The Effect of HRM Practices on Employee Engagement With Clan Culture as Moderating Variables

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To maintain and improve competitiveness, exploring potentials and innovations to survive in the competition aimed at attracting student interest and gaining public recognition at the national and global levels (World Class University), universities must improve employee engagement. Because high employee engagement is a source of organizational competitive advantage in achieving its vision, mission, main goals and implementing organizational strategies at the global level. To improve employee engagement with improving HRM Practices. In this study, testing the effect of HRM practices on employee engagement with clan culture as a moderating variable. The results of these tests are expected to be a reference for organizations to improve employee engagement. Questionnaires were distributed to 154 employees of universities in Surabaya with varying criteria. After the questionnaires were collected, statistical tests were performed using Partial Least Square (PLS). The results of statistical testing found that employee engagement are influenced by training & development, performance appraisal and compensation. Meanwhile, clan culture only moderates the relation between compensation for employee engagement, and does not moderate the relations between training & development and performance appraisal on employee engagement. Results of this study may be employed as a policy consideration and further contribute to the literature of management studies.

Keywords: Employee Engagement, HRM Practices, Training & Development, Performance Appraisal, Compensation, Clan Culture

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INTRODUCTION

Employee engagement is a condition which employees are doing positively and satisfactorily in their work, characterized with vigor, dedication, and absorption (Schaufeli and Bekker, 2004). The global aggregate data from Gallup in 2014 to 2016 across 155 countries indicate that only 15% of employees worldwide are engaged in their job, 67% are not engaged, and 18% are actively disengaged. In Indonesia, only 15% of employees are engaged, while 75% are not engaged and the rest 10% are actively disengaged (Gallup, 2017). Based on this data, the number of employees in Indonesia who are not engaged in their work is greater than the average employee worldwide.

High employee engagement is the source of organizational competitive advantage in achieving the organizational vision, mission, main goals, and implementing strategy (Al-Mehrizi and Singh, 2016; Gruman and Saks, 2011; Vance, 2006). Study from Taleo (2009) in Chahar & Hatwal (2018) stated that low employee engagement results in employees being unable to work properly, thus affecting the achievement of the vision, mission, and organizational success. Other studies showed employees without a sense of engagement with the company tend to be skeptical of any initiatives or communications which the company offers, and of course this condition has the potential to spread to other employees (Ellis and Sorensen, 2007; Perrin, 2003).

Many researchers (Vance, 2006; Chen, 2017; Van de Voorde and Beijer, 2015; Alias et al., 2014) said that HRM practices have an important role in increasing employee engagement if they are introduced and managed well. A good HRM practices embedded in organizational systems tend to have a significant and positive impact on engagement levels. Employee engagement starts with employer practices such as job and task design, recruitment, selection, training, compensation, performance management, and career development. To engage workers as well as to benefit from that engagement, organizations must invest in its human resource practices (Vance, 2006).

According to Alfes et al. (2013) and Albrecht et al. (2015), HRM practices are the way or tool to achieve organizational goals using individuals or employees. Noe et al. (2014) defined HRM as the policies, practices, and systems which influence employee behaviors, attitudes, and performances. Some researchers find that HRM practices which have a strong influence on improving employee engagement are training and development, performance appraisal, and compensation (Jafri, 2013; Johari et al., 2013; Aktar and Pangil, 2018; Chahar and Hatwal, 2018).

Not only HRM practices, organizational culture also affects employee engagement. McBain (2007) argued that the key to drive engagement is organizational culture, organizational management, leadership, and working life. Akbar (2013) found that organizational culture can affect employee engagement if it matches with employees expectations. When the organizational culture is in accordance with the expectations of the employees, the engagement will be high, and adversely when the culture in the company does not match the expectations of the employees, the engagement will be low. Aktar and Pangil (2018) posited that organizational culture can moderate and further strengthen the relationship of HRM practices and employee engagement, as the moderating variable may play an important role of buffering effect to modify the relationship (Emmerik et. Al., 2005; Cavana et. Al., 2001).

Organizational culture is a shared meaning system which distinguish an organization from other organizations and adopted by its members. The social glue that exists within the organization contains values, habits, beliefs that characterize the organization and all of its members (Cameron and Quinn, 2012). Cameron and Quinn
(2006) also divide culture into four types based on competition values framework. All of them are Clan Culture, Adhocracy Culture, Hierarchy Culture, and Market Culture.

**LITERATURE REVIEW**

**Employee Engagement**

Robinsons and Judge (2013) explained employee engagement as individual involvement and satisfaction with work, and individual enthusiasm for the work they do. Lockwood (2007) defined engagement as the extent to which employees have an attachment to something or someone in the company, where engagement is a combination of commitment and line of sight. Commitment is employee’s motivation to help organizational success. Line of sight is the focus and direction which allows employees to understand what an employee must do to make their organization successful.

Schaufeli and Bakker (2004) described employee engagement as a positive motivational state characterized as vigor (enthusiasm), dedication, and absorption (full attention). Engagement refers to affective and cognitive statements that are more persistent and deep, not only focused on a portion of the object, activity, individual or behavior. The three dimensions of employee engagement are as follows:

1. Vigor is characterized by the existence of high levels of energy and mental resilience at work, and the desire to put in effort at work and be persistent despite facing difficulties.
2. Dedication refers to a person's deep involvement in their work and a sense of being significant, enthusiastic, inspired, proud, and challenging.
3. Absorption characterized by full concentration and enjoying his work so much that time does not seem to have passed quickly.

**HRM Practices**

Human resource management (HRM) is the use of individuals to achieve organizational goals. There are 6 main functions HRM, staffing, performance management, human resource development, compensation, safety and health, and employee and labor relations (Mondy and Martocchio, 2016). Alfes et al. (2013) and Albrecht et al. (2015) defined HRM practices as the way or the tool to achieve organizational goals using individuals or employees.

Minbaeva (2005) reveals that HRM practices are a set of practices used by organizations to manage human resources through company-specific competency development facilities, producing complex social relationships, and generating organizational knowledge to maintain competitive advantage. Meanwhile, Noe et al. (2014) outlined HRM practices as policies, practices, and systems that influence employee behavior, attitudes, and performance.

Many companies refer to HRM as the practice of engaging people or people practices. Some important HRM practices which support an organization's business’ strategy are: analyzing and designing jobs, determining how many employees with certain knowledge and skills are needed (human resource planning). Prior studies summarized HRM practices which have a strong effect on increasing employee engagement are training and development, performance appraisal, and compensation (Jafri, 2013; Johari et al., 2013; Aktar and Pangil, 2018; Chahar and Hatwal, 2018).
Training and Development

Training and development is the main key of continuous efforts designed to improve employee competence and organizational performance. Training aims to provide knowledge and skills needed for their current jobs (Mondy & Martocchio, 2016). Training is defined as a planned program designed to increase the performance level of individuals, groups and / or organizations. Performance improvement, thus implies that there have been measurable changes in social knowledge, skills, attitudes, and / or behavior (Cascio, 2016). Development is an activity which directed at increasing competence over a longer period of time that goes beyond the current position in order to anticipate the future needs of an organization which continues to develop and change (Mondy & Martocchio, 2016).

As one of the variables in HRM practices, training & development is an opportunity provided by an organization for employees to improve their competence and knowledge by participating in said training and development. When an organization invests resources through a suitable training program, employees reciprocate by involving themselves more and more in their organization (Karatepe, 2013). Jafri (2013) says that training and development is a major contributor to increase employee engagement. When an organization invests in employee training and development, employees will return the investment in the form of enthusiasm and commitment to their work, which is a reflection of employee engagement.

The training and development programs provided to employees are the most important dimension related to human resource practices leading to higher levels of employee engagement. This shows that training really helps employees in increasing competitiveness and improving employee engagement. (Chahar & Hatwal, 2018). Based on the prior studies above, this study is driven to assess the effect of training and development on employee engagement. Then the first hypothesis is obtained as follows:

H1: Training & development has a significant effect on employee engagement

Performance Appraisal

Performance appraisal defined as the process of evaluating how well employees do their job when compared to a set of standards, and then communicating that information to those employees (Jafri, 2013). Mondy & Martocchio (2016) defined performance appraisal as a formal system for reviewing and evaluating the performance of individual or team tasks. Performance appraisal is an important factor which predicts employee involvement in the organization. Clear and objective criteria, and unbiased systems in performance appraisals keep employees engaged.

By making goals concise and clear, organizations can maximize employee engagement by linking their work with broader organizational goals, helping employees identify their duties and contributions to the organization (Jafri, 2013). Chahar & Hatwal (2018) found that better performance appraisal practice results in higher employee involvement. Providing the best sustainable opportunities for organizations to encourage employee engagement by providing feedback and expected results in the future. The second hypothesis is as follows:

H2: Performance appraisal has a significant effect on employee engagement

Compensation

Mondy & Martocchio (2016) define compensation as every rewards received by individuals as a result of their efforts in carrying out their duties and jobs. Compensation (including rewards and benefits) can greatly affect employee engagement (Vance, 2006).
Rewards and benefits were also found to be significant predictors of involvement in Jafri’s research (2013). Rewards and benefits help employees meet their basic needs. So, more engagement is yielded by further rewards and benefits.

Aktar and Pangil (2018) described compensation was found to be the strongest predictor of employee engagement on the relationship between HRM practices and employee engagement. Compensation (financial recognition, no financial recognition, and benefits) is the strongest predictor of the level of involvement among employees at the operational level (Johari, et.al., 2013). The third hypothesis is formulated as follows:

H3: Compensation has a significant effect on Employee Engagement

**Clan Culture**

Organizational culture is the shared meaning system adopted by members which differentiates the organization from other organizations. The social glue that exists within the organization contains values, habits, and beliefs that distinguish the organization and its members (Cameron and Quinn, 2012). Clan culture is one of the four organizational cultures proposed by Cameron & Quinn (2006). Based on the Competing Values Framework, the current theoretical model is the world's dominant framework for measuring organizational culture.

Not only HRM practices, organizational culture can affect employee engagement. McBain (2007) stated that the key to driving engagement is organizational culture, organizational management, leadership, and working life. Furthermore, Akbar (2013) added that employees want a company culture that matches their expectations. When the company culture is in accordance with employees’ expectations, employee engagement will be high. Adversely, when the culture in the company does not match the employees’ expectations, the engagement of the employees will be low.

Aktar and Pangil (2018) proved that organizational culture can moderate and further strengthen the relationship between HRM practices and employee engagement. The moderating variable plays an important role from the buffering effect to modify a relationship (Emmerik, et al. 2005; Cavana, et al. 2001). Research conducted by Lee and Kim (2017) implied that high clan culture will positively moderate or enhance the relationship between CSR and company performance. Where CSR has a significant effect on employee engagement, which in turn can improve company performance (Glavas, 2016).

H4: Clan Culture moderates the relation of HRM Practices on Employee Engagement

Figure 1. Research Conceptual Framework
METHODOLOGY

The study conducted by distributing questionnaires to 154 employees at state universities in Surabaya. Each respondent is given a list of structured statements according to the operational definition of the variables studied, then the respondent is asked to fill out a questionnaire by answering the statements that have been provided.

The measurement of each variable indicator in the research questionnaire was carried out in the form of scoring using a Likert scale. The Likert scale is an attitude measure designed so that respondents can judge how much they support the statements made specifically by the researcher for an object. Respondents were asked to choose one of the five alternative answers - strongly disagree, agree, neutral, agree, and strongly agree, with a weighted value of strongly agree (SS) given a weight of 5, agree (S) given a weight of 4, neutral (N) given a weight of 3 , disagree (TS) is given a weight of 2, and strongly disagree (STS) is given a weight of 1 (Sudaryono, 2017).

The data then analyzed using Smartpls to test the validity and the reliability of all constructs. Fit test on the outer model by looking at convergent validity and discriminant validity. Convergent validity is measured by looking at the correlation between the indicator score and the variable score in the research model, construct is considered valid if the value is greater than 0.7. The reflective indicator will be removed from the measurement model if it has an outer loadings value below 0.4, but if the loading score obtained is between 0.5 - 0.7 the indicator does not need to be removed as long as it has an AVE score greater than 5 (Abdillah & Jogiyanto, 2015). For reliability, Cronbach’s Alpha measures the lower limit of the constructs’ reliability value with the minimum value of 0.7. In addition to Cronbach’s Alpha, the composite reliability value is also used which is considered better in estimating the internal consistency of a construct because it measures the actual reliability of a construct, the value must also be greater than 0.7 (Abdillah & Jogiyanto, 2015).

The inner model measurement is also carried out to predict the causal relationship between latent variables and as a parameter of significance in hypothesis submission. The structural model is evaluated with the R-Square value for the dependent variable, the Path Coefficient value or the t-value for each path to test the significance between constructs in the structural model. The value of R-Square also used to measure the level of change variation in the independent variable to the dependent variable. Higher R-Square value means better prediction of the research model used. The path coefficient value or inner model shows the level of significance in testing the hypothesis.

RESULTS AND DISCUSSION

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>74</td>
<td>48%</td>
</tr>
<tr>
<td>Female</td>
<td>80</td>
<td>52%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ 30 years</td>
<td>31</td>
<td>20%</td>
</tr>
<tr>
<td>31 - 40 years</td>
<td>49</td>
<td>32%</td>
</tr>
<tr>
<td>&gt; 40 years</td>
<td>74</td>
<td>48%</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school</td>
<td>34</td>
<td>22%</td>
</tr>
<tr>
<td>Diploma</td>
<td>62</td>
<td>40%</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>55</td>
<td>36%</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>3</td>
<td>2%</td>
</tr>
<tr>
<td>Years of Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ 5 years</td>
<td>25</td>
<td>16%</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>37</td>
<td>24%</td>
</tr>
</tbody>
</table>
The Table 2 above shows that all constructs have met the convergent validity test because the AVE value is greater than 0.5. In Table 3, based on the value of direct testing, it can be concluded that training & development, performance appraisal, and compensation has a significant positive effect on employee engagement, performance appraisal also has a significant positive effect on employee engagement, and compensation has a significant positive effect on employee engagement.

Based on the value of the moderation effect test in Table 4, it can be concluded that the clan culture does not moderate the relationship between training & development on employee engagement, as well as the relationship between performance appraisal on employee engagement. But in the relationship between compensation to employee engagement, clan culture as a moderating variable strengthens the relationship positively.

### Table 2. Average Variant Extracted (AVE) and Cronbach’s Alpha

<table>
<thead>
<tr>
<th>Variables</th>
<th>AVE</th>
<th>Validity</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training &amp; Development</td>
<td>0.784</td>
<td>Valid</td>
<td>0.931</td>
<td>0.948</td>
<td>Reliable</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>0.651</td>
<td>Valid</td>
<td>0.866</td>
<td>0.903</td>
<td>Reliable</td>
</tr>
<tr>
<td>Compensation</td>
<td>0.699</td>
<td>Valid</td>
<td>0.892</td>
<td>0.921</td>
<td>Reliable</td>
</tr>
<tr>
<td>Vigor</td>
<td>0.812</td>
<td>Valid</td>
<td>0.869</td>
<td>0.920</td>
<td>Reliable</td>
</tr>
<tr>
<td>Dedication</td>
<td>0.692</td>
<td>Valid</td>
<td>0.847</td>
<td>0.907</td>
<td>Reliable</td>
</tr>
<tr>
<td>Absorption</td>
<td>0.792</td>
<td>Valid</td>
<td>0.861</td>
<td>0.915</td>
<td>Reliable</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>0.765</td>
<td>Valid</td>
<td>0.944</td>
<td>0.953</td>
<td>Reliable</td>
</tr>
<tr>
<td>Clan Culture</td>
<td>0.783</td>
<td>Valid</td>
<td>0.954</td>
<td>0.963</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: Processed research

### Table 3. Direct Effect Testing Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>t-statistics (O/STDEV)</th>
<th>P-values</th>
</tr>
</thead>
<tbody>
<tr>
<td>T&amp;D → EE</td>
<td>0.146</td>
<td>0.148</td>
<td>0.065</td>
<td>2.258</td>
<td>0.024</td>
</tr>
<tr>
<td>PA → EE</td>
<td>0.225</td>
<td>0.227</td>
<td>0.081</td>
<td>2.761</td>
<td>0.006</td>
</tr>
<tr>
<td>Compensation → EE</td>
<td>0.345</td>
<td>0.346</td>
<td>0.062</td>
<td>5.575</td>
<td>0.000</td>
</tr>
<tr>
<td>CC → EE</td>
<td>0.280</td>
<td>0.273</td>
<td>0.078</td>
<td>3.570</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Processed research

### Table 4. Moderation Effect

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>t-statistics (O/STDEV)</th>
<th>P-values</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCvTD → EE</td>
<td>-0.119</td>
<td>-0.111</td>
<td>0.092</td>
<td>1.291</td>
<td>0.197</td>
</tr>
<tr>
<td>CCvPA → EE</td>
<td>-0.108</td>
<td>-0.091</td>
<td>0.084</td>
<td>1.297</td>
<td>0.195</td>
</tr>
<tr>
<td>CCvCom → EE</td>
<td>0.215</td>
<td>0.189</td>
<td>0.073</td>
<td>2.960</td>
<td>0.003</td>
</tr>
</tbody>
</table>

Source: Processed research
The results showed that the first hypothesis was accepted and its validity was proven. When employees are given high opportunities in training and development, employee engagement is included in the sufficient category. These results are consistent with research conducted by Jafri (2013), training and development is the main contributor to increasing employee engagement. Because employee training and development is an investment for the organization. When organizations invest in employee training and development, employees become more engaged, committed, and excited about their jobs.

In addition, training and development can add knowledge and benefits to employees so that in the end employees will be more confident and proud of their work. Hatwal's research (2018) also found that training and development really helped employees get a higher level of competitiveness and better employee engagement. Employees who have the opportunity to improve their competence through training and development sponsored by the organization will have a higher engagement than employees who are not. Because, employees feel that the organization appreciates and needs it, so they are more loyal and in the end more engaged with the organization.

The results of testing the second hypothesis, showed that performance appraisal significantly affected employee engagement. This is in accordance with Hatwal's (2018) research which states that the better the performance appraisal practice, the higher the employee involvement. Employees are quite satisfied with the performance appraisal that occurs in their organization, so that their employee engagement is also included in the moderate / average category.

Feedback of the performance appraisal is also very necessary, because employees believe in the performance appraisal that is carried out, employees will not think ambiguously and feel that the performance appraisal is just a formality. In accordance with research (Khan, 1990) which states that feedback on employee performance appraisals, about achievements and shortcomings and also provides a direction for subsequent assessments, makes employee work more 'meaningful', an important psychological condition that results in employee engagement. A study by the Ivey Business Journal revealed that performance appraisal feedback delivered clearly and specifically had an impact on millennials in managing engagement (Gilbert, 2011).

The results of testing the third hypothesis, showed that compensation had a significant effect on employee engagement. When compensation was in the moderate / moderate category, employee engagement was also in the moderate / average category. Research conducted by Aktar and Pangil (2018) states that compensation is the strongest predictor of the relationship between HRM Practices and employee engagement of Bank employees in Bangladesh.

In accordance with Jafri's research (2013) which states that employees will be more involved with their work when given high rewards and benefits. When the cost of living is increasing, employees want higher compensation from the company. When the organization provides employees with high compensation, the employees will be more enthusiastic, energized and enthusiastic about their work. Other studies have also stated that an attractive compensation package is a vital attribute to motivate employees to be more involved in their work, especially in Indonesia in the context of developing countries (Bergmann, 2001).

In this study, a hypothesis was tested on the effect of clan culture moderation on the relationship between HRM practices (training & development, performance appraisal, compensation) and employee engagement. In testing the moderation effect it was found that the clan culture did not moderate the effect of training & development on employee engagement.
engagement and the effect of performance appraisal on employee engagement. But the clan culture moderates / further strengthens the relationship between compensation and employee engagement.

This is in accordance with research conducted by Rohim and Budiasa (2019) which states that clan culture further strengthens the relationship between compensation and employee performance. But in contrast to the moderating effect that occurs on the relationship between training & development and employee engagement as well as performance appraisal and employee engagement, the better the clan culture has no impact on these two relationships. This is in line with research conducted by Aktar and Pangil (2018), who found that organizational culture only moderated part of the relationship between HRM practices and employee engagement. Research conducted by Lee and Kim (2017) found that a high clan culture will positively moderate / further enhance the relationship between CSR and company performance. Where CSR has a significant effect on employee engagement, which in turn can improve company performance (Glavas, 2016).

CONCLUSION

Based on the results obtained, it is known that HRM practices have an effect on employee engagement with clan culture as a moderating variable. Specifically, HRM practices peroxide by training & development, performance appraisal and compensation have an effect on employee engagement. Whereas in the interaction effect in this research model, clan culture acts as a predictor variable to strengthen the relationship between compensation and employee engagement, but does not strengthen or weaken the relationship between training & development and performance appraisal on employee engagement. There are several suggestions that can be used to improve employee engagement:

1. To increase employee engagement it can be increasing the opportunity for employees to discuss training according to their competence, whether approved or not, management must provide a clear explanation to employees who apply for training.

2. Management must give feedback on employee performance appraisals. With it employees feel more meaningful about their performance assessment and not just a formality. With employee feedback knowing the strengths and weaknesses, management can provide solutions to problems faced by employees. It is hoped that employees can correct their mistakes, which in turn will improve employee performance thereby increasing the level of trust and employee engagement and accelerating the achievement of organizational goals.

3. Work is an individual effort to get wages that are used to meet their basic needs. The longer the basic needs possessed by individuals are increasing. An attractive compensation package makes employees more enthusiastic and focused on their work. Organizations can provide attractive compensation packages for their employees by maximizing compensation in accordance with the Standards.

4. As an organizational culture expected by employees, clan culture can be a reference for organizational culture. Superiors are expected to become mentors for their subordinates, the implementation of joint activities (outbound / open-air learning and learning communities or team work) which are routinely carried out in previous years will be further enhanced.

This research is based on the need to answer the phenomena that occur in state
universities by developing a theoretical model of previous research. Future research is expected to expand the research context of factors that can increase employee engagement in other educational institutions. The use of other exogenous variables which are antecedents of employee engagement as well as comparative studies are also suggested.

REFERENCES


