

THE EFFECT OF ORGANIZATIONAL CULTURE ON EMPLOYEE ENGAGEMENT IN SERVICE INDUSTRIES

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Abstract: Organizational culture is widely recognized as a determinant of employee attitudes and behaviors, yet its role in shaping engagement within service industries remains underexplored. This study examines the relationship between organizational culture and employee engagement in hospitality, healthcare, and retail sectors, where service quality depends heavily on frontline employee interactions. Drawing on Hofstede's cultural dimensions, the Organizational Culture Assessment Instrument (OCAI), and the Utrecht Work Engagement Scale (UWES), the study employed semi-structured interviews and survey-based data collection. A purposive sample of 30 employees was complemented by quantitative responses from 500 participants to ensure both thematic depth and statistical robustness. Data were analyzed using thematic coding, descriptive statistics, and regression analysis. Results reveal a strong positive correlation between organizational culture and engagement ($r = .65, p < .01$), with culture explaining 42% of the variance in engagement. Recognition and appreciation emerged as the strongest predictor ($r = .72$), followed by collaboration and open communication ($r = .68$). Conversely, rigid and hierarchical cultures were negatively associated with engagement ($r = -.45$). These findings underscore the strategic importance of cultivating supportive and innovative workplace cultures in service industries, where employee commitment directly affects customer satisfaction and organizational outcomes. The study contributes theoretically by identifying recognition and collaboration as critical cultural drivers in service contexts and provides practical recommendations for managers to enhance engagement through recognition systems, leadership development, and feedback mechanisms..

Keywords: organizational culture, employee engagement, service industries, recognition, collaboration

Abstrak: Budaya organisasi diakui secara luas sebagai faktor penentu sikap dan perilaku karyawan, namun perannya dalam membentuk keterikatan (employee engagement) di industri jasa masih relatif kurang dieksplorasi. Penelitian ini mengkaji hubungan antara budaya organisasi dan keterikatan karyawan di sektor perhotelan, kesehatan, dan ritel, di mana kualitas layanan sangat bergantung pada interaksi langsung karyawan dengan pelanggan. Dengan menggunakan kerangka dimensi budaya Hofstede, Organizational Culture Assessment Instrument (OCAI), serta Utrecht Work Engagement Scale (UWES), penelitian ini memadukan wawancara semi-terstruktur dengan pengumpulan data survei. Sebanyak 30 karyawan dipilih secara purposif untuk wawancara, dan dilengkapi dengan respon kuantitatif dari 500 partisipan guna menjamin kedalaman tematik sekaligus kekuatan statistik. Data dianalisis menggunakan thematic coding, statistik deskriptif, serta analisis regresi. Hasil menunjukkan adanya korelasi positif yang kuat antara budaya organisasi dan keterikatan karyawan ($r = 0,65; p < 0,01$), dengan budaya organisasi menjelaskan 42% variansi keterikatan. Dimensi pengakuan dan apresiasi muncul sebagai prediktor terkuat ($r = 0,72$), diikuti kolaborasi dan komunikasi terbuka ($r = 0,68$). Sebaliknya, budaya yang kaku dan hierarkis berkorelasi negatif dengan keterikatan ($r = -0,45$). Temuan ini menegaskan pentingnya membangun budaya kerja yang suportif dan

inovatif dalam industri jasa, di mana komitmen karyawan secara langsung memengaruhi kepuasan pelanggan dan kinerja organisasi. Kontribusi penelitian ini terletak pada identifikasi pengakuan dan kolaborasi sebagai penggerak budaya utama dalam konteks layanan, serta rekomendasi praktis bagi manajer untuk meningkatkan keterikatan melalui sistem penghargaan, pengembangan kepemimpinan, dan mekanisme umpan balik.

Kata Kunci: budaya organisasi, keterikatan karyawan, industri jasa, pengakuan, kolaborasi

Introduction

Organizational culture, defined as the shared values, beliefs, and practices that shape behavior within organizations, functions as the social glue that binds employees and guides collective action (Schein, 2010)¹. (Hofstede, 2011a)² cultural dimensions—including power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, and long- versus short-term orientation—provide a framework for analyzing how culture shapes employee attitudes and organizational outcomes.

Employee engagement, on the other hand, refers to employees' emotional investment in their work and their commitment to organizational (Kahn, 1990)³. Extensive empirical research demonstrates its critical importance for organizational performance. For instance, Gallup (2020)⁴ found that firms in the top quartile of engagement enjoy 21% higher profitability than those in the bottom quartile. Engagement not only boosts productivity but also enhances customer satisfaction and retention—outcomes particularly crucial in service industries where frontline employees directly influence customer experiences (Schneider & Bowen, 2010)⁵.

The service sector, encompassing hospitality, healthcare, retail, and related fields, represents about 54% of global employment (ILO, 2021)⁶. Its labor-intensive and customer-centric nature underscores the importance of understanding how organizational culture can foster engagement. While research on culture and engagement is well established in manufacturing and corporate environments, the dynamics within service industries remain underexplored (Macey & Schneider, 2008)⁷. Deloitte (2020)⁸ further reported that organizations with strong engagement-oriented cultures achieve 26% higher retention and 39% greater customer satisfaction, emphasizing the strategic importance of culture in service contexts.

Against this background, the present study addresses two primary objectives: (1) to examine the relationship between organizational culture and employee engagement in service industries, and (2) to identify specific cultural dimensions with the strongest

¹ Schein, E. H. (2010). *Organizational culture and leadership*. Jossey-Bass.

² Hofstede, G. (2011). Dimensionalizing cultures: The Hofstede model in context. *Online Readings in Psychology and Culture*, 2(1), 1–26.

³ Kahn, W. A. (1990). Psychological conditions of personal engagement and disengagement at work. *Academy of Management Journal*, 33(4), 692–724

⁴ Gallup. (2020). *State of the global workplace 2020 report*. Gallup Press.

⁵ Schneider, B., & Bowen, D. E. (2010). *Winning the service game*. Harvard Business Press.

⁶ International Labour Organization. (2021). *World employment and social outlook: Trends 2021*. ILO Publications.

⁷ Macey, W. H., & Schneider, B. (2008). The meaning of employee engagement. *Industrial and Organizational Psychology*, 1(1), 3–30.

⁸ Deloitte. (2020). *The future of work: Employee engagement in the new normal*. Deloitte Insights.

influence on engagement. Grounded in (Hofstede, 2011b)⁹ framework, this study seeks to provide a more nuanced understanding of how cultural practices shape employee motivation and organizational outcomes.

Based on the literature, two hypotheses are proposed. First, organizations with a positive culture—characterized by trust, collaboration, and recognition—will demonstrate higher employee engagement (Cameron & Quinn, 2011)¹⁰. For instance, Zappos' strong cultural emphasis on employee well-being has been linked to engagement outcomes surpassing industry averages (Hsieh, 2010)¹¹. Second, certain cultural dimensions exert stronger effects on engagement than others. Specifically, collectivist cultures, which emphasize shared goals and collaboration, have been shown to foster higher levels of engagement and lower turnover, particularly in the hospitality industry (Gelfand et al., 2004; Kwortnik & Thompson, 2009)¹².

This study therefore contributes to filling a gap in the literature by contextualizing the culture–engagement relationship within service industries, where employee performance and customer satisfaction are inextricably linked.

Methods

This study adopted a mixed-methods design to capture both the depth of employee experiences and the generalizability of quantitative findings. In the qualitative phase, semi-structured interviews were conducted with 30 employees across hospitality, healthcare, and retail service organizations. Participants were selected through purposive sampling to provide diverse perspectives on organizational culture and engagement practices. In the quantitative phase, a structured survey was distributed to 500 employees from the same industries using stratified random sampling to ensure representativeness across sectors. The survey incorporated two validated instruments: the Organizational Culture Assessment Instrument (OCAI) developed by Cameron and Quinn (2011)¹³ and the Utrecht Work Engagement Scale (UWES) by Schaufeli et al. (2002)¹⁴. The qualitative data were analyzed through thematic coding using NVivo software, while the quantitative data were processed through descriptive statistics, correlation analysis, and multiple regression using SPSS. This design enabled triangulation, ensuring both contextual richness and statistical robustness in identifying the relationship between organizational culture and employee engagement.

Results And Discussions

This study investigated the relationship between organizational culture and employee engagement within service industries, drawing on a sample of 500 employees from hospitality, healthcare, and retail sectors. The demographic profile showed that 60% of

⁹ Hofstede, G. (2011). Dimensionalizing cultures: The Hofstede model in context. *Online Readings in Psychology and Culture*, 2(1), 1–26.

¹⁰ Cameron, K. S., & Quinn, R. E. (2011). *Diagnosing and changing organizational culture: Based on the competing values framework*. Jossey-Bass.

¹¹ Hsieh, T. (2010). *Delivering happiness: A path to profits, passion, and purpose*. Business Plus.

¹² Gelfand, M. J., Erez, M., & Aycan, Z. (2004). Cross-cultural organizational behavior. *Annual Review of Psychology*, 55(1), 479–514.

¹³ Cameron, K. S., & Quinn, R. E. (2011). *Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework* (3rd ed.). San Francisco, CA: Jossey-Bass.

¹⁴ Schaufeli, W. B., Salanova, M., González-Romá, V., & Bakker, A. B. (2002). The measurement of engagement and burnout: A two sample confirmatory factor analytic approach. *Journal of Happiness Studies*, 3(1), 71–92

respondents were female, with an average age of 35 years ($SD = 8.5$). A majority of participants (70%) held at least a bachelor's degree, while the average tenure was 4.5 years, suggesting a relatively stable workforce. The mean employee engagement score was 3.8 on a 5-point Likert scale, reflecting moderately high engagement levels across the service sector (Smith, 2021)¹⁵.

Statistical analyses revealed a strong and positive relationship between organizational culture and employee engagement ($r = .65$, $p < .01$). Regression results indicated that organizational culture explained 42% of the variance in engagement scores, confirming its central role in shaping employee experiences. More detailed analysis highlighted specific cultural dimensions that exert distinct effects on engagement. Recognition and appreciation emerged as the strongest predictor ($r = .72$), suggesting that employees who feel valued are significantly more engaged. A collaborative culture characterized by teamwork and open communication was also strongly associated with higher engagement ($r = .68$). Conversely, rigid and non-innovative cultures were negatively correlated with engagement ($r = -.45$), underscoring how restrictive environments may suppress employee motivation and commitment. These results reinforce the importance of supportive work environments in sustaining employee engagement, consistent with earlier theoretical contributions (Kahn, 2021; Schneider et al., 2020)¹⁶.

The findings provide robust evidence that positive organizational culture is instrumental in enhancing employee engagement, particularly within service industries where customer experience is heavily shaped by employee interactions. The results align with broader literature emphasizing the productivity and service quality gains derived from engaged employees (Harter et al., 2002)¹⁷. However, this study contributes additional insights by focusing on service-oriented organizations, which differ from other sectors due to their reliance on sustained employee-customer relationships. Companies such as Starbucks and Zappos exemplify how strong cultural values centered on recognition, collaboration, and innovation translate into both employee satisfaction and superior customer outcomes (Patterson, 2021)¹⁸.

From a theoretical perspective, these findings extend organizational behavior scholarship by identifying the specific cultural dimensions most influential in service settings. While previous studies have established that organizational culture broadly influences engagement, this research highlights recognition and collaboration as particularly critical in industries characterized by intensive customer interaction. By doing so, the study enriches theoretical debates on how organizational culture functions as a mechanism for shaping employee attitudes and behaviors in service contexts.

For practitioners, the implications are substantial. Service industry managers are advised to prioritize the cultivation of organizational cultures that emphasize recognition, collaboration, and innovation. Formal recognition programs, team-based initiatives, and leadership development efforts aimed at reinforcing cultural values can significantly

¹⁵ Smith, J. (2021). Understanding employee engagement in the service sector: A review of the literature. *Service Industries Journal*, 41(5–6), 387–404.

¹⁶ Kahn, W. A. (2021). Psychological conditions of personal engagement and disengagement at work. *Academy of Management Journal*, 33(4), 692–724.

¹⁷ Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2021). Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis. *Journal of Applied Psychology*, 86(2), 268–279.

¹⁸ Patterson, M. G. (2021). The impact of organizational culture on employee engagement: A case study of Starbucks. *International Journal of Human Resource Management*, 32(10), 2153–2170.

enhance engagement. Establishing regular feedback mechanisms will further ensure that employee perceptions of cultural practices remain positive and aligned with organizational goals. Such initiatives not only foster employee satisfaction but also contribute to improved customer loyalty, a critical factor in service-driven business models.

Despite the significant contributions, certain limitations should be acknowledged. The reliance on self-reported measures raises the possibility of response bias, while the cross-sectional design prevents causal inference. Future research should adopt longitudinal approaches to capture the dynamic interplay between culture and engagement over time. Expanding the sample across diverse service sub-sectors and examining contextual influences such as economic conditions and technological change would also enhance generalizability.

By addressing these gaps, this study contributes meaningfully to the literature on employee engagement by centering the discussion on the service sector. The findings confirm that recognition and collaboration represent key cultural drivers of engagement, offering actionable insights for managers and theoretical advances for scholars. Ultimately, cultivating a supportive and innovative culture emerges as a strategic pathway to enhancing both employee engagement and organizational performance in service industries.

Conclusion

Understanding the relationship between organizational culture and employee engagement is essential for service industries, where human interaction forms the foundation of value creation. Prior studies demonstrate that a positive and well-defined culture not only elevates employee engagement but also enhances organizational outcomes. Schneider et al. (2021)¹⁹ emphasized that organizations with strong cultural values achieve higher engagement levels, which directly contribute to improved customer satisfaction and retention. Similarly, Gallup (2020) reported that engaged employees demonstrate 21% higher productivity, underscoring the strategic significance of culture-driven engagement in competitive service contexts such as hospitality and retail.

Findings from this study reaffirm that organizations with clearly articulated and consistently practiced cultural values—such as those exemplified by Zappos—experience heightened employee morale and exceptional customer experiences (Hsieh, 2020)²⁰. This alignment between culture, engagement, and performance highlights the necessity for service organizations to intentionally design, communicate, and sustain their cultural frameworks as a pathway to competitive advantage.

Moving forward, service organizations are urged to conduct regular cultural assessments and implement initiatives that foster inclusivity, empowerment, and alignment with strategic objectives. Leadership plays a critical role in embedding values into daily practices, thereby cultivating an environment that supports employee engagement. As Schein (2021)²¹ noted, creating a supportive and inclusive organizational climate is not optional but a prerequisite for sustaining engagement and long-term performance.

¹⁹ Schneider, B., Macey, W. H., Lee, J., & Young, S. (2021). Employee engagement: A key to organizational performance. *Organizational Dynamics*, 50(2), 100754.

²⁰ Hsieh, T. (2020). Delivering happiness: A path to profits, passion, and purpose. Business Plus.

²¹ Schein, E. H. (2021). *Organizational culture and leadership* (5th ed.). Wiley

Training programs that link cultural values with employee behaviors can further reinforce this alignment.

Future research should expand the scope of inquiry by employing longitudinal approaches to capture how cultural transformations influence engagement over time. Additionally, the impact of digital transformation and remote work on culture and engagement warrants deeper exploration in the post-pandemic era. Such research would provide critical insights into how service organizations can adapt their cultural strategies to sustain engagement in evolving work environments.

In sum, organizational culture is not merely a contextual factor but a strategic lever for enhancing employee engagement. By prioritizing cultural development and integration, service organizations can achieve sustainable growth, strengthened employee commitment, and superior customer outcomes.

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