4].

The introduction of the paper should explain the nature of the problem, previous work, purpose, and the contribution of the paper. The contents of each section may be provided to understand easily about the paper.
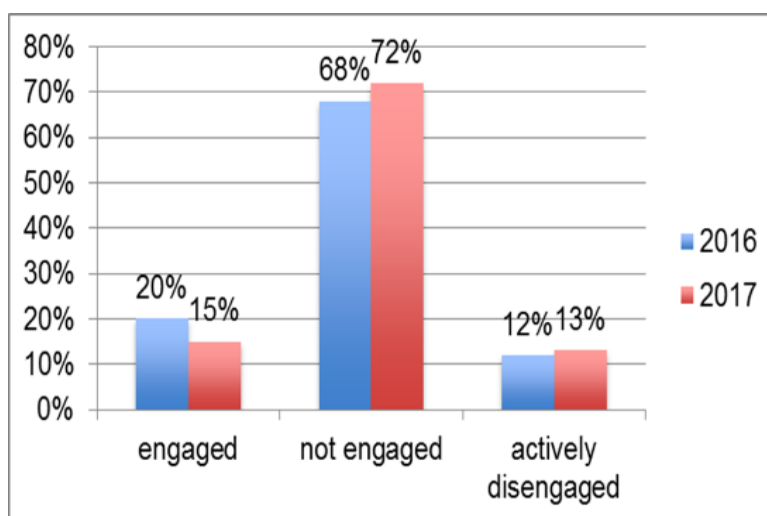

Fig.1.Employee Engagement Survey at PT ABC

Fig.1 describe about employee engagement survey result at PT ABC. The survey's result is that most employee feel they are not engaged which means that the employee might be productive but not feel psychologically bounded. These employees tend to be not optimal at work and have the potential to resign from the Company. Therefore, based on the background and the problem, a study was conducted on "The Influence of Organizational Culture, Leadership and Job Satisfaction on Employee Engagement in the millennial generation at PT ABC".

LITERATURE REVIEW

According to (Colquitt, 2009), organizational culture is ". . . as the shared social knowledge within an organization regarding the rules, norms, and values that shape the attitudes and behaviors of its employees" [5]. As knowledge that is accepted by people or community considering the rules, norms, and values organizational values which then shape the attitudes and behavior of employees. From various definitions put forward by several experts, it can be synthesized that organizational culture is a system of value that is perceived as the glue of the organization so as to shape the attitudes, habits and behavior of all employees in an organization.

(Ivancevich et al.,2009) stated the definition of leadership as follows: "Leadership is an attempt to use influence to motivate individuals to accomplish some goals." Based on that definition, it can be defined that a leadership is an effort to use influence to motivate people in order to achieve goals. Another meaning of the definition is that leadership is related to the importance of leaders as change agent, namely that leaders can influence the behavior and performance of subordinates or followers in order to achieve common goals. Effective leaders have leadership competencies and will be able to realize success in the organization they lead [1].

Likewise, according to (McShane & Glinow, 2010) that "leadership is about motivating, and enabling others to contribute to the effectiveness and success of the organization that they become members." The purpose of the statement is that leadership is a capability to motivate and persuade others to contribute to the effectiveness and success of the organization [6].

According to (Goestsch & Davis,2000), "Transformational Leadership is the ability to inspire people to make a total, willing, and voluntary commitment to accomplishing or exceeding organizational goals". That means a leadership is the ability to inspire people to make total, willing, and voluntary commitments to achieve or exceed organizational goals [7].

Based on the concepts described above, it can be synthesized that transformational leadership is an art to influence, coordinate (harmonize / synchronize), motivate, mobilize, and support others to contribute towards achievement through the process of interaction and communication between leaders and employees, with dimensions to influence, coordinate, mobilize, support, and service success.

According to Keith Davis, quoted by (Mangkunegara, 2004) argues that "job satisfaction is favorableness or not favorableness employees with their work" [8] which means that job satisfaction is a feeling whether the employees get support in the work from the leaders. Job satisfaction reflects workers feelings about their work [9]. This can be seen in the positive attitude of workers towards their work and everything that is faced by their work environment.

While (Moorhead & Griffin,2001) explain that job satisfaction is to which extent a person feels happy (gratified) and fulfilled (fulfilled) about his work [10]. According to them, job satisfaction is influenced by personal factors such as individuals needs and individuals

aspirations along with organizational factors such as relationships with supervisors, co-workers, working environment, regulations and compensation.

Meanwhile, (Luthan, 2006) also defines job satisfaction as a result of employees' perceptions of how well their work provides things that are considered important [11]. So it can be synthesized that job satisfaction is an emotional state in which employees perceive and feel about their work.

Kahn in (Albrecht, 2010) describes a theory of relationships and involvement that occurs closely physically, cognitively and emotionally between a person and his job role, which is then called as employee engagement [12]. In line with the definition above, (Federman, 2009) views employee engagement as a level where a person has comitment to an organization so that it can determine how a person behaves and how long he or she will stay with that position [13].

According to (Marciano, 2010), a worker who is engage will commit to the goal, use all his abilities to complete the task, maintain his behavior while working, ensure that he completes the task properly in accordance with the objectives and willing to make improvement if it is necessary [14]. Different opinions were expressed by Schaufeli and Bakker, Rothbard in (Saks, 2006), who define engagement as a further psychological involvement comprises of two important components that are attention and absorption [15]. Attention refers to the availability of cognitive and total time dedicated by an employee in thinking and carrying out his role, while Absorption is how an employee interprets the role and put an intense focus on the role in the organization.

Based on several definitions put forward by some experts, it can be concluded that employee engagement is a sense of belonging and involvement of an employee to his organization that make him be able to do something beyond his ability, to give his best performance to achieve organizational goals.

RESEARCH METHODOLOGY
Research Model and Hypotheses
Based on the theory description, problem statement and the research hypothesis, the objectives of this study are to analyze, review and understand the following:
1) Organizational Culture (X1) has a positive direct effect on employee engagement (Y).
2) Leadership (X2) has a positive direct effect on employee engagement (Y).
3) Job satisfaction (X3) has a positive direct effect on employee engagement (Y).
4) Organizational Culture (X1) has a positive direct effect on job satisfaction (X3).
5) Leadership (X2) has a positive direct effect on job satisfaction (X3).

This research is conducted validate the research hypothesis using an estimated normality error simple regression, linearity test, simple regression significance, and path analysis. Thus, the hypothetical research model is depicted in Fig.2.
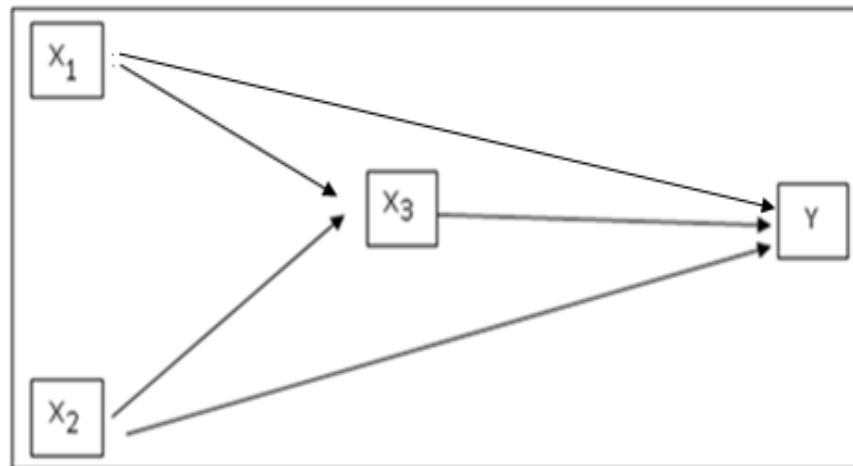
Fig.2.Research Hypothetic Model

Notes:
X1: Organizational Culture
X2: Transformational Leadership
X3: Job Satisfaction
Y: employee engagement

Based on the hypothetical model mentioned above, it can be defined 5 (five) statistic hypothesis that will be validated in this research that are:

1) H0: β y1 $\leq$ 0
   H1: β y1 > 0
2) H0: β y2 $\leq$ 0
   H1: βy2 > 0
3) H0: β y3 $\leq$ 0
   H1: βy3 > 0
4) H0: β 13 $\leq$ 0
   H1: β13 > 0
5) H0: β 32 $\leq$ 0
   H1: β32 > 0

Note:
H0: Null Hypothesis
H1: Alternative Hypothesis
βy1: Path coefficient variable X1 that has a direct effect on variable Y
βy2: Path Coefficient variable X2 that has a direct impact on variable Y
βy3: Path coefficient variable X1 that has a direct effect on variable Y
β13: Path coefficient variable X3 that has a direct effect on X1
β32: Path coefficient variable X3 that has a direct effect on X2

RESEARCH METHODOLOGY

The samples in this study were sales at Bancassurance division at PT ABC. In total, there were 399 participants. The survey questioned four parts: organizational culture, transformational leadership, job satisfaction and employee engagement. The respondents were asked to complete all parts of survey at once.

Over 62 per cent of the respondents were female and 38 % were male. The age of respondents was in the range of 21-30 years old. With respect to education level, 90 % of the respondents had a bachelor's degree and 10 % of the respondents had completed their master's degree.

RESULT AND DISCUSSION

Result

Path coefficient that is analyzed according to the research hypotheses are ρy1, ρy2, ρy3, ρ31, ρ32. Calculation of Substructure path coefficient 1 is for positive influence of organizational culture (X1), transformational leadership (X2), job satisfaction (X3) on employee engagement (Y). Substructure II is defined for the influence of organizational culture (X1), transformational leadership (X2) on job satisfaction (X3). Calculation result of the Substructure I coefficient can be seen in Table 1, and the results of the calculation of the Substructure II coefficient can be seen in Table 2.

Table 1. Hypothesis Testing Results Structure Equation Model 1 Summary

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.818	3.528		1.649	.100
	X1	.190	.057	.181	3.342	.001
	X2	.659	.056	.633	11.696	.000
	X3	.114	.028	.117	4.007	.000

a. Dependent Variable: Y

Table 2. Hypothesis Testing Results Structure Equation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	56.889	5.560		10.233	.000
	X1	.224	.100	.207	2.240	.026
	X2	.250	.099	.233	2.520	.012

a. Dependent Variable: X3

Based on the calculation mentioned above, it can be observed that:

1) Organizational culture (X1) has a positive direct effect on employee engagement (Y)

The research hypotheses statistically could be formulated as follow:

H0: $\beta y1 \leq 0$

H1: βy1> 0

Obtained py1 path coefficient of 0.181 with tcount = 3.342, while ttable equal to 1.97 (α = 0.05), because tcount > ttable (α = 0.05), then H0 is rejected. The hypothesis test result indicates that there is a positive direct effect of Organizational culture (X1) on employee engagement (Y).

2) Transformational leadership (X2) has a positive direct effect on employee engagement (Y)

The research hypotheses statistically could be formulated as follow:

H0: $\beta y2 \leq 0$

H1: βy2 > 0

Obtained py2 path coefficient is 0.633 with tcount = 11.696, while ttable equal to 1.97 (α = 0.05), because tcount> ttable (α = 0.05), then H0 is rejected. The hypothesis test result indicates that there is a positive direct effect of Leadership (X2) on employee engagement (Y).

3) Job satisfaction (X3) has a positive direct effect on employee engagement (Y)
The research hypotheses statistically could be formulated as follow:
H0: $\beta y3 \leq 0$
H1: $\beta y3 > 0$
Obtained py3 path coefficient is 0.117 with tcount = 4.007, while ttable equal to 1.97 (α = 0.05), because tcount> ttable (α = 0.05), then H0 is rejected. The hypothesis testing result indicates that there is a direct positive effect of job satisfaction (X3) on employee engagement (Y).

4) Organizational culture (X1) has a positive direct effect on job satisfaction (X3)
The research hypotheses statistically could be formulated as follow:
H0: $\beta y31 \leq 0$
H1: $\beta y31 > 0$
Obtained p31 path coefficient of 0.207 with tcount = 2.240, while ttable equal to 1.97 (α = 0.05), because tcount> ttable (α = 0.05), then H0 is rejected. which means that organizational culture (X1) has a positive direct effect on job satisfaction (X3).

5) Transformational leadership (X2) has a positive direct effect on job satisfaction (X3)
The research hypotheses statistically could be formulated as follow:
H0: $\beta y32 \leq 0$
H1: $\beta y32 > 0$
Obtained p32 path coefficient of 0.233 with tcount = 2.520, while ttable equal to 1.97 (α = 0.05), because tcount> ttable (α = 0.05), then H0 is rejected. It means that Leadership (X2) has a positive direct effect on job satisfaction (X3). The empirical model path of the hypothesis is depicted in Fig.3.
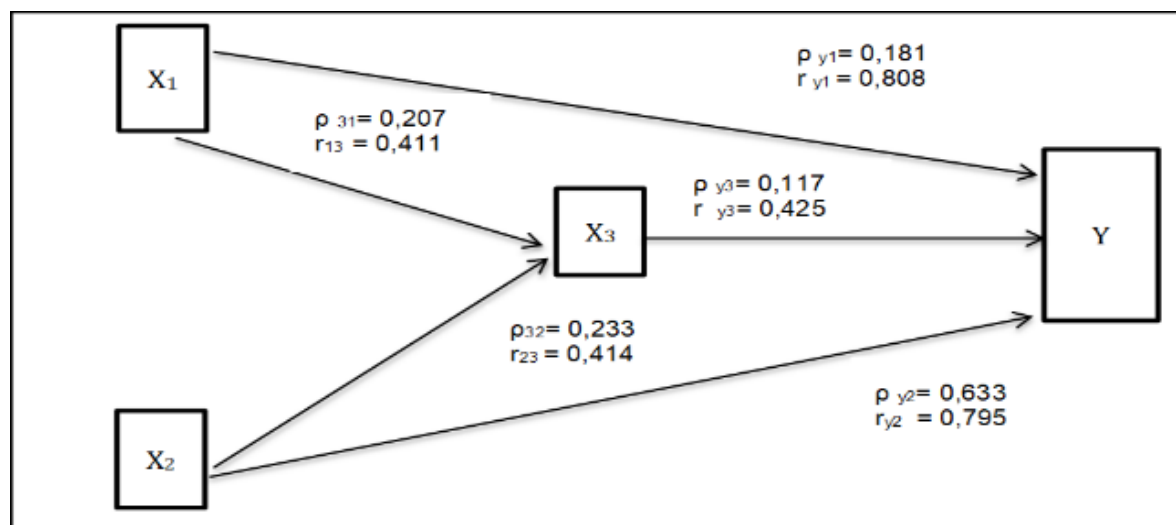

Fig.3. Empirical Model Path Chart

Notes:
X1: Organizational Culture
X2: Transformational Leadership
X3: Job Satisfaction
Y: employee engagement

Discussion
Organizational Culture (X1) Has a Positive Direct Effect on Employee Engagement (Y)
The result in this hypothesis shows that organizational culture has a positive and significant direct effect on employee engagement. PT ABC organizational culture is already relatively good in which it does not only focus on internal company concerns but also relates to adjustments to external needs and concerns. The analysis result shows that most of the respondent state that

ABC has a clear corporate mission, organizational culture can adapt to changes, supports involvement, and has consistency. Therefore, the implementation of a good organizational culture will increase employee engagement. Organizational effectiveness can be improved by creating a strong culture, which can be used to achieve organizational goals, namely employee engagement. To increase enthusiasm in work, it is necessary to apply organizational culture in which holds the dominant values of the company. Organizations that have a strong organizational culture will have certain characteristics so that it will attract individuals to join. After that, the individual can think, act and behave according to organizational values. Thus, organizational culture is a system of shared meanings adopted by employees that distinguishes from other organizations and can bind the employees, to be more enduring in an organization. From the previous studies result explanation, it can be concluded that the results of research at ABC strengthen the previous theory that is there is an influence between organizational cultures on employee engagement.

Transformational Leadership (X₂) Has a Positive Direct Effect on Employee Engagement (Y)

The result in this hypothesis shows that transformational leadership has a positive and significant direct effect on employee engagement. The effectiveness of leadership in this study is shown in four indicators that are influencing, coordinating, moving, and supporting. The success and effectiveness of leaders is reflected in the behavior of leaders to encourage and create an environment that can make sales emotionally and cognitively bound. This condition will increase employee engagement and enable sales to provide consistent and high-quality services. The results of this study are in line with the opinions of Hockey & Ley in (Febriana, 2012) which states that leadership is one of the factors forming employee engagement, in addition to other factors such as organizational culture and climate, training and education, job factors, and feelings of being valued and involved [16]. From the presentation of the results of previous studies, it can be concluded that the results of this study strengthen the previous theory that is the influence between transformational leadership and employee engagement.

Job Satisfaction (X3) Has a Positive Direct Effect on Employee Engagement (Y)

The result in this hypothesis shows that job satisfaction has a positive and significant direct effect on employee engagement. Based on the data analysis, it is found that job satisfaction influences employee engagement. Sales at ABC who have a good relationship with the work they are responsible for, the organization in which he works, the manager who is his boss and provide support and advice, or co-workers who support each other will make the employees give the best efforts on the work. This makes employees feel satisfied in their work, so that employee engagement will be realized.

This result is also supported by the opinion of McPhie & Rose (Diah, 2012) that is job satisfaction affecting employee engagement [17]. Many organizations have tried to focus on how to satisfy their employees in the belief that satisfied employees are productive employees. Satisfaction is generally measured through periodic surveys whose results are intended to spur management actions in increasing employee job satisfaction. Competitive salaries and benefits with a balance between work and a healthy life can encourage employee satisfaction.

From the presentation of the results of previous studies, it can be concluded that the results of research at ABC support the previous theory that there is an influence between job satisfaction and employee engagement.

Organizational Culture (X1) Has a Positive Direct Effect on Job Satisfaction (X3)

The result in this hypothesis shows that organizational culture has a positive and significant direct effect on job satisfaction. ABC realizes that Human Resources play an important role in running the company's operational activities. In order to make employees having a positive attitude towards their work, the company must know what factors influence employee job satisfaction at the company. One of the efforts can be made by the company to improve employee job satisfaction is fulfil these resources' needs in the form of organizational culture management. In other word provide guidance for employees in working and behaving. By managing a good and correct organizational culture, the human resources will be satisfied with what has been applied and given by the organization to them.

These results are also supported by the opinion of (Schein, 2004) who argues that organizational culture can lead to individual satisfaction manifested in the form of meetings and effective interpersonal communication, the success of individual socialization, and increased work productivity [18]. What it means by the statement is that organizational culture is designed by companies to spur employee performance so that later the company will give awards and the goal is that employees feel satisfied with their work and the company.

The results of this study support Obgor's research in (Sopiah,2008) which states that organizational culture that provides a sense of comfort in work and high trust will encourage increasing work behavior through cohesiveness between individuals and commitment from the employees to do everything that is best for the organization's interests [19].

From the presentation of the results of previous studies, it can be concluded that the results of research at ABC supports the previous theory that there is an influence between organizational culture and job satisfaction.

Transformational Leadership (X2) Has a Positive Direct Effect on Job Satisfaction (X3)

The result in this hypothesis shows that transformational leadership has a positive and significant direct effect on job satisfaction. The evolution in the globalization era and competition in the insurance world require a leader who has integrity in managing and directing employees to achieve organizational goals. A good leader does not only rely on power as the main capital in bringing the organization toward a goal to be achieved, but a leader must be able to protect and know the satisfaction or dissatisfaction of each employee in carrying out their tasks. This approach will make employees feel accompanied and get maximum attention so that there is no conflict in the organization. Employee job satisfaction will be reflected when the work is finish and the work results achieve the expectations. However, this has not yet been felt in ABC due to a lack of leadership role in creating harmonious communication, insensitivity to what is desired by employees and the limited number of leaders in providing guidance to employees. This can be reflected in employees who are not disciplined at work, lazy in working and increasing employee turnover rates every year.

Therefore, the role of transformational leadership must be immediately implemented in ABC, which one of those roles is to raise job satisfaction by giving appreciation and support. Awards can be in the form of incentives that are given in accordance with performance, while support can be made by being involved in the work of the employee, providing suggestive sentences, increasing or adding work facilities, and improving the work environment.

These results are also supported by the opinion of (Sopiah,2008) which states that leadership in an organization is a factor that determines the success or failure of an organization. The reason is that successful leadership will affect employee job satisfaction [19].

From the presentation of the results of previous studies, it can be concluded that the results of research at ABC support the previous theory that there is an influence between leadership and job satisfaction.

CONCLUSION

Leaders should give trust and support to subordinates to show that employees' hard work are valuable to the organization and leaders must be able to create comfortable working environment. That condition will motivate the employees to work hard and give their best to the organization and will encourage high levels of employee engagement in the organization.

The company is expected to maintain and increase the reward given to its employees. The intrinsic and extrinsic reward will influence the millennial employee level of engagement. The reward could be in the form of promotion since the millennial employee wants to have a fast progress on his career. Thus, a company should have and socialize the promotion program it has to the employees.

Employees who have job satisfaction will be eager in carrying out the tasks given to them without feeling despairing and tireless. Moreover, high job satisfaction will encourage high employee engagement in an organization.

The finding from the study provides an influential empirical support of the effect of organizational culture, transformational leadership, job satisfaction on employee engagement millennial generation at PT ABC. It is required an effort from top leaders to create a strong organizational culture that will lead to increase job satisfaction and higher employee engagement.

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