

# Organizational Culture and Employee Engagement, Investigating the Role of Knowledge Sharing among Bank Employees

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***Abstract**---Knowledge sharing is an important activity for organization to maintain their sustainability and maintaining their consumers. On the other hand, organizational culture can encourage knowledge sharing among employee and increase their working engagement. This research aims to examine the effect of organizational culture on employee engagement through knowledge sharing as an intervening variable. This research was conducted through survey at banking frontliner employees in Surabaya. The sample used was 100 employees using purposive sampling technique. Data analysis is conducted using Partial Least Square. The result of the study shows that organizational culture influences knowledge sharing. Knowledge sharing has a significant and positive influence toward employee engagement. The results also show that knowledge sharing has a significant and positive impact on employee involvement in work.*

***Keywords**---Organizational Culture, Knowledge Sharing, Employee Engagement*

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## I. Introduction

Banking industry has a significant role in Indonesian economy. Bank is a financial institution which plays an important role as an intermediary in the economy of a country. Banking is a part of the monetary system which functions as a financial intermediary, that brings together fund owner and fund user. Human resource is an inseparable asset of banking activities. Therefore, banks need to prepare competent employees in order to meet the wishes and needs of their customers.

Employees are company's representatives who connect directly with customers, therefore good and satisfying service is a decisive factor in the competition in banking industry. The challenges faced by banking industry in the present and future is how to develop and sell customer-friendly products [1]. Frontliner employees play a significant role in increasing customer satisfaction by fulfilling their needs and wishes [2]. Banking frontliner employees work in the front line of customer service. These employees are important for increasing customers service quality [3]. Frontliners are a part of the company function in serving company customers [4]. Front liner employees establish contact with customers which enables them to build a strong relationship with customers Effective service depends on employee competency. Employees can improve their competency by sharing knowledge about their work.

Knowledge has a significant role in improving the quality of the process that is taking place within many organizations/companies [5]. Knowledge sharing plays an important role in optimizing intellectual asset. Through knowledge sharing, employee knowledge will be renewed. Knowledge sharing should be supported by a structural and formal forum in order to involve all members of an organization. [6] concludes that the dimension of knowledge sharing has cultural, cognitive, and relational influences employee engagement. A company which wishes its employees to be involved

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in achieving success must provide opportunities for employees to interact and communicate with one another. [7] show the importance of understanding the factors that influence individual behavior in knowledge sharing activities in banking industry. Employees should have initiative to share their knowledge and this should be supported by a working environment and culture. In addition, motivation from leaders can shape employees to be more involved in innovative behaviour [8]. Leaders who are competent and in accordance with the culture and work environment in the company can also improve employee work performance [9].

[10] state that organizational culture has a positive impact on knowledge sharing. Organizational culture influences employee capability to share knowledge within a company. There are two dimensions of organizational culture, namely collectivism and uncertainty avoidance. A culture with high uncertainty avoidance can support the process of knowledge sharing because there is formalization by law, regulation, access to and mechanism of control and other safety measures within the organization. [11] find that organization culture is a factor which motivates employee engagement. Employees with high involvement can develop a good work attitude. organizational culture that supports employees, will cause employees to easily adapt to the work environment [12].

[13] describe that employees with high involvement will invest more efforts in their work. They also tend to share information with other employees and stay loyal with their company, and can take additional responsibilities from less involved employees. Employee involvement influences the service quality of a bank which will result in customer satisfaction and best [14]. Companies attempt to establish high involvement among their employees. Highly involved employees will show loyalty, trust, and commitment to their company. When employees feel satisfied and are involved in their work, they can contribute to their company's progress which will enable the company to develop positively from time to time and to adapt to changes in the market.

Banking industry has different habit from other organization. There is employees gathering in form of morning briefing where they discuss newest information about their work. Meeting is conducted to clarify things that need to be re-emphasized or to make work evaluation. Employees are motivated to work as a team. Activeness in conveying information is greatly supported by the company. Banks provide facilities for their employees to build networks and obtain important information from the management.

The aim of this research is to investigate organizational culture impact toward knowledge sharing. This research also wants to study the impact of organizational culture on employee engagement, and the impacts of knowledge sharing toward employee engagement

## **II. Literature Review**

### **Organizational Culture**

[15] state that organizational culture is values, principles, traditions, and attitudes which influence the behavior of the organization members. Culture is a pattern of common values and assumptions about how something is done in an organization. [16] state that organizational culture includes common values and beliefs which influence employees attitude and shape the organization. [17] find that organizational culture is the whole concept of people's method of work within an organization. It observes how a company motivates employees to work with concerns on details and on the process.

[18] describe that organizational culture focuses on the organization support to the establishment of knowledge that is needed within the organization.. The organization also focuses on development, requires people to collaborate, and enables them to share power through participative decision making. [18] state that Indicator are organizational culture, learning and development, top management support, collaboration. Collaboration means working together to achieve common goals [19]

Collaboration includes job distribution, where every person carries out his own work and take responsibility. Learning and developing refers to how far the organization wants to motivate its members to learn dan develop themselves to achieve long term success.

### *Knowledge Sharing*

Frontliner employees in bank are the ones that directly serve and relate to consumers. They need to share knowledge about how to perform their work. Knowledge sharing means exchange and spreading of ideas, experiences, and knowledge to other employees so that the ideas, experiences and knowledge are continued and maintained in the business [20]. It relates to sharing goals willingness, which can happen when there is trust [21]. Capability to share knowledge is the ability and vision in the process of sharing knowledge through organizational activities [22].

Measurement of knowledge sharing can be divided into structural, relational, and cognitive knowledge sharing [6], Sharing knowledge structurally is achieved through network and communication among the members within the social network of the organization. Sharing knowledge through relationship based on beliefs, norms, and commitment among the members within the organization is related to relational knowledge sharing. Cognitive knowledge sharing is conducted through shared language and vision [23].

### *Employee Engagement*

Employees in workplace should not only feel that they are doing their work, but they are also a part of the company. [24] define employee engagement as the condition in which a person functions as an employee and also as a part of the company. [25] states that employee engagement relates closely to employees which are tied to their company emotionally and are deeply involved in their work, and have great enthusiasm. [26] considers employee engagement as employee commitment and involvement towards the company, and the values they believe.

[27] describe the dimensions of employee engagement consist of cognitive, emotional, physical. [28] measures employee engagement based on vigor, dedication, and absorption. [29] define vigor as employee strength and mental endurance while performing his work. Dedication is employee feeling of meaning, enthusiasm, inspiration, pride and challenge in his work. Employee feels a strong involvement towards his work [30]. Absorption means employee full concentration and deep interest in his work.

### *Hypothesis Development*

#### *Organizational Culture and Knowledge Sharing*

[31] show several factors of organizational culture, which are presented in the measurement of interpersonal trust, communication between staff, information system, reward, and organization structure. Their research concludes that those factors influence the success of knowledge sharing in a company. [10] state that two dimensions of organizational culture, collectivism and uncertainty avoidance have a positive influence on knowledge sharing.

H1. Organizational culture has significant influence toward employee engagement

#### *Knowledge Sharing and Employee Engagement*

Several research conclude that knowledge sharing has a positive influence toward employee work engagement. [6] finds that through structural, relational, and cognitive factors, knowledge sharing influences employee engagement. The higher the employee ability to share his knowledge, the more employee involve in his work. [32] concludes that knowledge sharing

has a positive and significant impact on employee engagement. A company can utilize knowledge sharing to involve its employees into their work, which then can help the company to achieve competitive excellence.

H2. Organizational culture has significant influence toward knowledge sharing

*Organizational Culture and Employee Engagement*

Organizational culture is one of the predictor of employees in their work involvement The impact of organizational culture on employee willingness to be involved in their work has been studied empirically. Culture inside the organization affects employee to feel more engage on their work. [33] finds that performance in culture has a positive impact in work involvemeni on public sector in Ghana. Research conducted on private banks provides an explanation that organizational culture influences employee engagement in work [34].

H3. knowledge sharing has significant influence toward employee engagement

**III. Research Method**

This research uses causal quantitative method, to investigate the influence between the research variables. This research uses purposive sampling technique, target group which fulfills certain requirements [35] The samples selected are frontliner employees of banks in Surabaya.

This study uses Smart Partial Least Square as data analytical tool. The test used in this study is the outer model test, inner model test, and hypothesis testing [36] The components of outer model test are convergent validity, composite reliability, discriminant validity, and the value of average variance extracted AVE. Convergent validity is the loading factor value on latent variables with indicators. Reliability score is defined from its composite reliability value > 0.8 . Discriminant validity is a value of cross loading factor that is useful to determine whether the construct has adequate discriminant by comparing loading values to the intended construct. AVE shows that the evaluation of convergent validity has been fulfilled with the criteria value > 0.5.

The structural model illustrates the relationship between latent variables based on substantive theory. Some tests for the structural model are R Square and predictive relevance. Hypothesis testing measured from a comparison of t-table and t-statistical values. If the value of t-statistic is higher than t-table means the hypothesis is supported.

**IV. Data Analysis and Discussion**

*Outer Model Evaluation*

**Table 1.** Convergent validity.

Indicator	Variable		
	Employee Engagement	Knowledge Sharing	Organizational Culture
OC 1			0.737
OC 2			0.771
OC 3			0.730
KS 1		0.851	
KS 2		0.860	
KS 3		0.892	
EE 1	0.744		

EE 2	0.884		
EE 3	0.872		
<b>AVE</b>	<b>0.698</b>	<b>0.753</b>	<b>0.557</b>

Table 2 shows that each variable measurement has outer loading value > 0,5, all indicators are fulfill the convergent validity. Based on AVE value, which are above 0,5 all variables are fulfill validity test..

**Table 2.** Cross loading.

Indicator	Variable		
	EE	KS	OC
OC 1	0.437	0.401	<b>0.737</b>
OC 2	0.510	0.568	<b>0.771</b>
OC 3	0.502	0.455	<b>0.730</b>
KS 1	0.567	<b>0.851</b>	0.526
KS 2	0.616	<b>0.860</b>	0.518
KS 3	0.737	<b>0.892</b>	0.623
EE 1	<b>0.744</b>	0.548	0.463
EE 2	<b>0.884</b>	0.682	0.577
EE 3	<b>0.872</b>	0.628	0.582

Table 3 shows that each indicator has the highest outer loading value on its measured variable compare to other variables. This result indicates that the indicators has met the discriminat validity requirement

**Table 3.** Composite Reliability.

Variable	Composite Reliability
EE	0.873
KS	0.902
OC	0.790

Each research variable has to be reliable according to their composite reliability value. Based on table 4 above, composite variable value is more than 0,70. It can be concluded that each variable is reliable.

#### Inner Model Evaluation

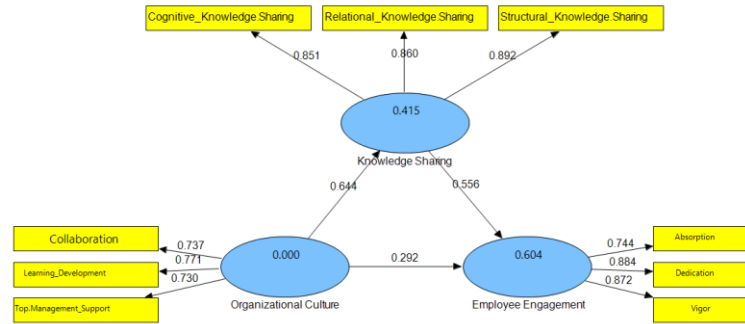
**Table 4.** R-Square and Q-Square.

Variable	R Square	Q Square
KS	0.415	$1-(1-0.415) \times (1-0.604) = 0.768$
EE	0.604	

In PLS model, Q square represents relevance of prediction from the model. From the table shows that R square value is 0,768. Structural model on this research has the accuracy of prediction 76,8 %.

*Hypothesis Testing*

The research model that has been tested for validity and reliability, be will be predicted based on the hypothesis , to study result between the variables studied in accordance with the research hypothesis.



**Figure 1.** Structural model.

Table 6 will explain the result of this study in order to analyse the hypothesis testing

**Tabel 6.** Hypothesis testing.

Variables	Original Sample	Sample Mean	Standard Deviation	T Statistics
OC -> EE	0.292	0.294	0.068	4.287
OC -> KS	0.644	0.634	0.078	8.290
KS -> EE	0.556	0.543	0.062	8.956

Statistical value of the impact organizational culture toward Employee Engagement is  $4,287 > 1,96$ , the coefficient is 0,292, so organizational culture influences significantly and positive toward employee engagement. The impact between organizational culture toward knowledge sharing has a statistical value  $4,287 > 1,96$ , the coefficient is 0,644. This result show that the impact is significant and positive, so the hypothesis is supported.

Knowledge sharing and employee engagement results statistical value  $8,956 > 1,96$ , with its coefficient 0,556 It shows that sharing capability among the employee has significant and positively influence toward employee engagement of the employee.

**V. Discussion**

The result of the study implies that the more supportive culture perceived by employees , employee engagement tends to be increased. Learning development support in work environmet is high. Management support in the form of meeting facilities to share experiences and obstacles in work. Continuous briefings are held to identify the activity needed to serve consumers.

Activity to share knowledge among the employees has a positive influence to the involvement of the employee in work, employee participation in work is important to reach. Employee involvement causes them to be willing and happy to work together with their leader or with coworkers. Employee participation can be enhanced through knowledge sharing activity within organization [32] It is also explained by [6] that knowledge sharing influences employee involvement on their workplace. Working environment and co-workers strengthening intention to engage in their workplace and increase their performance

## VI. Conclusion

This research concludes that organizational has a positive and significant influence toward knowledge sharing. The strongest aspect of culture is learning and development. Employee perceive that their workplace give them supports to learn through informal and written communication. This research also have a result that knowledge sharing influences employee engagement. Knowledge sharing has a big role through their structural knowledge sharing. It supports guideline for employee to work efficient. On the other side, organizational culture also has a positive and significant impact to employee engagement

Further research can use other variables to examine the factors that influence the ability of knowledge sharing among employees. The model in this study can be inspected on other organizations to examine the impact of knowledge sharing to employee performance.

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