

## **ROLE OF EMPLOYEES INVOLVEMENT WORK CULTURE TOWARDS FINANCIAL PERFORMANCE OF ORGANIZATION: A COMPARATIVE STUDY BETWEEN WESTERN AND ASIAN MARKETS**

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### **ABSTRACT**

Getting objectives of the organization are a major concern of every enterprise. Mostly, success of enterprises is measure whether the organization meets their set objectives or not. Although numerous factors determine success or failure of the enterprises, among them, employee involvement culture is one major factor established by several literature worldwide. Hence, this paper highlighted on employee involvement culture and its consequence to the financial performance of the enterprises both in Asian and European markets. In order to explore these consequences, a wide range of comparative study between Nepal and Bulgaria is designed. A detailed study between successful/unsuccessful enterprises of Nepal and a general enterprise (mix up result) of Bulgaria are a major part of the study area. The study, designed with three independent variables empowerment, team orientation and capability development that analyzed interrelationship between financial performance and involvement culture adopted by the enterprises. The result revealed involvement, cultural is a universal trait that has a significant association with the performance of the enterprises. The result shows higher the degree of involvement culture consequence to a higher level of financial performance for both Asian and European markets. The evidence interpreted by correlation, chi-square, descriptive statistics scattered diagram which justify lack of involvement culture unsuccessful enterprises are a failure.

**KEYWORDS:** *Employees' Involvement, Employee Culture, and Performance*

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### **INTRODUCTION**

Culture, in general, reflects a society through its belief system, tradition and custom, art and artifacts carried out for the considerable period of time by a group of people over a certain place. In case of organizational work culture, it consists of a set of assumptions and beliefs developed over a certain period to settle organizational problems, and as such cultural knowledge must be delivered to the employees (Chih, Huang, & Yang, 2011). Organizational work culture is a recent phenomena and topic of interest to the researchers and executives, which is a strong management tool for creating competitive advantage (Bennis and Nanus, 1985). A general definition of organizational work culture is a pattern of shared assumptions used for problems solving tool in external adaptation and internal integration system (Schein, 2004) and therefore new members are in the correct way to perceive organizational work culture in relation to those problems. Work culture guides and control to individuals and groups of the organization for the betterment of organization

(Aycan, Kanungo, & Sinha, 1999). However, performance is a debatable issue and perceived differently by various scholars, but most scholars agreed performance is measured through transactional efficiency and effectiveness of organizational goals (Ott, 1989). Organizational performance is measured with fit organizational work culture, transactional efficiency and effectiveness towards organizational objectives (Stannack, 1996). Scholars identified that performance is a measurement of input/output efficiency that lead to organizational success. Organizational goals, objectives and strategies are correlated with work culture they adopted in their organization (Daft, 2000). employees involvement is one important culture that affects the financial performance of the enterprises (Denison & Mishra, 1995). Although numerous studies has carried out regarding with cultural trait and its association performance of the enterprises, but till now comparative study between Asian markets and European markets lacking behind. In addition, researchers do not give adequate attention on a comparative study between western markets and Asian markets associates with involvement culture and its impact of the performance. Therefore, this study is a humble effort to fulfill this gap and carried out a comparative study of enterprises performance operating in Nepal and Bulgaria. Hence, primary objective of this paper is to compare between Asian markets and western markets and explore the existing level of involvement culture in association with the financial performance of the enterprises.

### **OBJECTIVES OF THE STUDY**

The primary objectives of this study are to explore employee involvement culture of European and Asian enterprises and its association with the financial performance. The next objective is to compare between Asian and European markets in regards to involvement practices adopted by them.

### **REVIEW OF THE STUDY**

The culture of an organization contributes to increase the performance only when the culture is strong and have distinguishing characteristics (Saffold, 1988). Working in a team provides more knowledge and less pressure to take risks, as decisions are made together. High level of involvement culture in the organization is a consequence of increasing the quality decisions for the betterment of the organization (Horman, 2013). The combination of experiential and theoretical studies will lead to relative study of strong culture and hence increase the organizational performance (Denison & Mishra, 1984). The culture is the set of ideas and assumptions about the organizations, operations system that is about the norms, values and beliefs that employee shares in an organization. Organizational culture refers to the 'underlying values, beliefs, and principles that serve as a foundation for the organization's management system as well as the set of management practices and behaviors that both exemplify and reinforce those basic principles (David, Shruti & Atilla, 2016). ). Organizational culture is about the way of working and their decision making related to strategic decision (Oparanma, 2010). Organizational culture shapes the life of employees in such a way that they can mold themselves according to the culture as a result the organizational performance will be enhanced (Saffold, 1988). Sackman (1991) has stated that high and low performing companies in the banking and utilities industries had different culture profiles. A number of scholars and professionals give high emphasis to study about the employee involvement culture and its impact on the organization. Employee involvement culture keeps organization strong that leads towards objectives and success (Bhatti & Qureshi, 2007). Culture as manipulative variable can improve organization effectiveness (Wang & Abdul-Rahman, 2010). Like this several studies has carried out that explain how cultural traits influence the performance of the enterprises. A model of work oriented cognitions and performance measures using structural equation modelling in Indian software organizations presents a satisfaction of work, productivity at work and the quality of work as

a consequence of organizational work culture. Further, satisfaction and productivity at work and quality of work are hypothesized as leading to firm profitability and growth while quality of work is presented as a contributor to organizational innovation (Jossey, M., Emmanuel, O. & Lioyd, H, 2011). All these evidences proved and stated that there is interconnection between employees work culture and performance. The impact of the employee empowerment on the employee satisfaction role of employee performance as a moderating variable showed that empowerment has always been accepted as an active catalyst for improving organizational performance (Khan, Rehman & Akram, 2012). Denison (1984) using survey-based culture measures showed that perceived involvement and participation on the part of organizational members predicted both current and future financial performance. Kravetz (1988) amplified Kanter's earlier findings by showing that management practices fostering participation, autonomy, and creativity were closely correlated with objective indicators of organizational performance. A French study of managerial values and practices also identified a set of involvement culture associated with the growth patterns of five single-business firms. Denison & Mishra (1995) stated that organizational culture model is based on four cultural traits involvement, consistency, adaptability, and mission that have influence on organizational performance. Effective organizations, empower their people, build their organizations around teams, and develop human capability at all levels (Lawler & McDermott, 2003). Khan, Jam, Akbar, and Hijazi (2011) clearly indicated that those organizations that have job involvement culture, their employees are more committed with organization than those organizations who do not. All these evidences proved that employee involvement culture is strongly associated with the performance of the enterprises.

### **Model of the Study**

The entire study begins by selecting two successful and unsuccessful public enterprises each from Nepal and one enterprise (with a mix up result) from Bulgaria. At first, two highly profit earned public enterprises are selected which provides dividend continuously to the Nepal government for five years counting from the year 2010. Like this, two highly loss public enterprises are selected which continuously suffering from loss counting from the year 2010. Secondly, a general public enterprise (with a mix up result) is selected from Burgas, Bulgaria. The convenient sampling method has used to select for all sample cases, both Nepal and Bulgaria. Three major independent variables, namely employee empowerment, team orientation and capability development have used for primary data collection. A structured questionnaire is developed based on three independent variables that describe employee involvement work culture in association with the financial performance of the enterprises. These questionnaires are then distributed to the target respondents separately. All samples are selected on a convenient basis. Then after, structure questionnaire is distributed to all selected samples in Europe and Nepal separately. Likert scale questionnaire (1= strongly agree, 5= strongly disagree) is developed and distributed. The questionnaire is designed exploratory test of hypotheses that examine the linkage between employee involvement culture and performance of enterprises. SPSS is the major software used in the data analysis. Based on analysis, the study is concluded existing situations of employee involvement work culture of Europe and Asia and its association with financial performance. Total sample of successful enterprises, unsuccessful enterprises and European enterprise are 220, 230 and 50 respectively. However the sample size of European case seems relatively low size, but it covers almost 61% of the population. In order to make the validation of sample cases, reliability test is used. The Cronbach alpha test shows 0.68, 0.79 and 0.73 respectively, which is extremely good result and reliable. The variables used in this study are also justified from the factor analysis test. KMO test, correlation matrix and anti-image correlation matrix suggested that variables are justifiable factor. The KMO test shows extremely good result and values are 0.71, 0.74 and 0.65 of successful cases, unsuccessful case and European case respectively. 'Profit' is the primary measures of successful

and unsuccessful enterprises.

### Data Analysis and Presentation

**Correlation Test:** A correlation results describe the degree of relationship between the variables. This test examined the relationship between involvements with a performance of enterprises. The correlation result quantifies the strength and direction of a linear relationship between the variables. Detail correlation result of three sample cases is followed.

**Table 1**

Correlation test			
Test Between Variables	Successful Case, N = 220	Unsuccessful Case N = 230	European Case N = 50
Involvement-Performance	0.407**	0.045	0.307**
	0.000	0.393	0.000

Correlation test of three sample cases

The correlation result revealed there is an association of involvement culture with performance of successful and European enterprises, but just opposite unsuccessful enterprises have no such association. Test of significance revealed the P value is highly significant with 99% confidence level to successful and European enterprises. Since P value is less than 0.05 at the 5% level of significance for successful and European sample case, the results are statistically proven. This evidence proved successful enterprises have an association with involvement practices of the enterprises. Therefore, this result justifies one reason behind enterprises failure is lack of involvement culture in Nepalese public enterprises. Evidence shows unsuccessful enterprises are not practicing employee participative culture in the organization. The correlation value of successful enterprises is higher value than European case organization and therefore successful enterprises have relatively higher financial result. This evidence too explained involvement work culture has strong associations with performance both in Europe and Asia.

### Chi Square Test

It is test of association between categorical variables. This test used to determine whether an involvement work cultural trait is associated with the performance of the enterprises or not. The positive chi square result with a significance P value shows association between involvement and performance otherwise weak association. Therefore, chi square test is applied and find the association between them with following hypothesis set.

$H_0$ : Involvement work culture is not associate with performance of enterprises.

$H_1$ : Involvement work culture is associate with performance of enterprises.

After setting the hypotheses, the Pearson chi-square test is run using facility available in the SPSS software and finds the result of all three cases. The detail of the chi-square result is as follow.

**Table 2**

Chi Square Test			
Test Between Variables	Successful Case, N = 220	Unsuccessful Case N = 230	European Case N = 50
Involvement-Performance	671.02	129.55	433.23
	0.000	0.184	0.000

The chi-square result explained strong association of employee involvement with performance of successful and European enterprises. This result is consistent with correlation result that explained involvement trait have significant

association with the performance of the enterprises. The test is used in all three-sample cases i. e. successful case, unsuccessful case and European case separately. The successful and European case gives almost similar result with successful case and proved there is an association of involvement culture with financial performance. On the contrary, unsuccessful case revealed there is weak association employee involvement with the financial performance of the enterprises. Therefore, this evidence supports the alternative hypothesis and proved involvement work culture is associated with the performance of the enterprises both in Europe and Asia. However, the p value is less than 0.05 for both successful and European cases, but the relatively European case has low chi square value. The chi square value of successful enterprises is higher value than European case organization and therefore successful enterprises have relatively higher financial result. This evidence justifies involvement work culture have a strong association of with performance both in Europe and Asia. After confirmation of the association between performance and employee involvement, the next step is to further justify association between its sub variables with employee involvement. The study incorporated three different sub variables of involvement, cultural trait- empowerment, team orientation and capability development. The primary purposes of this step are to examine whether the result justifies by the correlation result of sub variables or not. The detail of the association is as follows

**Table 3**

<b>Chi Square Test Between Variables</b>			
<b>Test Between Variables</b>	<b>Successful Cases, N = 220</b>	<b>Unsuccessful Cases N = 230</b>	<b>European Case N = 50</b>
Empowerment-involvement	563.45 (0.000)	272.33 (0.000)	446.67 (0.09)
Team orientation-involvement	843.97 (0.000)	308.46 (0.000)	547.20 (0.046)
Capability development-involvement	460.45 (0.000)	<b>193.9 (0.092)</b>	509.33 (0.008)

The result stated that involvement traits highly correlate with sub variables empowerment, team orientation and capability development for all three sample cases. P value is highly significant in all three cases at the 5% level of significance. This evidence revealed results are statistically proven. Chi square test of unsuccessful case has relatively lower value than the successful and European case. Both successful and European case results revealed strong involvement practices than unsuccessful case. The value mentioned in bracket is p value, which explains calculated chi square values are all significant and statistically proved. Therefore, this evidence proved involvement practices are a significant factor for better performance of the enterprises operating in Asia and Europe.

**Descriptive Statistics**

This test is used to describe the basic features of the data. This analysis helps to explain the existing level of involvement culture adopted by the enterprises. The central tendency is most widely used statistical tool for data analysis. It is obtained by adding all observed items, dividing by the number of items. Since this study used likert scale questionnaire (1= strongly agree to 5= strongly disagree), the mean value explain in which direction the data are skewed. The variance & SD measure the consequences and dispersion of observation to the statistical result. For example, if the mean value shows 2 or less than near to 2, then it is the result of strong involvement culture associate with the financial result. Just the opposite, if the value goes towards 3 or more than 3, it reflects weak financial result associates with involvement practices of the enterprises. After that the result is verified with SD and variance. Lesser the variance and SD value (less than 1) shows the mean value obtained from descriptive statistics is reliable. The following results are observed from the descriptive statistics.

Table 4

Descriptive Statistics				
Sample Cases	Mean	SD	Var	Skewness
successful case, N = 220	2.17	0.44	0.19	-1.87
unsuccessful case N = 230	3.81	0.45	0.2	-0.42
European case N = 50	2.54	0.8	0.65	0.18

The result of all three cases shows the existing level of involvement work culture and its association with performance of the enterprises. The statistical tools mean, SD, variance and skewness are used to obtain the result. The mean value of successful enterprises shows 2.17, which indicates the association of involvement with performance. Just opposite, mean value of unsuccessful enterprises has been 3.81 i. e. weak association of performance with involvement culture. Since the European organization has moderate level financial performance, its lesser mean value shows moderate level involvement practices. Mean value of unsuccessful enterprises (3.81) in 1 to 5 point likert scale shows a very strong level of involvement culture. Since the value of SD, variance skewness values is less than 1, it explains all observations are close and similar response. Evidence from successful and European case justify involvement culture strongly associates with the performance of the enterprises both in Asia and Europe. After getting this descriptive result, the next step is to examine whether the result produced from descriptive statistics statistically proved or not. For that, one sample t test is used to set of following hypothesis.

$H_0$ : = The sample mean is equal to the population mean

$H_1$ : = The sample mean is not equal to the population mean

*One sample t test, test value 3, involvement culture*

Table 5

Sample Cases	t Value	p Value	Mean Diff
Successful case, N = 220	-35.99	0.000	-0.82
Unsuccessful case, N = 230	-2.18	0.03	-0.25
European case, N = 50	34.6	0.000	0.11

The one-sample t-test result is used to identify whether the result of descriptive statistics are all statistically proved or not. Since the p value of all three cases, significant at the 5% level of significance, the results are statistically proved. This result justifies null hypothesis rejected ( $P > 0.05$ ) i. e, the sample is equal to the population mean. A mean difference of successful case (2.17 -0.82) 1.35unsuccessful case (3.81 - 0.25) 3.56 and European organizations (2.54+ 0.11) 2.65 justify the null hypothesis rejected. These results are consistent with the previous descriptive result and verify strong involvement culture adopted by successful enterprises Nepal. After adjustment of the mean difference result, unsuccessful case has still weak situation of involvement culture, which is a major cause of failure. Therefore, one sample t test proved involvement is associated with the performance of the enterprises both in Asia and Europe.

### Scattered Diagram

This test is used to display relationships between two variables plotted into axes. If variables highly correlated, the scatter points are fall on line. Therefore, higher level of correlation between variables tighter the scatter points. Generally, the independent variable is plotted in the horizontal axis and y-axis on the dependent variable. In this paper, performance is dependent variable and involvement culture independent variable. The following are the detail of the scattered diagram result.

Table 6

Scattered Diagram			
Test between variable	R Square Linear Value		
	Successful Case	Unsuccessful Case	European Organization
Involvement-performance	16.50%	5%	39.20%

The scattered diagram result shows involvement, cultural trait associates with performance. The result shows successful enterprises and European organization have R<sup>2</sup> linear value 0.165 and 0.392 respectively. This explained a supportive employee involvement practices to positively influence the performance of the enterprises. The result justify a well-defined involvement culture is positively affected by 16.5% and 39.2% of the successful enterprises of Nepal and European enterprise respectively. On the contrary, R<sup>2</sup> linear value 0.05 unsuccessful case justify the reason behind the failure of the organization is weak level involvement practices. This result also consistent with previous result and confirmed that involvement culture is highly associated variable with the performance of the enterprises both in Asia and Europe.

**Regression Test**

This test is a statistical approach to forecast change in performance on the basis of change in empowerment, team orientation and capability development. This analysis explores the effect of changing the one predictor varies depends upon other predictors. In addition to this, the regression result also expresses the value changes in one predictors while change in other predictors. Therefore, this analysis identifies which, among the variables influencing more to the performance of the enterprises. Higher the beta coefficient of variable shows the higher level of influencing and vice versa. Regression is applied to all three case successful, unsuccessful and European cases separately. The following is the detail of the regression result with a beta coefficient of each individual independent variable.

Table 7

Particular	Category Wise Sample Cases		
	Successful Case N = 220	Unsuccessful Case N = 230	European Case N = 50
Constant α	0.525	0.727	0.884
Empowerment β1	0.360	0.245	0.196
P Value	0.000	<b>0.119</b>	0.002
Team orientation β2	0.299	0.164	0.131
P Value	0.000	<b>0.370</b>	0.002
Capability dev β3	0.245	0.285	0.182
P Value	0.002	<b>0.100</b>	0.000
R square	56%	52%	56.4%
Model fit P value	0.000	0.000	0.000
F value	15.27	15.83	25.90

The regression equation is  $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \dots \dots \dots$  error

Where

Y = Performance

α = Constant

X<sub>1</sub> = empowerment

X<sub>2</sub> = team orientation

$X_3 =$  capability development

The regression result shows employee involvement practices have significant association with the performance of the enterprises both in Asia and Europe. The beta coefficient value of successful enterprises revealed a higher level of involvement practice with higher-level performance. Each individual variable- Empowerment, team orientation and capability development have a positive beta coefficient with significant p value ( $P > 0.05$ ). The obtained p value 0.000 suggested that the outcome of regression result is statistically proved. The relatively empowerment variable has greater impact on performance. On the contrary, the regression result of unsuccessful enterprises shows a weak association of involvement practices. In this case, the beta coefficient of each individual variable is insignificant ( $P < 0.05$ ). Therefore, this evidence proved one reason behind the failure of enterprises in Nepal is lack of involvement practices. The result of European case is also justifies the result of successful cases. Although beta coefficient results are relatively lesser than successful case, but the results are all consistent and justify that empowerment, team orientation and capability development have significant impact on performance. The beta coefficient of successful enterprises is higher value than European case organization and therefore successful enterprises have relatively higher financial result. This evidence too explained involvement work culture has strong association with performance both in Europe and Asia. Among the variables empowerment is highly influencing factor associated with the performance of the enterprises. R square value and model fit p value 0.000 suggested that the outcome of the regression result statistically proved.

### Findings of the Study

Involvement cultural trait has significant impact on the performance of the enterprises. Involvement trait is strongly associated variable that affects the performance of the enterprises worldwide. The higher the level of employee involvement practices higher the chances of better performance of the enterprises operating in Asia and Europe. Evidence of unsuccessful enterprises Nepal, it is proved that one reason behind the failure of the enterprise is lack of involvement practices. The result also supported by European case where the moderate level of involvement culture reflects the moderate level of performance. Therefore, comparative study of involvement culture between western and Asian markets proved involvement culture have significantly associated with better financial result of the enterprises.

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