

The Influence of Organizational Culture on Employee Engagement: Small and Medium Enterprises in Tanjay City

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Abstract

This study explores the influence of organizational culture on employee engagement in small and medium enterprises (SMEs) in Tanjay City, Negros Oriental. Employee engagement plays a key role in enhancing productivity and employee retention. However, most research has focused on large corporations, resulting in a limited understanding of their impact on smaller businesses. This study seeks to address this gap by exploring how leadership practices, communication practices, and reward and recognition systems influence employee engagement, particularly in terms of job satisfaction and commitment to the organization. A descriptive-correlational design was used, with survey questionnaires collecting data from 266 SME employees. Statistical analysis, including Spearman's Rank Order Correlation and Kruskal-Wallis Test, revealed a strong positive relationship between organizational culture and employee engagement. Businesses with strong leadership, effective communication, and structured reward systems had higher engagement levels. However, engagement did not significantly differ based on age, sex, education, job level, or length of employment. These results suggest that fostering a positive and inclusive organizational culture is essential for enhancing employee engagement across diverse demographic groups. The study provides valuable insights for SME owners and business leaders in designing strategies to strengthen workplace culture, improve employee well-being, and enhance business competitiveness in local economies.

Keywords: organizational culture, employee engagement, leadership practices, communication practices, rewards and recognition, small and medium enterprises

Introduction

Since the global pandemic, the business environment has been rapidly changing and becoming more complex, posing challenges to business leaders. The changing demands force organizations to adjust "how they get things done," or oftentimes referred to as their organizational culture. Organizational culture is the fundamental beliefs and principles that govern the lives of organizations (Spicer, 2020). In the 2022 Organizational Culture Research Report in the U.S., Quantum Workplace found that 35% of employees say their culture has changed dramatically since the start of the pandemic, with 2 out of 3 claiming that they have a "very positive" culture (Quantum Workplace, 2022). The same research shows that 66% of employees believe that their culture positively impacts their daily work and behavior. It impacts employee behavior, attitudes, and performance, making it a determinant that contributes to employee engagement (Alias et al., 2022). However, in recent research by Gallup, employee engagement stagnated globally in 2023, with only 23% of employees reported as engaged (Gallup, Inc., 2025).

Independently, the Philippines has higher levels of engagement compared to the global average. It was reported that 35.13% of Filipinos were engaged, which is higher than its neighboring Southeast Asian countries (Hufana, 2024). Given the direct link between employee engagement and economic productivity, fostering a strong work culture aligns with Sustainable Development Goal (SDG) 8.5, which aims to promote full and productive employment and decent work for all, as well as SDG 8.3, which emphasizes the promotion of productive activities, entrepreneurship, and the growth of micro, small, and medium enterprises (United Nations, 2015). In the locality of Tanjay City, with mostly micro, small, and medium-sized enterprises (SMEs), businesses face different challenges in shaping a positive work culture and engaging employees. Unlike multinational corporations, local businesses often operate with limited resources, and work cultures are shaped not only by the practices of their business leaders or owners but also by their unique community values.

Although the local context provides unique insights, limited studies have been conducted to understand the intricacies of how organizational culture influences employees of small to medium organizations, especially in small cities like Tanjay. Most studies are conducted in multinational and large corporations, neglecting the unique characteristics and challenges of small and medium enterprises, which are prevalent in Tanjay City. Furthermore, while existing literature identifies demographic variables such as age, sex, highest educational attainment, job level, and tenure as factors influencing employee engagement, there is limited research that systematically examines these variables within the local context, particularly in areas like Tanjay City. This study targets to fill this gap by providing insights into the dynamics of the city's organizational culture and employee engagement.

The importance of improving organizational effectiveness and employee well-being in Tanjay City's local businesses highlights the timeliness and relevance of this study. Thus, this research aims to examine the relationship between organizational culture and employee engagement in SMEs in Tanjay City. Specifically, it seeks to answer the following questions:

1. What is the profile of the respondents in terms of:
 - 1.1 age;
 - 1.2 sex;
 - 1.3 highest educational attainment;
 - 1.4 job level;
 - 1.5 length of employment?
2. What are the organizational cultures of the local businesses in Tanjay City in terms of:
 - 2.1 leadership practices;
 - 2.2 communication practices;
 - 2.3 reward and recognition systems?
3. What is the level of employee engagement within Tanjay City's local businesses in terms of:
 - 3.1 job satisfaction;
 - 3.2 commitment to the organization?
4. Is there a significant relationship between the organizational culture and employee engagement within the local businesses in Tanjay City?
5. Is there a significant difference in the level of engagement within Tanjay City's local businesses in terms of the aspects mentioned above when employees are grouped according to their demographic profile?

This study aims to provide insights that can help business leaders make well-informed decisions and carry out effective business interventions. Ultimately, it seeks to contribute to the development of a positive organizational culture, improve employee engagement, and enhance the competitiveness of Tanjay City's SMEs, which aligns with the MSME Development Plan 2023–2028 set by the DTI, particularly in strengthening human capital development and fostering a supportive business climate (DTI, 2023).

Literature Review

This study draws upon three foundational theories to explore the impact of organizational culture on employee engagement. One of these is Social Exchange Theory (SET), proposed by Blau (1964), which posits that individuals participate in relationships when they anticipate reciprocal benefits, emphasizing the role of mutual exchange in fostering engagement. In an organizational setting, SET explains how employees and employers maintain positive relationships through an exchange of resources and rewards (Kücük, 2020). For instance, organizations provide tangible and intangible resources such as supportive leadership, transparent communication, and recognition, while employees reciprocate with job satisfaction, commitment, and enhanced performance. Murray and Holmes (2021) found that employees who perceive themselves as valued and treated with fairness exhibit higher levels of job satisfaction and organizational commitment.

Hofstede's Cultural Dimensions Theory (Hofstede, 1980) explains how cultural values shape workplace interactions, employee expectations, and engagement. Hofstede's model identifies six cultural dimensions—Power Distance, Individualism vs. Collectivism, Masculinity vs. Femininity, Uncertainty Avoidance, Long-Term vs. Short-Term Orientation, and Indulgence vs. Restraint—which shape organizational behaviors (Gerlach & Eriksson, 2021). For instance, in high power distance cultures, employees tend to expect hierarchical and authoritative leadership styles, whereas in low power distance cultures, a more participative and inclusive leadership approach is generally preferred (Matta et al., 2021).

The Job Demands-Resources (JD-R) Model by Bakker and Demerouti (2017) classifies workplace factors into job demands and job resources, both of which affect employee engagement. High job demands, including excessive workload and emotional strain, have been associated with increased risk of burnout, whereas the presence of job resources—such as supportive leadership, effective communication, and meaningful rewards—has been shown to foster employee motivation and engagement (Lesener et al., 2019). Supportive leadership serves as a key job resource, helping employees manage stress and increasing engagement (Xin et al., 2024).

Various studies have highlighted how employee demographics, such as age, influence organizational culture and engagement strategies. Velasco and Ylagan (2024) found that younger workforces tend to adopt more innovative, flexible, and technology-driven approaches to meet employee expectations. Similarly, Dashdondog (2024) noted that younger employees in Mongolian SMEs are more open to and actively engaged in innovative and flexible work practices.

Sex diversity in the workforce significantly influences organizational dynamics and overall performance. Dashdondog (2024) found that inclusive organizational practices, often reflected by balanced sex representation, are associated

with higher levels of employee engagement and enhanced organizational innovation. Yadav and Lenka (2020) emphasized that organizations leveraging diverse perspectives from both male and female employees are better equipped to navigate complex challenges.

Educational attainment is another significant factor influencing organizational performance and innovation. Yadav and Lenka (2020) found that higher educational attainment among employees is associated with greater organizational innovation and enhanced engagement in continuous learning initiatives. Martin (2019) found that while differences in engagement levels by job position exist, these differences are relatively small, suggesting that engagement strategies should include all job levels to ensure a cohesive and motivated workforce.

The length of employment, or tenure, also influences organizational commitment and work attitudes. Yadav and Lenka (2020) found that tenure can significantly impact employees' loyalty and their understanding of organizational culture. However, prolonged tenure might sometimes result in rigidity, potentially limiting innovation.

Organizational culture, defined as the set of shared values, traditions, and behaviors that define how individuals within an organization interact and operate, plays a crucial role in shaping employee commitment and job satisfaction. Batugal and Tindown (2019) found that a clan culture, characterized by a familial atmosphere, positively influences both organizational loyalty and job contentment among educators in Catholic higher education institutions in the Philippines.

Leadership practices are crucial for fostering a positive organizational culture, enhancing employee performance, and achieving organizational goals. Buenvinida and Ramos (2019) found that transformational leadership, marked by strong influence, motivation, cognitive stimulation, and personalized support, is positively linked to school performance. Mirzani (2023) highlights that inclusive leadership nurtures a sense of belonging and respect among employees, which is vital for organizational success.

Effective communication practices within organizations are essential for fostering a positive organizational culture and enhancing overall performance. Akpa et al. (2021) emphasize that clear role definitions boost employee performance and productivity by minimizing role ambiguity and conflict. Timeliness and transparency in communication are vital for maintaining trust and alignment within the organization.

Rewards and recognition systems are crucial components of organizational culture that significantly impact employee motivation, satisfaction, and performance. Akpa et al. (2021) found that well-structured rewards enhance motivation and commitment, ultimately improving organizational outcomes. Personalized recognition is important for fostering a sense of belonging and increasing work satisfaction (Rohim & Budhiasa, 2019).

Employee engagement is a key factor in achieving organizational success. Mondejar and Asio (2023) found that organizational support, leadership, and work-life balance play a crucial role in shaping employee engagement. Job satisfaction, reflecting how fulfilled and satisfied employees are with their work, directly impacts their performance and dedication to the organization (Tamundong & Caballero, 2024).

Commitment to the organization, referring to the extent to which employees identify with and remain dedicated to their organization, influences their drive to achieve its objectives. Ramirez-Lozano et al. (2023) highlighted that organizational commitment is a key factor in boosting employee engagement and improving overall performance.

Methodology

This section details the research methodology, including the design, environment, respondents, data collection instruments and procedures, as well as the ethical considerations adhered to in the study.

Research Design

The study utilized a descriptive correlational research design to examine the influence of organizational culture on employee engagement within Tanjay City's local businesses. Quantitative data were collected through paper-based questionnaires administered to employees across various local businesses in Tanjay City. The questionnaire assessed dimensions of organizational culture such as leadership style, communication practices, and rewards and recognition system, alongside employee engagement indicators including job satisfaction and commitment. The results in the analysis were included in the interpretation of quantitative data.

Research Environment

This study was conducted exclusively in Tanjay City, located in Negros Oriental, Central Visayas, Philippines, with an area of 276.05 square kilometers and a population of 82,624 as of 2023 (Cities and Municipalities Competitiveness Index | CMCI). The city comprises 24 barangays (GADM, n.d.) and features a mixed economic landscape, ranking 49th in Economic Dynamism according to the CMCI by the Department of Trade and Industry. It benefits from a low cost of living (2nd) and strong business networks (6th), though it ranks lower in local economy size (91st), growth

(52nd), employment generation (105th), and active establishments (92nd) (CMCI, 2023). The study focused on small and medium enterprises operating across various sectors, including Retail & Trade, Food & Beverage, Financial Services, and Printing & Other Services (Office of the City Treasurer, Tanjay City, 2023).

Research Respondents

The respondents of this study were employees from small and medium enterprises (SMEs) operating in various sectors and industries within Tanjay City. To gather diverse insights, employees from different industries, job positions, and lengths of service were included, provided their establishments had at least 10 employees. The employees were randomly chosen using a stratified sampling method, where the researcher segmented the target population into distinct strata based on their respective establishments and then randomly selected subjects from each stratum in proportion to its size.

Research Instrument

The study utilized a self-developed, paper-based survey questionnaire employing a Likert scale to measure respondents' levels of agreement. It consisted of three sections aligned with the study's objectives: (1) respondent profiles; (2) perceived organizational culture in terms of leadership practices, communication practices, and reward and recognition systems; and (3) employee engagement in terms of job satisfaction and organizational commitment. A disclosure statement was also included. To ensure content validity, the instrument was reviewed by three business administration experts. It was pre-tested with 30 participants in Bais City, and reliability was assessed using Cronbach's alpha. The coefficients were as follows: leadership practices (0.88), communication practices (0.92), reward and recognition systems (0.95), job satisfaction (0.90), and commitment to organization (0.86), indicating high internal consistency.

Data Gathering Procedures

The researcher sought and obtained approval from the Dean of the Graduate School at Foundation University to conduct the study. Following this, a formal written request, approved by the Dean, was sent to the owners and managers of local businesses. The significance and goals of the study were explained to the business owners and managers to ensure their understanding and cooperation. Data collection for this study involved the use of paper-based questionnaires. After receiving the necessary approvals, the researcher personally administered the distribution of the questionnaires. Clear instructions were provided to the respondents on how to complete the research instrument, and a cover letter was included with the questionnaires to inform and seek approval from the respondents regarding their participation in the survey. Once the respondents completed the surveys, the questionnaires were retrieved. The collected data was then totaled, examined, and analyzed to draw conclusions. Description of the research approach, participants, and data analysis techniques.

Statistical Analysis of Data

The data gathered through paper-based survey questionnaires were analyzed using appropriate statistical tools. Percentages were used to present the demographic profiles of respondents, including age, sex, highest educational attainment, job level, and length of employment. To assess the organizational cultures and levels of employee engagement among local businesses, the weighted mean was employed. Spearman Rank Order Correlation was utilized to determine the degree of relationship between organizational culture and employee engagement, given that the data were measured on an ordinal scale. To examine significant differences in employee engagement based on demographic factors, the Kruskal-Wallis Test (H) was applied for variables such as age, educational attainment, length of employment, and job level, while the Mann-Whitney U Test was used to analyze differences based on sex.

The following interpretations were used by the researcher to describe employees' perceptions of their organizational culture.

Score	Scale	Verbal Description	Perception Interpretation	Explanation
5	4.21-5.00	Strongly Agree	Very Positive	The feeling/ behavior is felt/manifested by the respondent 81%-100% of the time
4	3.41-4.20	Agree	Positive	The feeling/ behavior is felt/manifested by the respondent 61%-80% of the time
3	2.61-3.40	Moderately Agree	Neutral	The feeling/ behavior is felt/manifested by the respondent 41%-60% of the time
2	2.61-3.40	Disagree	Negative	The feeling/behavior is felt/manifested by the respondent 21%-40 % of the time.
1	1.81-2.60	Strongly Disagree	Very Negative	The feeling/behavior is felt/manifested by the respondent 1% - 20% of the time.

Furthermore, the researcher used the following classifications for the level of engagement of the respondents:

Score	Scale	Verbal Description	Level of Job Engagement	Explanation
5	4.21-5.00	Strongly Agree	Very High	The feeling/ behavior is felt/manifested by the respondent 81%-100% of the time
4	3.41-4.20	Agree	High	The feeling/ behavior is felt/manifested by the respondent 61%-80% of the time
3	2.61-3.40	Moderately Agree	Moderate	The feeling/ behavior is felt/manifested by the respondent 41%-60% of the time
2	2.61-3.40	Disagree	Low	The feeling/behavior is felt/manifested by the respondent 21% - 40% of the time.
1	1.81-2.60	Strongly Disagree	Very Low	The feeling/behavior is felt/manifested by the respondent 1% - 20% of the time.

Ethical Considerations

Ethical considerations were of utmost importance throughout the process of the study. Participants were informed about the purpose of the study, their voluntary participation, and the confidentiality of their responses. Confidentiality of respondents' data were strictly maintained and responses were anonymized.

Results

The data gathered are presented in tabular and textual forms and is systematically organized according to the sequence of the problems.

1. Profile of Respondents

Table 1.1. Age Profile of the Respondents

Age	Frequency	Percent
20 – 29	126	47.37
30 – 39	101	37.97
40 – 49	32	12.03
≥ 50	7	2.63
Total	266	100.00

The study surveyed 266 employees from local businesses in Tanjay City. Most of the employees (85.34%) are young, with 47.37% aged 20-29 and 37.97% aged 30-39. Only 12.03% are aged 40-49, and 2.63% are 50 or older.

Table 1.2. Sex Profile of the Respondents

Sex	Frequency	Percent
Male	137	51.50
Female	129	48.50
Total	266	100.00

The table shows that the workforce in Tanjay City's local businesses is almost equally represented between males (51.50%) and females (48.50%).

Table 1.3. Educational Attainment of the Respondents

Educational Attainment	Frequency	Percent
High School Level/Graduate	85	31.95
College Level/Graduate	161	60.53
Graduate/Post Graduate Studies	9	3.38
Vocational/Technical Course	11	4.14
Total	266	100.00

Most employees (60.53%) in Tanjay City's local businesses have a college education or some college experience. About 31.95% finished high school, 4.14% took vocational or technical courses, and 3.38% pursued graduate or postgraduate studies.

Table 1.4. Job Level Profile of the Respondents

Job Level	Frequency	Percent
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Managerial	20	7.52
Supervisory	46	17.29
Rank-and-File	200	75.19
Total	266	100.00

Majority of the employees (75.19%) in Tanjay City's local establishments are in rank-and-file positions. Supervisory positions constitute 17.29%, and only 7.52% are managerial.

Table 1.5. Length of Employment Profile of the Respondents

Number of Years	Frequency	Percent
1 – 5	180	67.67
6 – 10	58	21.80
11 – 15	11	4.14
≥16	17	6.39
Total	266	100.00

A significant portion of the workforce (67.67%) in Tanjay City's local businesses has been employed for 1-5 years, indicating a relatively new workforce. Meanwhile, 21.80% have already worked for 6-10 years, 4.14% for 11-15 years, and just 6.39% for 16 years or more.

2. Organizational Cultures of the Local Businesses in Tanjay City

Table 2.1. Organizational Cultures of the Local Businesses in Terms of Leadership Practices (n=266)

Indicators		w $\bar{x}$	VD	OC	SD
1.	Leaders cultivate teamwork fostering an environment of respect, trust, and dignity.	4.44	SA	VP	0.79
2.	Leaders show genuine care and appreciation for members.	4.39	SA	VP	0.77
3.	Leaders envision a brighter future for the organization and inspire others to make it happen.	4.37	SA	VP	0.77
4.	Leaders establish standards of excellence and lead by example.	4.36	SA	VP	0.71
5.	Leaders actively seek innovation and change, helping the team progress and learn from mistakes.	4.36	SA	VP	0.80
Composite		4.39	SA	VP	0.77
Legend: Scale		Verbal Description (VD)		Organizational Culture (OC)	
4.21 – 5.00	Strongly Agree (SA)	Very Positive (VP)			
3.41 – 4.20	Agree (A)	Positive (P)			
2.61 – 3.40	Moderate Agree (MA)	Neutral (N)			
1.81 – 2.60	Disagree (D)	Negative (N)			
1.00 – 2.60	Strongly Disagree (SD)	Very Negative (VN)			

Leadership practices in Tanjay City's local businesses are viewed very positively, with a composite weighted mean of 4.39 ("Strongly Agree" and "Very Positive"). The highest rating (4.44) was for leaders who encouraged teamwork and respect. Leaders were also perceived as caring for employees (4.39). Leadership vision and inspiration rated 4.37, and setting standards of excellence and driving innovation both rated 4.36.

Table 2.2. Organizational Cultures of the Local Businesses in Terms of Communication Practices (n=266)

Indicators		w $\bar{x}$	VD	OC	SD
1.	Employees have a clear understanding of their roles and responsibilities within the organization.	4.39	SA	VP	0.74
2.	Information or memos from the management are openly and promptly shared.	4.36	SA	VP	0.79
3.	Communication methods are flexible and adjust to accommodate the needs of the team.	4.30	SA	VP	0.82
4.	Management is approachable and actively listens to employee feedback.	4.29	SA	VP	0.86
5.	Disputes or misunderstandings are addressed promptly and constructively to maintain a harmonious work environment.	4.25	SA	VP	0.82
Composite		4.32	SA	VP	0.81
Legend: Scale		Verbal Description (VD)		Organizational Culture (OC)	
4.21 – 5.00		Strongly Agree (SA)		Very Positive (VP)	
3.41 – 4.20		Agree (A)		Positive (P)	
2.61 – 3.40		Moderate Agree (MA)		Neutral (N)	
1.81 – 2.60		Disagree (D)		Negative (N)	
1.00 – 2.60		Strongly Disagree (SD)		Very Negative (VN)	

Communication practices in Tanjay City's local businesses are rated very positively, with a composite weighted mean of 4.32 ("Strongly Agree" and "Very Positive"). Employees clearly understand their roles (4.39) and feel that management shares information openly (4.36). Flexibility in communication methods scored 4.30, and management's approachability and active listening received 4.29. The lowest score, though still positive, was for resolving conflicts promptly and constructively (4.25).

Table 2.3. Organizational Cultures of the Local Businesses in Terms of Rewards and Recognition Systems (n = 266)

Indicators	w $\bar{x}$	VD	OC	SD
1. The rewards and recognition system reinforces behaviors that contribute to achieving the organization's goals.	4.24	SA	VP	0.86
2. Employee recognition is timely and relevant.	4.20	A	P	0.86
3. Employees' individual efforts are recognized and valued by the organization.	4.19	A	P	0.90
4. The criteria for receiving rewards and recognition are clear and transparent.	4.18	A	P	0.88
5. Management regularly seeks input from employees to improve the rewards and recognition system.	4.15	A	P	0.92
Composite	4.19	A	P	0.88
Legend: Scale Verbal Description (VD) Organizational Culture (OC)				
4.21 – 5.00	Strongly Agree (SA)	Very Positive (VP)		
3.41 – 4.20	Agree (A)	Positive (P)		
2.61 – 3.40	Moderate Agree (MA)	Neutral (N)		
1.81 – 2.60	Disagree (D)	Negative (N)		
1.00 – 2.60	Strongly Disagree (SD)	Very Negative (VN)		

The rewards and recognition systems in local businesses were perceived positively, with a composite weighted mean of 4.19, interpreted as "Agree" and "Positive." The highest score (4.24) was for reinforcing goal-achieving behaviors. Employee recognition scored 4.20, and valuing individual efforts scored 4.19. Clarity of reward criteria received 4.18, while the lowest score (4.15) was for management seeking employee input on improvements.

3. Level of Employee Engagement in Local Businesses

Table 3.1. Level of Employee Engagement in Terms of Job Satisfaction (n = 266)

Indicators	w $\bar{x}$	VD	LoJE	SD
1. I am happy with my job and find it meaningful.	4.35	SA	VH	0.77
2. My job responsibilities are clearly defined and align well with my qualifications.	4.35	SA	VH	0.68
3. My supervisor provides consistent guidance, support, and recognition.	4.33	SA	VH	0.81
4. My work environment fosters fairness, productivity, and positive work relationships.	4.30	SA	VH	0.88
5. My job provides me with security, stability, and opportunities for career development and growth.	4.26	SA	VH	0.85
Composite	4.32	SA	VH	0.80
Legend: Scale Verbal Description (VD) Level of Job Engagement (LoJE)				
4.21 – 5.00	Strongly Agree (SA)	Very High (VH)		
3.41 – 4.20	Agree (A)	High (H)		
2.61 – 3.40	Moderate Agree (MA)	Moderate (M)		
1.81 – 2.60	Disagree (D)	Low (L)		
1.00 – 2.60	Strongly Disagree (SD)	Very Low (VL)		

The level of employee engagement in terms of job satisfaction was found to be very high, as indicated by the composite weighted mean of 4.32, interpreted as "Strongly Agree" and "Very High." Employees strongly agreed that they are happy with their job and find it meaningful, as well as that their responsibilities align with their qualifications, both receiving the highest mean score of 4.35. Supervisor support, work environment fairness, and job security were also rated very highly, with mean scores of 4.33, 4.30, and 4.26, respectively.

Table 3.2.

Indicators	w $\bar{x}$	VD	LoJE	SD
1. I actively support the organization's mission and vision in my daily work, understanding how my role directly contributes to its success.	4.48	SA	VH	0.70
2. I consistently put in extra effort to accomplish tasks and contribute to the organization's objectives.	4.47	SA	VH	0.67
3. I am willing to adapt to changes within the organization and remain resilient in the face of challenges.	4.44	SA	VH	0.68

4. I am willing to go above and beyond my job requirements to help the organization succeed.	4.36	SA	VH	0.83
5. I see myself continuing to work for this organization in the foreseeable future.	4.19	A	H	0.94
Composite	4.38	SA	VH	0.76

Legend: Scale	Verbal Description (VD)	Level of Job Engagement (LoJE)
4.21 – 5.00	Strongly Agree (SA)	Very High (VH)
3.41 – 4.20	Agree (A)	High (H)
2.61 – 3.40	Moderate Agree (MA)	Moderate (M)
1.81 – 2.60	Disagree (D)	Low (L)
1.00 – 2.60	Strongly Disagree (SD)	Very Low (VL)

The level of employee engagement in terms of commitment to the organization was also rated very high, with a composite weighted mean of 4.38, interpreted as "Strongly Agree" and "Very High." The highest-rated indicator, with a mean score of 4.48, was employees' active support of the organization's mission and vision. Employees also strongly agreed that they put in extra effort to accomplish tasks (4.47) and are willing to adapt to changes within the organization (4.44). However, the lowest-rated indicator, though still high at 4.19, was employees seeing themselves continuing to work for the organization in the foreseeable future.

Table 4. Relationship between the Organizational Culture and Employee Engagement (n=266)

Variables Correlated to Overall Employee Engagement	r_s	p-value	Decision	Remark
Leadership Practices	0.715	<.001	Reject H_{01}	Significant
Communication Practices	0.735	<.001	Reject H_{01}	Significant
Reward and Recognition Systems	0.764	<.001	Reject H_{01}	Significant
Overall Organization Cultures	0.778	<.001	Reject H_{01}	Significant

Spearman's Rank Order Correlation (r_s) at 0.05 Level of Significance

As shown in Table 4, there is a significant relationship between organizational culture and employee engagement ($r_s = 0.778$, $p < .001$). Leadership practices, communication practices, and reward and recognition systems were all significantly correlated with employee engagement, with rewards and recognition systems showing the strongest correlation ($r_s = 0.764$, $p < .001$).

Table 5. Difference in the Level of Engagement when Employees are Grouped according to Their Profile (n = 266)

Variables	n	Median	Comp. Value	p-value	Decision	Remark
Age						
20 – 29	126	4.40	H = 0.432	0.806	Fail to reject H_{02}	Not significant
30 – 39	101	4.50				
≥ 40	39	4.45				
Sex						
Male	137	4.50	U = 7711.5	0.070	Fail to reject H_{02}	Not significant
Female	129	4.30				
Educational Attainment						
HS Level/Graduate	85	4.40	H = 5.962	0.051	Fail to reject H_{02}	Not significant
College Level/Graduate	161	4.30				
Post Graduate Studies	9	4.90				
Vocational/Tech. Course	11	5.00				
Job Level						
Managerial	20	4.55	H = 0.450	0.798	Fail to reject H_{02}	Not significant
Supervisory	46	4.30				
Rank-and-File	200	4.40				
Length of Employment						
1 – 5	180	4.40	H = 0.957	0.620	Fail to reject H_{02}	Not significant
6 – 10	58	4.50				
≥ 11	28	4.45				

Kruskal-Wallis Test (H) and Mann-Whitney U Test at 0.05 Level of Significance

Table 5 presents data identifying the difference in the level of engagement when employees are grouped according to their profile. As presented, all p-values are greater than the level of significance (0.05). This means that the data

are not sufficient to indicate significant differences in their level of engagement when grouped according to their profile.

Discussion

The data reveal that the majority of respondents are young adults aged 20–39, comprising over 85% of the workforce. This youthful demographic likely contributes to the openness to innovative and flexible organizational practices, as younger employees often respond positively to participatory leadership styles (Velasco & Ylagan, 2024; Dashdondog, 2024). Despite the dominance of younger workers, the absence of significant engagement differences across age groups suggests inclusive management practices, possibly rooted in Tanjay's localized, relationship-oriented leadership culture (Nagy et al., 2019). Sex distribution was nearly balanced, with males and females exhibiting comparable levels of engagement. This supports the presence of gender-equitable practices, aligning with studies that associate balanced representation with improved innovation and team performance (Dashdondog, 2024; Yadav & Lenka, 2020). Unlike findings during the pandemic that showed gender disparities (Rožman et al., 2021), Tanjay's SMEs appear to have fostered work environments that promote cooperation and inclusivity across genders, potentially influenced by familial work structures and culturally rooted values. From Hofstede's perspective, such environments may reflect the more feminine orientation of Filipino culture, which emphasizes relationships, care, and quality of life over competition. Most respondents reported a college-level education, indicating that SMEs in Tanjay City attract or retain a relatively skilled workforce. However, no significant engagement differences were observed based on educational attainment, suggesting that perceived fairness, recognition, and inclusion may outweigh formal qualifications in influencing engagement (Jerab, 2025; Yadav & Lenka, 2020). A substantial portion of the workforce consists of rank-and-file employees, yet engagement levels were consistent across all job positions. This implies that engagement efforts—such as leadership recognition and inclusive communication—are effectively reaching all organizational levels (Samanta, 2021). Similarly, tenure was not a significant factor in engagement levels, suggesting that both new and long-serving employees feel equally invested in their roles, which echoes Aboramadan's (2022) findings on the importance of continuous growth opportunities. In terms of organizational culture, leadership practices received the highest ratings. Employees view their leaders as team-oriented, visionary, and supportive—attributes closely associated with high engagement (Lin & Tse, 2025; Martínez-Caro et al., 2020). These findings reflect the impact of authentic and participatory leadership models that foster inclusion and motivation (Ramirez-Lozano et al., 2023; Mirzani, 2023). Communication practices were also rated positively. Employees reported clear role expectations, transparent information sharing, and management approachability. However, some noted that while feedback is acknowledged, it is not always acted upon—suggesting the need for more responsive and accountable communication systems to sustain trust (Syakur et al., 2020; Lam et al., 2021). Although reward and recognition systems were generally perceived as positive, they received the lowest ratings among the three cultural dimensions. While employees agreed that recognition reinforces goal-oriented behavior, concerns were raised about timeliness, transparency, and limited employee input. These concerns highlight the need to better align recognition practices with employee expectations (Akpa et al., 2021; Tang, 2023; Srisathan et al., 2020). Employee engagement levels were found to be very high in both job satisfaction and organizational commitment. Respondents indicated that their roles are meaningful and well-matched to their skills, and that they are supported by a fair, growth-oriented environment. However, the lowest-rated indicator—long-term intent to stay—points to retention challenges. Respondents cited rising living costs and limited advancement opportunities as concerns, signaling the need for strategies that go beyond job satisfaction to address economic stability and career development (Samanta, 2021; Aboramadan, 2022). Statistical analysis using Spearman's rank-order correlation confirmed significant positive relationships between all dimensions of organizational culture and employee engagement. This supports the tenets of Social Exchange Theory, which asserts that when employees perceive strong leadership, transparent communication, and meaningful recognition, they reciprocate with increased engagement (Siddique, 2019; Ramirez-Lozano et al., 2023). Among the three dimensions, reward and recognition systems showed the strongest correlation, reinforcing the central role of appreciation in fostering commitment and discretionary effort (Aboramadan, 2022; Samanta, 2021). In contrast, the Kruskal-Wallis and Mann-Whitney U tests showed no significant engagement differences based on demographic profiles. This suggests that SMEs in Tanjay City foster equitable organizational cultures, where employees—regardless of age, sex, education, tenure, or job level—feel valued, supported, and engaged.

Conclusion

This study affirms that organizational culture, particularly in terms of leadership, communication, and reward systems, plays a significant role in shaping employee engagement among SMEs in Tanjay City. Grounded in Social Exchange Theory, Hofstede's Cultural Dimensions, and the Job Demands-Resources Model, the findings indicate that employees who experience supportive leadership, transparent communication, and fair recognition consistently demonstrate high levels of engagement across various demographic groups. This suggests that inclusive workplace cultures, rooted in community-oriented values, have the potential to bridge common disparities in engagement. However, certain areas such as innovation-driven leadership, transparency in rewards, and strategies for long-term retention require further attention. To address these challenges, the study recommends practical and cost-effective strategies tailored to the needs of SMEs. These include promoting innovation through leadership modeling and team-

based challenges, establishing informal but consistent feedback practices, improving communication through open-door policies and group messaging platforms, and refining recognition practices by clarifying reward criteria and encouraging employee participation. Furthermore, engagement can be supported through developmental opportunities such as job rotation and peer coaching. SMEs are also encouraged to utilize free government programs that offer training and mentorship to enhance both employee development and business resilience. Future research may examine the evolution of these engagement strategies over time, the role of digital tools in shaping organizational culture within SME contexts, and the influence of generational shifts on workplace values and engagement.

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