

### A MATTER OF SIZE: DOES ORGANISATIONAL CULTURE PREDICT JOB SATISFACTION IN SMALL ORGANISATIONS?

Judy H. Gray, Iain L. Densten & James C. Sarros

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#### Abstract

This paper examines executive perceptions of organisational culture and job satisfaction in small organisations (<100 employees, N=655). Despite extensive research on corporate culture, very little empirical research has examined the culture of small organizations. An updated version of the Organizational Culture Profile (OCP, O'Reilly, Chatman and Caldwell, 1991) and a single measure of job satisfaction were used in an Australia-wide survey. (N=1918). The results of hierarchical regression analysis indicate that innovation, stability, and emphasis on rewards predict job satisfaction in small organizations. Suggestions for future research are discussed.

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# **A MATTER OF SIZE: DOES ORGANISATIONAL CULTURE PREDICT JOB SATISFACTION IN SMALL ORGANISATIONS?**

## **INTRODUCTION**

Organizational culture sums up the way a business functions. The importance of culture is enhanced through its impact on employee morale and work attitudes (Dose, 1997). Consequently, job satisfaction is likely to be affected by aspects of organisational culture. Job satisfaction is important because of well-established associations with a range of organizational outcomes. Employees who are more satisfied experience lower rates of absenteeism (Hackett & Guion, 1985), have reduced rates of intention to leave (Tett & Meyer, 1993), are more likely to engage in organizational citizenship behaviour (Organ & Konovsky, 1989), and report being satisfied with their lives in general (Judge & Watanabe, 1993).

Extensive research has been conducted on corporate culture but very little empirical research has examined small organisational culture. Small organizations differ from large organizations in terms of their organizational structures, responses to the environment, managerial styles, and the ways in which they compete with other firms (Man, Lau, & Chan, 2001). Further, the findings of a study of Australian executives from small, medium, and large organizations (N=1918), indicated that small organizations (<100 employees) were perceived to be significantly more supportive, competitive, innovative, and performance-oriented than large organizations (Gray, Densten, & Sarros, 2003). Consequently there may be a corresponding difference in levels of job satisfaction among organisations according to size.

Support for innovation has been identified as an important aspect of organisational culture and may contribute to employee job satisfaction. Chandler, Keller, and Lyon (2000) found that company size and formalised human resource practices (considered a form of bureaucracy) had a negative effect on employee perceptions of an innovation-supportive culture. The close interaction of management with employees in small businesses provides an opportunity for direct leadership which may improve communication, relationships, and job satisfaction. Although large organisations offer employees better pay, fringe benefits, and job security, small firms offer more interesting jobs and better opportunities for employees to use their skills (Dekker, Barling, and Kelloway, 1996) which suggests that job satisfaction levels could differ according to size of the organisation. Thus the hypotheses for the study propose:

*Hypothesis 1:* Levels of job satisfaction will be perceived to be significantly greater in small organisations compared to levels in medium-sized or large organisations.

*Hypothesis 2:* Organizational culture will predict job satisfaction in small organizations.

Values are central to many definitions of organisational culture and drive organisational behaviours (Cameron & Quinn, 1999; Schein, 1985). According to Howard (1998), while organisations may differ in terms of their dominant values, there are common value dimensions that are evident in most organisations and can be reliably represented by the values held by top management. Further, Subramaniam and Ashkanasy (2001) state that the role of perceptions of organisational culture has attracted only limited attention in the research literature. Therefore, the current study addresses the deficiencies identified in the literature by examining executive perceptions of the values which underpin organisational culture in small, medium, and large organisations in an empirical study.

## **METHOD**

This study forms part of a broader investigation where a stratified random sample of 5000 members was selected from the population of 21,461 members of the Australian Institute of Management (AIM) categorised by state of origin. Data were collected using a mailed survey resulting in a final total sample of 1,918 useable responses (a 39% response rate). The current study adopted the OECD (1998) definition of small business, (i.e., fewer than 100 employees) instead of the Australian Bureau of Statistics (1999) definition of small business (i.e., fewer than 100 employees in the manufacturing sector and fewer than 20 in

retail, wholesale, construction, and service sectors). This paper focuses on the trends evident in small organisations, but data concerning medium-sized (100-499 employees, n=389) and large organisations (>500 employees, n=712) have been presented from the overall study so that comparisons can be made.

## **Sample**

Over one-third (37%) of respondents worked in small firms, 22% in medium-sized firms, and 41% in large organisations. There was a close similarity between the sample and the AIM membership when classified by state, gender, and age. The majority of respondents were male (78%) aged 40-59 years (69%), and at the top or executive level (70%). Around half of the small business respondents had completed university degrees (54%) and a further 30% had technical qualifications. One-third (33%) of respondents from small businesses compared to only 22% from medium and 20% from large organisations had been in their current position for more than eight years, while one-third of respondents in each category had been an executive for more than 20 years.

## **Measures**

### ***Organizational Culture***

The Organizational Culture Profile (OCP) developed by O'Reilly et al. (1991) was modified with permission of the authors by amending the original Q-sort procedure to a normative scale (see Sarros, Gray, & Densten, 2002). The new OCP consisted of a 28-item, seven factor structure: Supportiveness: Innovation, Competitiveness, Performance Orientation, Stability, Emphasis on Rewards, and Social Responsibility. The mean Cronbach's alpha coefficient of .75 indicates acceptable reliability for the revised instrument. Respondents were asked to indicate to what extent a particular item describing a value was characteristic of their organisation on a five-point Likert scale where 1=not at all, 2=minimally, 3=moderately, 4=considerably, and 5=very much.

### ***Job satisfaction***

Respondents were asked to indicate their level of overall job satisfaction on a five-point Likert scale ranging from 1= low to 5= high. A single-item measure was considered to be more robust and a more inclusive construct than a multiple-item measure (Nagy, 2002). However, internal consistency reliability could not be calculated for a single item measure (Wanous, Reichers, & Hudy, 1997).

## **Analyses of Data**

Quantitative data were analyzed using SPSS 10.0. Descriptive statistics including means and standard deviations were calculated for OCP factors and job satisfaction. A Pearson correlation matrix was calculated to determine the strength of relationships among OCP factors and between each OCP factor and job satisfaction for the data gathered from small organisations. Analyses of variance were calculated to assess the differences among group mean scores for OCP factors by size of organisation. A post-hoc Scheffé test was used to identify significant differences among sub-groups. Hierarchical regression analysis was conducted to examine the impact of organizational culture on job satisfaction. Research has identified age, education, job level, and tenure as predictors of job satisfaction (Robie, Ryan, Schmieder, Parra, & Smith, 1998) so these control variables were entered as a first step in the regression analyses.

## **RESULTS**

Table 1 presents the means, standard deviations, and correlations for all variables. The results indicate that executives in small organizations perceived their level of job satisfaction to be 'considerable'.

The correlation matrix in Table 1 indicates that there were significant positive relationships for all OCP factors with job satisfaction, the strongest correlations being between job satisfaction and Emphasis on Rewards (.49) and between job satisfaction and Supportiveness. The weakest correlations were for job satisfaction and Performance Orientation (.36).

The results of analysis of variance indicated that job satisfaction was perceived to be significantly higher for respondents in small compared to large organizations ( $F=12.69$ ,  $p<.001$ ) and therefore Hypothesis 1 was supported.

**Table 1: Means, Standard Deviations, and Correlations for OCP Factors and Job Satisfaction for Small Organizations (N=655).**

Variables <sup>a</sup>	Mean	SD	1	2	3	4	5	6	7
1. Supportiveness	3.97	0.82							
2. Innovation	3.79	0.83	0.55						
3. Competitiveness	3.54	0.58	0.59	0.64					
4. Performance Orientation	4.13	0.64	0.55	0.55	0.72				
5. Stability	3.63	0.71	0.54	0.32	0.43	0.34			
6. Emphasis on Rewards	3.86	0.84	0.78	0.57	0.66	0.62	0.53		
7. Social Responsibility	4.08	0.69	0.65	0.50	0.66	0.54	0.56	0.70	
8. Job Satisfaction	4.05	0.89	0.45	0.43	0.41	0.36	0.42	0.49	0.44

<sup>a</sup> Response categories for OCP factors: 1=Not at all, 2=Minimally, 3=Moderately, 4=Considerably, and 5=Very much.

Response categories for Job Satisfaction: 1=Low, 2=Slight, 3=Moderate, 4=Considerable, 5=High

All correlations significant at the  $< 0.01$  level (2 tailed).

Hypothesis 2 was tested using hierarchical multiple regression analysis (Table 2).

**Table 2: Hierarchical Multiple Regression for the Prediction of Job Satisfaction by Selected Background Variables and Organizational Culture for Respondents Classified by Size of Organization (N=1756).**

Variables	Small (n=655)	Medium (n=535)	Large (n=566)
<b>Step 1</b>			
Sex	0.03	0.02	0.02
Age	0.01	0.15**	0.01
Education	0.04	0.03	0.02
Years in current position	0.08*	0.03	0.01
Level	0.09*	0.04	0.06
<b>Step 2</b>			
Supportiveness	0.04	0.09	0.14*
Innovation	0.19***	0.14*	0.03
Competitiveness	0.01	-0.08	0.00
Performance	0.01	0.05	0.12*
Stability	0.18***	0.08	0.08
Emphasis on Reward	0.17**	0.13	0.21***
Social Responsibility	0.07	0.17*	0.00
R <sup>2</sup>	0.33	0.31	0.24
$\Delta R^2$	0.22	0.18	0.21

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

Table 2 indicates that for small business, years in current position ( $\beta=.08$ ,  $p< .05$ ) and level ( $\beta=.09$ ,  $p< .05$ ) were significant predictors of job satisfaction while only age was a significant predictor of job satisfaction for respondents in medium-sized organisations ( $\beta=.15$ ,  $p<.01$ ). None of the control variables was significant for large organisations. For small business, Innovation ( $\beta=.19$ ,  $p< .001$ ), Stability ( $\beta=.18$ ,  $p< .001$ ), and Emphasis on Reward ( $\beta=.17$ ,  $p< .01$ ) predicted job satisfaction and therefore, Hypothesis 2 was supported.

For medium-sized organisations, Innovation ( $\beta=.14$ ,  $p<.05$ ) and Social Responsibility ( $\beta=.17$ ,  $p<.05$ ) were the only predictors, while for large organisations, Supportiveness ( $\beta=.14$ ,  $p<.05$ ), Performance Orientation ( $\beta=.12$ ,  $p<.05$ ), and Emphasis on Reward ( $\beta=.21$ ,  $p<.001$ ) predicted job satisfaction.

## **DISCUSSION**

The overall objective of this study was to investigate the relationship between organisational culture and job satisfaction in small organisations. The results indicate that where emphasis on rewards and supportiveness were perceived as dominant cultural characteristics, there was a strong association with job satisfaction. In contrast, there was a weak relationship between performance orientation and job satisfaction. Contrary to expectations, supportiveness was not a significant predictor of job satisfaction in small business. However, the findings indicate the importance of innovation, stability, and emphasis on rewards for predicting job satisfaction. Based on the items which loaded on innovation, the findings suggest that in small organisations, executive job satisfaction is related to working in an opportunistic environment where there is risk taking and opportunities to take individual responsibility. However, in organisations characterised as “innovative” employees are more likely to face uncertainty (McDermott & Stock, 1999). Consequently, it is not surprising that under these circumstances, aspects of stability measured in the current study such as security of employment and low conflict would influence job satisfaction. The results are consistent with the findings of a study by Zeffane (1994) which found that the degree of certainty about future directions of the organisation had a strong impact on satisfaction experienced on the job. Further, aspects of emphasis on rewards such as fairness, opportunities for professional growth, high pay, and praise for good performance appear to influence job satisfaction. The results are in contrast to a study which found that workers in large organisations enjoy better benefits, have greater security, and earn higher wages than their counterparts in small organisations (Brown, Hamilton, & Medoff, 1990). However, the results are consistent with previous research which established that wage responsiveness to individual-level productivity is greater in small organisations than in large organisations (Bishop, 1987).

### **Limitations and Future Research**

A number of limitations need to be taken into account. The Australian Institute of Management does not include all businesses in Australia and therefore, this may be a source of selection bias. The findings are based on the use of self-report survey data which may be affected by response bias. Further, data were collected at a single point in time which does not allow for changes in perceptions and attitudes over time. For this reason, a longitudinal study of organisational culture is strongly recommended and long overdue. In addition, an assumption has been made that the cultures of organisations within one size category are relatively homogeneous. However, there may be differences between cultures evident in “micro” businesses with fewer than five employees and other businesses classified as “small” businesses. The moderating effects of industry, micro-environments, and stage of growth require further clarification. Such studies would allow for the accumulation of comparative and normative data necessary for the evaluation of the impact of organisational size on culture and job satisfaction.

## **CONCLUSION**

In summary, this paper reports on an exploratory investigation of the relationship between organisational culture and job satisfaction based on an Australia-wide study. The modified version of the OCP should provide a useful measure for investigating the relationships among culture and organisational outcomes such as performance, employee commitment, and trust particularly in relation to small organisations where very few studies have been conducted. The results suggest several practical implications. The findings identify the particular aspects of culture which have an impact on job satisfaction. Further, the higher levels of job satisfaction in small organisations may give these organisations an advantage over larger organisations in attracting and retaining employees in a very competitive environment. Finally, larger organisations might benefit from creating small business units where the culture may be more conducive to maximising employee job satisfaction.

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