The Influence of Organizational Culture on Employees’ Satisfaction and Commitment in SMEs: A Case Study in Vietnam

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Abstract

The purpose of this study is to evaluate the impact of organizational culture on job satisfaction and organizational commitment among employees in small and medium-sized enterprises in Ho Chi Minh City, Vietnam. The study hypothesized that organizational culture has a significant influence on employees’ satisfaction and that satisfaction also significantly impacts organizational commitment among employees. The data are collected from a sample of 240 office employees. Structural Equation Modeling is used to determine the influence of organizational culture dimensions, including open working environment, salary, and rewards, empowerment, management style, corporate values, on employees’ satisfaction and organizational commitment. The findings showed that the five dimensions of organizational culture positively impact employees’ satisfaction and that job satisfaction significantly influences organizational commitment. Thus, job satisfaction serves as the bridge between organizational culture and commitment. The current study contributes to providing a practical insight into the relationships between organizational culture, employees’ job satisfaction, and organizational commitment. Based on that, managers can develop suitable personnel policies for their organizations to simultaneously enhance employees’ performance and satisfaction, which makes them stay with the company.

Keywords: Organizational Culture, Satisfaction, Commitment, SMEs, Working Environment

JEL Classification Code: D23, O15, M12, M14

1. Introduction

In the past years, human resource competition is one of the issues that business managers are always concerned about. The situation of employees leaving a company to move to another one with higher salaries, more attracting remuneration, and a more friendly working environment is becoming increasingly popular, especially a workplace where commitment is not high (Genevičiūtė-Janonienė & Endriulaitienė, 2014). According to a survey by JobStreet.com - job advertising network currently present in Malaysia, Singapore, the Philippines, Indonesia, Japan, and Vietnam, in early 2016, over 75% of 350 enterprises rated Quarter 1 and Quarter 2 to be the period of frequent fluctuation in human resources. Therefore, the managers are aware that the increase in the number of employees leaving the company has a significant impact on their business. This situation causes an increase in recruitment costs, training costs, pressure, and workload, leading to an imbalance in human resources in each department, which negatively influences labor productivity, and affects the reputation and position of the business in the market (Andrew, 2017; Mastrangelo et al., 2017).

Today, companies have to spend much money on recruiting and training their new employees from time to time, while they have to face a situation where hundreds of employees resign after a short time. This has caused many difficulties and losses for businesses, especially small and medium-sized enterprises (SMEs). Thus, enterprises...
need practices to improve employees’ job satisfaction and increase commitment to the enterprises (Omaret et al., 2017). As a result, many managers have lately begun to explore the cultural and social aspects of their organizations, such as organizational culture, in order to find a solution to their current problems about employees’ turnover and to increase their productivity (Rehman et al., 2018).

It should be noted that organizational culture is intangible and plays an important role in behavioral outcomes such as job satisfaction and commitment (Pawirosumarto et al., 2017; Soomro & Shah, 2019); it is crucial that organizations should take the impact of organizational culture on their employees’ behaviors into consideration. In recent years, there has been an increasing amount of literature about organizational culture that is the link between employees and organizations (Ibrahim et al., 2017; Maamari & Saheb, 2018; Sharma, 2017). Employees are attracted to organizational cultures that fit with their own expectations and values, and organizational culture has been documentarily reported to influence employees’ job satisfaction and commitment (Smith, 2003). Besides, evidence (Abid et al., 2014; Sow, 2017; Tsai, 2011) shows that many reports about these three concepts have been conducted in the context of developed countries, using different employee categories. This means that there is a scope for similar studies about these concepts in the context of developing countries, especially in the SMEs sector, such as in Vietnam, which has had many transformations. However, there has been little discussion about how organizational cultural factors influence employees’ job satisfaction and commitment.

Therefore, the objective of the present study is to investigate the impact of organizational culture on job satisfaction and commitment among employees. In other words, by assessing the influence of organizational cultural factors, we can determine the level of employee satisfaction and how satisfaction has an impact on employee commitment in SMEs. The findings in this study may suggest some practical and managerial implications for managers about enhancing employees’ job satisfaction, thereby encouraging employees to commit to their organizations.

2. Literature Review and Hypotheses

This study applied the social exchange theory (Cook et al., 2013) as the theoretical background. From a social psychological perspective, social exchange theory posits that changes in behaviors and society are a process of negotiated exchanges between parties (Zafirovski, 2005). Social exchange theory highlights that a level of satisfaction within the relationship determines people’s decision-making. Thus, people tend to be happier and make a stronger commitment when they know that they receive more and give less within a relationship. On the contrary, people who are giving more than receiving may not continue in the relationship because it is not meeting what they need (Zafirovski, 2005).

Greenberg and Scott (1996) pointed out that the perception of reciprocity is the main point in social exchange theory. From the perspective of an organization/enterprise, the perception of reciprocity helps to explain to what extent employees feel satisfied and whether or not they may stay in the organization. The perception of reciprocity in social exchange theory is used in the current study to examine how organizational culture is related to employees’ satisfaction and commitment.

Therefore, in this study, we propose that organizational culture (including open working environment; salary and reward; empowerment; leadership style; corporate values) (Mackenzie, 1995; Shortell et al., 2000) has a positive influence on satisfaction and indirectly on their commitment to the organization.

2.1. Open Working Environment

The open working environment mentions both space and nature, which are open and comfortable. A workplace with transparency and openness in communication makes employees feel that their words and contributions are evaluated, and they are involved in the organization’s business. Once the organization offers open communication and is willing to accept their new ideas, which helps fills the gap between managers and employees, they will not be afraid to speak out their own ideas to contribute to the organization’s development. Then, they will feel excited when going to work, maintain their motivation, and tend to be more engaged with the organization (Karamanis et al., 2019; Mackenzie, 1995). As such, the level of job satisfaction will be increased.

H1: Open working environment has a positive relationship with employees’ job satisfaction.

2.2. Salary and Rewards

Salary is the amount employers pay their employees for work according to their agreement. Salary is paid based on job or title, allowance, and other supplements. Previous studies indicated that pay level is positively related to job satisfaction (Malik et al., 2012; Smith, 1969). Hamermesh (1999) pointed that employees who are paid more will be more satisfied with their job, whereas lower salary will lead to a lower level of job satisfaction. Moreover, Heneman III and Schwab (1985) emphasized that employees are more satisfied when they perceive that they have received what they should. In other words, payment satisfaction is positively related to job satisfaction among employees (Bangish et al., 2016).
Rewards have a significant impact on employees’ work motivation to increase productivity and increase job satisfaction. Employees’ rewards are key factors in improving labor productivity, delivering customer satisfaction, and minimizing the rate of employee turnover (Arianto, 2018). Thus, when employees work in an organization for which they are promptly rewarded and recognized for their achievements, they will be more excited and engaged with the organization. Previous studies reported that rewards and recognition help keep employees in a state of motivation and lead to their job satisfaction (Akafo & Boateng, 2015; Danish & Usman, 2010; Flynn, 1998).

**H2:** Salary and rewards have a positive relationship with employees’ job satisfaction.

### 2.3. Empowerment

Empowerment is especially important for employees who interact with customers, as it creates flexibility in meeting customer requests (Li et al., 2018). Empowerment is the supervisor’s willingness to give decision-making power to their subordinates within regulation. Empowerment allows employees to think independently, act, control, and decide on their own work. They can decide to do the job according to what they believe is right and are willing to take responsibility for the final results. Empowerment will make employees fully responsible for their work and understand their work better. Success in empowerment creates a working environment that makes people genuinely enjoy their work and motivated to exert their abilities. When employees work in an organization, they are allowed to make decisions proactively. In the scope of work, they feel more excited and more confident in their work. Therefore, employees with a higher level of empowerment will be more satisfied with their job than those with a lower level (Choong & Lau, 2011; Rana & Singh, 2016; Spreitzer et al., 1997). On the contrary, when working with constraints, it is difficult for employees to utilize their capabilities fully; they feel uncomfortable and at risk of leaving the organization when it is possible.

**H3:** Empowerment is positively related to employees’ job satisfaction.

### 2.4. Leadership Style

Leadership style plays an important role in boosting the relationships between leaders and employees and influencing job satisfaction among employees (Asghar & Oino, 2017; Banks et al., 2016). Thus, companies must ensure that managers of all levels maintain communication with employees. This is to communicate the company’s values, vision, direction, and goals so that the employees fully understand the ongoing processes in the organization. This will make employees feel highly respected and have authority in the workplace (Lok & Crawford, 2004). Leaders, who are sympathetic and sharing, will build trust with employees by understanding any situation employees might face. If employees feel that they are treated well, receive the care, support, sympathy, and appreciation from their leaders, they will be more satisfied and have positive attitudes in their job (Armstrong, 2006; Aziri, 2011; Nguyen, 2020).

**H4:** Leadership style is positively related to employees’ satisfaction.

### 2.5. Corporate Value

The core of a culture is the value of the business. Although the vision shows the business’s goals, it is based on these values as a measure, as a standard to adjust the behaviors and views needed to achieve that vision. It regulates and controls behaviors to ensure standards and honesty in the operations of business entities. Several studies have revealed that organizational values such as fairness, enthusiasm are of importance because it helps to enhance job satisfaction among employees (Bellou, 2010; Burke, 2001). Moreover, the level of job satisfaction is higher among the employees whose perception of values is coherent to the declaration of values in the organization (Kallas et al., 2010).

**H5:** Corporate value has a positive relationship with the employees’ job satisfaction.

### 2.6. Job Satisfaction and Commitment

Job satisfaction is the general attitude of employees towards their job. Those who have a positive attitude towards their job may have a high degree of job satisfaction. Several studies have demonstrated a strong correlation between organizational satisfaction, commitment, and job volatility (Gopinath, 2020). Those who are committed to the organization are less likely to leave the company. Organizational commitment can be seen as an extension of job satisfaction, as it relates to the employees’ positive attitude and loyalty (Mulyono et al., 2020) to the organization. Satisfied people tend to work harder than others because they are motivated to work better. This shows an extremely high level of their commitment to the organization. The higher the level of satisfaction is, the more employees are committed to sticking with the organization, and this has great significance in the success of the organization (Ingsih et al., 2020). Therefore, we proposed the hypothesis:

**H6:** Job satisfaction has a positive relationship with the employee’s commitment to the organization.
3. Research Method

3.1. Measures

The open working environment has 4 items (OP1, OP2, OP3, OP4). The scale is measured based on material facilities, working environment, internal communication (Mackenzie, 1995).

Salary and rewards include 5 items (SR1, SR2, SR3, SR4, SR5). The scale is measured based on employees' salary, fair reward policy as well as the timely recognition of employee contributions (Shortell et al., 2000).

Empowerment includes 4 items (EMP1, EMP2, EMP3, EMP4), which reflect the employees' abilities and capabilities and express the level of trust among leaders about the staff. This scale is developed based on research by Hayes (1994).

Leadership style includes 6 items (LD1, LD2, LD3, LD4, LD5, LD6). The scale reflects the style of the leader, the concern for the employees, as well as the connection and relationships between leaders and subordinates. The scale is developed based on research by Mackenzie (1995).

Corporate values include 6 items (VAL1, VAL2, VAL3, VAL4, VAL5, VAL6). This scale is developed by the author on the basis of the study (Tepeci & Bartlett, 2002). The scale is used to measure “the degree of worth, importance, and desirability of what happens at work” (Knoop, 1991).

Satisfaction has 4 items (SA1, SA2, SA3, SA4); the scale is developed based on research by (Spector, 1997). The scale measures the employees’ satisfaction with the company’s values, goals, working conditions at the company, salary and rewards, and corporate governance policy.

Commitment includes 4 items (COM1, COM2, COM3, COM4), developed based on the research by O’reilly and Chatman (1986). The scale measures consensus with the organization’s goal; employees feel satisfied and strive for the values of the business.

3.2. Participants and Procedures

We investigated the sample of employees working at SMEs with a number of 240 questionnaires to ensure the quantity and quality of the questionnaire (Table 1). Before conducting the official survey, we conducted a pilot study with a number of 50 employees of SMEs to check whether the preliminary scales are suitable to measure all the variables.

The reliability with Cronbach’s Alpha for pilot survey showed that Open working environment has Cronbach’s Alpha coefficient = 0.63; Salary and rewards have Cronbach’s Alpha coefficient = 0.816; Empowerment has Cronbach’s Alpha coefficient = 0.768; Leadership style has Cronbach’s Alpha coefficient = 0.855; Corporate value has Cronbach’s Alpha coefficient = 0.856; Satisfaction has Cronbach’s Alpha coefficient = 0.876 (highest); Commitment has Cronbach’s Alpha coefficient = 0.830. The results showed that all of the scales are reliable. Thus, the final version of the questionnaire includes 35 items with five independent variables, one dependent variable, and one intervening variable.

4. Results

4.1. Descriptive Analysis

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<tr>
<th>Table 1: Demographic Description</th>
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<td>Total</td>
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<td><strong>Job position</strong></td>
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<td>Leader</td>
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<td>Section manager</td>
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<td>Staff</td>
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<td><strong>Educational level</strong></td>
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<td>Undergraduate</td>
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<td>Total</td>
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<td><strong>Income (Vietnam dong)</strong></td>
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<td>7–15 million</td>
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<tr>
<td>More than 25 million</td>
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<td>Total</td>
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4.2. Measurement Model

A confirmatory analysis was performed via AMOS 20 to test the validity of all constructs. A variety of indices include CFI (>0.90), RMSEA (<0.10), GFI (>0.90), and \( \chi^2/df <3.00 \), which is utilized to examine the fitness of the overall model (McDonald & Ho, 2002). The measurement model showed the indices of great fits (e.g. CFI = 0.933; TLI = 0.924; GFI = 0.853; RMSEA = 0.044; \( \chi^2/df = 1.472; \) RMSEA = 0.043). Therefore, our measurement model is appropriate to the testing of the theoretical structure model.

4.3. Structural Equation Modeling

![Figure 1: Structural Equation Modeling](image)

Note: OP: Open working environment; EMP: Empowerment; SR: Salary and rewards; LD: Leadership style; VA: Corporate Value; SA: Job satisfaction; CO: commitment.

4.4. Hypothesis Testing

The relationships among these constructs were tested with Structural equation model (SEM) analysis via AMOS 20. The method of maximum likelihood estimation was showed in SEM analysis. The analysis results revealed good fit indices; GFI = 0.851; CFI = 0.923; \( \chi^2/df = 1.480; \) RMSEA = 0.045; TLI = 0.923; \( p < 0.001 \); thus they are considered to be good fit.

Hypothesis testing was conducted using bivariate correlation (see Figure 1 and Table 2). All the hypotheses are shown below, consisting of their correlations.

**H1:** The open working environment has a positive relationship with employees’ satisfaction and commitment to the organization. The results showed a positive correlation between the “open” working environment and customer satisfaction. This hypothesis is supported with \( p\text{-value} = 0.034 < 0.05 \). Thus, the open work environment (0.142) is an important factor that has a direct impact on employee satisfaction and indirectly affects employee commitment.

**H2:** Salary and rewards are positively related to employee satisfaction and commitment to the organization. The results show that there is a positive correlation between salary policy and customer satisfaction. This hypothesis is accepted with \( p\text{-value} = 0.037 < 0.05 \). So the salary and rewards (0.123) are an important factor that has a direct impact on employee satisfaction and indirectly affects employee commitment.

**H3:** Empowerment is positively related to employee satisfaction and commitment to the organization. This hypothesis is accepted with \( p\text{-value} = 0.023 < 0.05 \). So the open working environment (0.142) is an important factor that has a direct impact on employee satisfaction and indirectly affects employee commitment.

**H4:** Leadership style has a positive relationship with employees’ satisfaction and commitment to the organization. This hypothesis is accepted with \( p\text{-value} = 0.00 < 0.05 \). Therefore, management style (0.326) is an important factor that has the strongest direct impact on employee satisfaction and indirectly affects employee commitment.

**H5:** Corporate Values have a positive relationship with employee satisfaction and commitment to the organization. The results show that there is a positive correlation between corporate value and employees’ satisfaction. This hypothesis is supported with \( p\text{-value} = 0.00 < 0.05 \). Thus, Corporate Value (0.258) is the second most important factor that has a direct impact on employees’ satisfaction and indirectly affects employee commitment.

**H6:** Job satisfaction has a positive influence on organizational commitment. The hypothesis is supported with \( p\text{-value} < 0.05 \). Therefore, Job satisfaction (0.618) strongly influences organizational commitment among employees.

<table>
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<tr>
<th>Table 2: Standardized Regression</th>
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<td><strong>Parameter</strong></td>
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<tr>
<td>SA ← VAL</td>
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<td>SA ← MANA</td>
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<td>SA ← POL</td>
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<td>SA ← EMP</td>
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<td>SA ← OP</td>
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<td>CO ← SA</td>
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Note: OP: Open working environment; EMP: Empowerment; SR: Salary and rewards; LD: Leadership style; VA: Corporate Value; SA: Job satisfaction; CO: commitment.
5. Discussion

The objective of the current study is to examine how five dimensions of organizational culture influence job satisfaction and organizational commitment among employees in SMEs in Vietnam.

Firstly, the research results show a positive correlation between an open working environment and job satisfaction. Employees working in small and medium-sized enterprises in Vietnam have agreed that the working environment is crucial to achieving job satisfaction. With increasing competition and changes and challenges in the business environment, different organizations must ensure that their employees work in a favorable and friendly environment to maximize their potential. A harsh working environment restricts employees from exerting their abilities and realizing their full potential. Therefore, the company must be aware of the importance of a good working environment.

Secondly, managers should spend some time learning more about employees’ behaviors and how managers’ attitudes and behaviors affect employees’ job satisfaction. Managers need to understand employees’ needs and abilities. Alternatively, managers cannot motivate their employees. In addition, they can help individuals create a dynamic environment through their actions and a more participatory attitude. The results of the current study suggested that management style can increase the level of commitment in the organization by increasing satisfaction with policies and working conditions.

Thirdly, SMEs need to understand better how corporate values fit with personal values. This will enable organizations to design a human resource management system that can better attract, motivate and retain their workforce. Our findings indicate that the match between personal, corporate values and corporate values is an important predictor of job satisfaction and organizational commitment. Small and medium-sized enterprises in Vietnam should investigate the job value of their applicants and existing employees to develop management practices, including regulations that provide more autonomy and performance evaluation. Besides, SEMs can select employees more carefully based on whether their corporate values match the human resource system. A good match between employees’ corporate values and the company’s human resource system should lead to higher job satisfaction and organizational commitment.

Fourthly, it is empowerment. When employees work in an organization that allows them to take the initiative to make decisions at work, they will feel more excited and confident about their work and continue to stick to the organization, and vice versa. Therefore, managers need to pay more attention to and improve this issue in order to improve employee satisfaction. Managers need to create a working environment so that employees have the right to work. Be more effective, make more contributions to one’s business, and treat work as a pleasure. People need to be confident that employees can do the right thing and be able to make the right decision. Accept the fact that as long as the decision is effective, employees can make decisions that are different from their own.

Fifthly, salary and rewards have a significant impact on job satisfaction. When providing employees with high salaries or rewards, it can clearly show that most of them are satisfied with their work, which directly affects work performance. This sense of satisfaction may be due to their needs or life difficulties, prompting them to perform well in exchange for the salary and rewards they provide. The results show that there is a significant relationship between economic remuneration and job satisfaction as an independent variable. Therefore, it is mentioned in the literature review that salary and rewards have an impact on job satisfaction. The results show that there is a positive correlation between salary and job satisfaction. This finding confirms this work because it shows that salary and rewards are the key factors to employee satisfaction. Therefore, it supports speculation on the expert’s suggestion about the relationship between the two. This is the importance of salary and rewards, which are considered to be the main factor in increasing the level of commitment.

Sixthly, in the current study, job satisfaction has a positive impact on the organizational commitment of Vietnamese SME employees. This finding shows that job satisfaction has an impact on organizational commitment. Our research results show that job satisfaction is, to a certain extent, people’s expectations of work and actual achievements. Therefore, if employees expect a lot but get less, they will feel dissatisfied. Satisfied employees see no reason to leave. Therefore, employees believe that they need to appreciate the ethical loyalty to the organization and the effort to satisfy the job.

6. Conclusion

This research provides information about the impact of organizational culture on the job satisfaction and commitment of SME employees. The research uses quantitative research methods. Future research may also include qualitative research methods, as this provides space for detecting areas that may need to be clarified. This research focuses on the correlation between organizational culture and job satisfaction and commitment. Future research can also focus on the impact of demographics on job satisfaction and commitment in the context of SMEs, and focus on the impact of demographics on these variables.
References


