

**ANTECEDENTS OF PERCEIVED BUSINESS PERFORMANCE AMONG
PRIVATE BUSINESS ORGANIZATIONS: A PARTIAL LEAST SQUARE
APPROACH****Zahir Osman, Noral Hidayah Alwi, Bibi Nabi Ahmad Khan, Rose Ruziana Samad**

Faculty of Business Management, Open University Malaysia, Malaysia

Email: zahir_osman@oum.edu.my, noral@oum.edu.my, bibi_ahmadkhan@oum.edu.my,
rose_ruziana@oum.edu.my**Abstract**

This study aims to assess the direct relationships between corporate image, employee engagement, organizational culture, employee loyalty, and business performance among private business organizations. This study is vital to be carried out because many private organizations face difficulty to maintain their business performance in the coming years. The research model of this study consists of three independent variables: corporate image, employee engagement, organizational culture, employee loyalty as a mediator, and business performance as a dependent variable. Primary data were utilized in this study and a survey questionnaire which was adopted and adapted from previous studies was used for data collection. 329 clean data were used in the data analysis by utilizing the structural equation modeling technique. Initially, the convergent validity was evaluated on the measurement model by assessing the construct reliability and validity. Then, the discriminant validity was assessed and confirmed through cross-loading and Hetrotrait-Monotrait (HTMT) ratios. Subsequently, the structural model was assessed and the hypotheses testing reveals that corporate image, employee engagement, and organizational culture, have a positive and significant influence on employee loyalty and business performance was strongly affected by employee loyalty.

Keywords: business performance; corporate image; employee engagement; employee loyalty
organizational culture

Received 01 July 2022, Revised 11 July 2022, Accepted 22 July 2022

INTRODUCTION

Today, most business organizations think about how to ensure their business can sustain itself in the future by focusing on their business performance. Companies realize there is stiff competition in goods and service markets where business organizations have to look for new approaches to keep on hold to their customers. Customers' need has become very sophisticated and demanding. In a vibrant business environment, customer engagement allows for sales promotion, improvement of product quality, rise in customer satisfaction, cost and risk minimization, and competitive advantage enhancement (Brodie, Ilic, Juric, & Hollebeek,

2013; Di Gangi & Wasko, 2009). In addition to land, labor, and capital, international competitiveness and changing surrounding circumstances have made institutions more aware of and prone to adopting change continuously, as it requires effective participation from every level of the organization and within all levels of institutions, as human resources is also an asset (Almuhaisen, Habes, & Alghizzawi, 2020; Chin, 2011). The mission is to organize institutional work and improve institutional performance since it is critical to the organization's smooth management and attainment of its objectives (Sarrab, Elbasir, & Elgamel, 2013).

As a result, in this changing and competitive global ecosystem, if human resources are managed effectively, they can become a competitive advantage for a business organization, and it is clear that leaders have a significant influence on subordinates, so the importance of the leadership standard in the institutions and organizations sector grows. Malaysian business organizations are still behind in terms of competitive advantage in the global business environment due to their low productivity and poor business performance (Tehseen, Sajilan, Ramayah, & Gadar, 2015). In addition, Malaysian business organizations are found to provide a lower contribution to the nation's GDP and exports as compared to business organizations of many neighboring countries such as Japan, South Korea, and Singapore (Halim, Ahmad, & Ramayah, 2014). Realizing the importance of Malaysian business organizations as an important element of economic growth, it is vital to discover factors that can enhance competitiveness and reduce the disparity between Malaysian business organizations and business organizations in these countries in terms of contribution to the economy. Business organizations must give attention to the needs and requirements of their employees are all motives that enhance productivity and positively influence performance effectiveness.

The undivided loyalty of the employees in the business organization is also an important factor in the business organizations. Loyalties employees produce the performance of the organization and build competitive advantage (Foster, Whysall, & Harris, 2008; Khuong & Tien, 2013). However, employee loyalty is a complex issue as it is not possible to recognize whether they have been committed and loyal by simply asking questions or performing an observation (Altanchimeg & Sarantuya, 2018). This study will benefit private organizations in strategizing their businesses to ensure the targeted business performance

will be achievable. Employees in the private business organization can better understand how they can implement the organization's plan to ensure the positive results of their operations. Also, findings from this study will benefit policymakers in introducing future business policies affecting private business organizations and ensuring positive business performance by the private organizations towards the country's economy.

Therefore, this study aims to evaluate the relationship between corporate image, employee engagement, and organizational culture towards employee loyalty and employee loyalty to business organizational performance in Malaysia.

METHOD

Employees who were working in private organizations were selected for this study. This study used primary data and a survey instrument was utilized for data collection. The survey questionnaire used in this study was developed with a careful evaluation of previous studies to acquire appropriate measurements that were being frequently used and have well-built reliability and validity. Survey questionnaires were sent via email to the targeted respondents by utilizing the non-probability sampling technique of purposive sampling to collect data. There were a total of 25 observed variables constituted of the exogenous variables and the endogenous variable measurement. Corporate image construct consists of 5 measurement items (Lee, 2004), employee engagement consists of 5 measurement items (Saks, 2006), organizational culture constructs consist of 5 measurement items (Van den Berg & Wilderom, 2004), employee loyalty construct consists of 4 measurements (Matzler & Renzl, 2006) and business performance construct consists of 5 measurement items (Ganeshasundaram & Henley, 2007). A five-point Likert scale was employed ranging from strongly disagree to strongly agree to measure the measurement items of each

construct. Out of 485 questionnaires distributed, 353 were collected. This made-up a 72.8% response rate and it was adequate to conduct data analysis by employing the structural equation modeling technique (SEM). After data screening and deleting the outliers process, 329 questionnaires were cleared and ready to be analyzed. Table 1 demonstrated the respondents' profiles of the

sampled ODL students. Smartpls3 was used in this study to run the multivariate data analysis and test the proposed hypotheses. In addition, the model measurement and structural model assessment procedures also were performed by using Smartpls3, The PLS-SEM technique was employed for this study due to its assessment ability (Hair, Black, Babin, & Anderson, 2010).

Table 1
Respondents' Profile

		Frequency	Percent
GENDER	Male	131	39.8
	Female	198	60.2
AGE	20-30 yrs	26	7.9
	30-40 yrs	145	44.1
	40-50 yrs	78	23.7
	50-60 yrs	59	17.9
	>60 yrs	21	6.4
YEAR OF SERVICE	<5 yrs	41	12.5
	5-10 yrs	74	22.5
	10-15 yrs	57	17.3
	15-20 yrs	45	13.7
	20-25 yrs	41	12.5
	25-30 yrs	44	13.4
MGT LEVEL	>30 yrs	27	8.2
	Top Mgt	38	11.6
	Middle Mgt	188	57.1
INCOME	Operational	103	31.3
	<RM4,850	113	34.3
	RM4,851-RM10,970	142	43.2
	> RM10,971	74	22.5

Data Analysis

Common Method Bias

Kock (2015) suggested that if the variance inflation factor (VIF) is greater than 3.3, it shows there is an issue of common method bias. Common method bias occurs when there are variances in responses from respondents are caused by the instrument and not by the actual respondents'

predispositions that the instrument tries to uncover. To verify whether there is a problem with collinearity and common method bias, the full collinearity test was conducted. As demonstrated in Table 2, all factor-level after the full collinearity test showed that the variance inflation factors (VIF) were less than 3.3 and hence it proved the model did not face any common method bias issue.

Table 2
Full Collinearity Statistics (VIF)

	BP	EL	CI	EE	OC
BP		1.461	1.533	1.556	1.509
EL	2.243		2.32	2.077	2.323
CI	2.478	2.442		1.928	2.47
EE	2.842	2.471	2.179		2.783
OC	1.593	1.598	1.613	1.609	

Note: BP=Business Performance, EL=Employee Loyalty, CI=Corporate Image
EE=Employee Engagement, OC=Organizational Culture

Measurement Model

The structural model was evaluated and substantiated the reliability and validity of construction measurement by utilizing the PLS-SEM algorithm. Hair Jr, Hult, Ringle, and Sarstedt (2021) proposed two important elements in PLS-SEM: reliability and validity for the study of the outer goodness model. First of all, the specified model was introduced (Figure 1). After an initial evaluation of the reliability and validity of outer loadings, certain items of the constructs have shown lower loadings and this has caused the construct reliability and validity which was the average variance extracted (AVE) below the threshold of 0.5, therefore requiring certain items of lower loading to be deleted. After the deletion of lower loading items, all constructs have achieved the threshold of AVE of a minimum of 0.5 with the range of 0.549 to 0.702 (Table 3). This confirmed the establishment of convergent

validity of all constructs. The composite reliability as shown in Table 3, ranged from 0.830 to 0.916, which is above the threshold of 0.7 (Hair Jr et al., 2021). Further, discriminant validity was evaluated to confirm its presence in this study by evaluating the cross-loading of the measurement items. The statistical results demonstrated that all item loadings were higher than their respective cross-loadings (Table 4). The presence of discriminant validity was further evaluated by calculating the Heterotrait-Monotrait (HTMT) ratios and the statistical results showed that all the five constructs' ratios were < 0.9 (Table 5) as suggested by (Henseler, Ringle, & Sarstedt, 2015). The complete bootstrapping was done for HTMT. Therefore, as mentioned by Hair Jr et al. (2021), this study has demonstrated the latent constructs' reliability and validity.

Table 3. Construct Reliability & Validity

	CA	rho_A	CR	AVE
BP	0.847 (0.867,0.908)	0.861 (0.826, 0.887)	0.890 (0.867,0.908)	0.618 (0.568,0.663)
CI	0.861 (0.879,0.916)	0.861 (0.829,0.886)	0.900 (0.879,0.916)	0.643 (0.594,0.685)
EE	0.886 (0.894,0.935)	0.888 (0.850,0.911)	0.916 (0.894,0.935)	0.687 (0.628,0.741)
EL	0.857 (0.882,0.921)	0.866 (0.832,0.890)	0.904 (0.882,0.921)	0.702 (0.654,0.744)
OC	0.727 (0.795,0.860)	0.728 (0.646,0.782)	0.830 (0.795,0.860)	0.549 (0.493,0.607)

Note: CA=Cronbach Alpha, CR=Composite Reliability, AVE=Average Variance Extracted

Table 4. Cross Loadings

	BP	CI	EE	EL	OC
BP1	0.717	0.328	0.311	0.331	0.337
BP2	0.820	0.429	0.383	0.440	0.349
BP3	0.785	0.374	0.326	0.390	0.352
BP4	0.790	0.406	0.445	0.496	0.400
BP5	0.816	0.417	0.464	0.538	0.432
CI1	0.394	0.811	0.567	0.511	0.425
CI2	0.425	0.833	0.611	0.497	0.415
CI3	0.419	0.832	0.557	0.493	0.451
CI4	0.412	0.782	0.642	0.578	0.460
CI5	0.355	0.748	0.605	0.542	0.410
EE1	0.475	0.643	0.797	0.577	0.506
EE2	0.387	0.629	0.845	0.569	0.446
EE3	0.398	0.585	0.830	0.545	0.460
EE4	0.454	0.673	0.864	0.620	0.495
EE5	0.361	0.566	0.806	0.645	0.417
EL1	0.520	0.558	0.603	0.823	0.488
EL2	0.505	0.593	0.649	0.890	0.485
EL3	0.474	0.572	0.639	0.874	0.515
EL4	0.405	0.471	0.496	0.757	0.394
OC1	0.319	0.368	0.368	0.370	0.728

	BP	CI	EE	EL	OC
OC2	0.420	0.397	0.473	0.467	0.715
OC3	0.329	0.395	0.399	0.386	0.770
OC4	0.340	0.436	0.406	0.434	0.750

Note: BP=Business Performance, EL=Employee Loyalty, CI=Corporate Image
EE=Employee Engagement, OC=Organizational Culture

Table 5. Hetrotrait-Monotrait (HTMT) Ratio

	BP	CI	EE	EL
CI	0.581(0.474, 0.681)			
EE	0.566 (0.456, 0.669)	0.853 (0.792, 0.904)		
EL	0.697 (0.614, 0.782)	0.804 (0.715, 0.875)	0.842 (0.776, 0.903)	
OC	0.598 (0.456, 0.711)	0.678 (0.569, 0.786)	0.692 (0.562, 0.813)	0.705 (0.626, 0.848)

Note: BP=Business Performance, EL=Employee Loyalty, CI=Corporate Image, EE=Employee Engagement, OC=Organizational Culture

Structural Model

The assessment of the structural model was conducted by evaluating the path coefficient (β) together with the coefficient of determination (R^2) value (Hair, Sarstedt, Ringle, & Mena, 2012). PLS technique was used to bootstrap 5000 sub-samples to determine the significance level of the path coefficient. The statistical result of the hypotheses testing of path coefficients (Beta), t-statistics, p-value, and confidence interval was shown in Table 5. For *hypothesis 1*, the statistical result shows corporate image has a positive and significant influence on employee loyalty ($\beta = 0.222$, $t = 3.588$, $p=0.000$), hence H_1 is supported. For *hypothesis 2*, the

result reveals that employee engagement has a positive and significant influence on employee loyalty ($\beta = 0.439$, $t = 7.518$, $p=0.000$), thus, H_3 is well supported. For *hypothesis 3*, the statistical result confirms that organizational culture has positively and significantly affected employee loyalty ($\beta = 0.199$, $t = 4.076$, $p=0.000$), hence, H_3 is supported. For *hypothesis 4*, it is found that employee loyalty has a strong positive and significant direct effect on performance ($\beta = 0.571$, $t = 15.321$, $p=0.000$), therefore, H_4 is supported. The summary of the hypotheses testing results is presented in Table 6.

Table 6. Hypotheses Testing Results

	Beta	T – Values	P- Values	LLCI 2.50%	ULCI 97.50%	Decisions
H_1 :CI -> EL	0.222	3.588	0.000	0.098	0.341	Supported
H_2 :EE -> EL	0.439	7.518	0.000	0.334	0.555	Supported
H_3 :OC -> EL	0.199	4.076	0.000	0.090	0.284	Supported
H_4 :EL -> BP	0.571	15.321	0.000	0.490	0.639	Supported

RESULTS AND DISCUSSION

The ability of private organizations to maintain their business performance will determine whether private organizations can sustain their business over time. The focus of this study is to evaluate the direct relationships between corporate image, employee engagement, organizational culture, and employee loyalty and the direct relationship between employee loyalty and

business performance. From the above statistical result, it has clearly shown that employee engagement has the strongest influence on employee loyalty ($\beta=0.439$). Hence, the private organization needs to emphasize their employee engagement in their organizations. The employees must be encouraged to do engagement in their work. With active engagement by the employees, it will strengthen their loyalty to their

organizations. On the organization's part, top management must come out with the right planning and strategy on how to make their employees more engaged in their work, and eventually, their employees will become loyal to the organization. Corporate image has the second strongest influence on employee loyalty ($\beta=0.222$). Private organizations with a strong corporate image will be much preferred by internal and external stakeholders. Employees in private organizations with a strong corporate image will carry the pride of their organizations and will have a strong attachment to their organizations. Employees feel highly motivated in performing their duty in the organization and feel that they are in the right organization. This will lead the employees to become increasingly loyal to their organizations and will make the employees less likely to move to other organizations. Private organizations must continuously develop a plan and formulate a strategy on how to strengthen their corporate image so that the organization would be able to retain their employees for a long period, especially their skilled employees. The third strongest construct influences employee loyalty is organizational culture ($\beta=0.222$). Even though organizational culture's influence on employee loyalty is not as strong as employee engagement, the influence is still significant. Employees stay within the organization if their organizations have a good working culture in the organization. This will make them feel comfortable doing their work. Positive organizational culture will create a conducive environment for the employees to perform their work which eventually will make them want to stay longer in their organizations. From the above statistical results, there is clear evidence that employee engagement, corporate image, and organizational culture will enhance employee loyalty in private business organizations. With strong employee loyalty, the statistical result shows that employee loyalty will strongly and positively affect the business performance of

private organizations ($\beta = 0.571$). Loyal employees tend to perform better in their work which will lead to high productivity and eventually the business performance of the private organization will be strengthened. Therefore, private organizations must make sure to implement the strategies to enhance their employees' loyalty by focusing on employee engagement, corporate image, and organizational culture, so that the impact on the business performance of the organization will be greater.

CONCLUSION

The sustainability of private organizations very much depends on their business performance. Therefore, the employees of the organization play a very important role and make a significant contribution to the organization's business performance. An organization is made up of a group of people and they are the assets of the organization. Their loyalty toward the organization definitely will give a positive impact on the organization's business performance. Hence, it is the duty of the top management in the organization to ensure their employees remain loyal by focusing on the factors of corporate image, employee engagement, and organizational culture. These three factors can have a positive impact on employee loyalty which is one of the strong antecedents to private organization business performance. For future studies, it is recommended other variables such as leadership style, organizational commitment, and brand image should be considered in developing the research framework.

REFERENCES

- Almuhaisen, O., Habes, M., & Alghizzawi, M. (2020). An empirical investigation the use of information, communication technologies to English language acquisition: A case study from the Jordan. *Development*, 7(5). [Google](#)

Scholar

- Altanchimeg, Z., & Sarantuya, J. (2018). Impact of employee's satisfaction in employee loyalty, retention and organization performance. *International Journal of Management and Applied Science*, 4(7), 51–55. [Google Scholar](#)
- Brodie, R. J., Ilic, A., Juric, B., & Hollebeek, L. (2013). Consumer engagement in a virtual brand community: An exploratory analysis. *Journal of Business Research*, 66(1), 105–114. [Scopus](#)
- Chin, J. L. (2011). Women and leadership: Transforming visions and current contexts. *Forum on Public Policy Online*, 2011(2). ERIC. [Google Scholar](#)
- Di Gangi, P. M., & Wasko, M. (2009). The co-creation of value: Exploring user engagement in user-generated content websites. *Proceedings of JAIS Theory Development Workshop. Sprouts: Working Papers on Information Systems*, 9(50), 9–50. [Google Scholar](#)
- Foster, C., Whysall, P., & Harris, L. (2008). Employee loyalty: an exploration of staff commitment levels towards retailing, the retailer and the store. *The International Review of Retail, Distribution and Consumer Research*, 18(4), 423–435. [Google Scholar](#)
- Ganeshasundaram, R., & Henley, N. (2007). "Decision research" correlates directly with better business performance. *Marketing Intelligence & Planning*. [Google Scholar](#)
- Hair, J. F., Sarstedt, M., Ringle, C. M., & Mena, J. A. (2012). An assessment of the use of partial least squares structural equation modeling in marketing research. *Journal of the Academy of Marketing Science*, 40(3), 414–433. [Google Scholar](#)
- Hair Jr, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2021). *A primer on partial least squares structural equation modeling (PLS-SEM)*. Sage publications. [Google Scholar](#)
- Halim, H. A., Ahmad, N. H., & Ramayah, T. (2014). Manoeuvring the rough commercial landscape through outsourcing: repositioning Malaysian SMEs. In *International Business Strategy and Entrepreneurship: An Information Technology Perspective* (pp. 41–51). IGI Global. [Google Scholar](#)
- Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science*, 43(1), 115–135. [Google Scholar](#)
- Khuong, M. N., & Tien, B. D. (2013). Factors influencing employee loyalty directly and indirectly through job satisfaction—A study of banking sector in Ho Chi Minh City. *International Journal of Current Research and Academic Review*, 1(4), 81–95. [Google Scholar](#)
- Kock, N. (2015). Common method bias in PLS-SEM: A full collinearity assessment approach. *International Journal of E-Collaboration (Ijec)*, 11(4), 1–10. [Google Scholar](#)
- Lee, B. K. (2004). Corporate image examined in a Chinese-based context: A study of a young educated public in Hong Kong. *Journal of Public Relations Research*, 16(1), 1–34. [Google Scholar](#)
- Matzler, K., & Renzl, B. (2006). The relationship between interpersonal trust, employee satisfaction, and employee loyalty. *Total Quality Management and Business Excellence*, 17(10), 1261–1271. [Google Scholar](#)
- Saks, A. M. (2006). Antecedents and consequences of employee engagement. *Journal of Managerial Psychology*. [Google Scholar](#)
- Sarrab, M., Elbasir, M., & Elgamel, L. (2013). The technical, non-technical issues and the challenges of migration to free and open source software. *International Journal of Computer Science Issues (IJCSI)*, 10(2), 464. [Google Scholar](#)

- Tehseen, S., Sajilan, S., Ramayah, T., & Gadar, K. (2015). An Intra-Cultural Study of Entrepreneurial Competencies and SMEs Business Success in Whole Sale and Retail Industries of Malaysia:-A Conceptual Model. *Review of Integrative Business and Economics Research*, 4(3), 33. [Google Scholar](#)
- (2004). Defining, measuring, and comparing organisational cultures. *Applied Psychology*, 53(4), 570–582. [Google Scholar](#)
- Van den Berg, P. T., & Wilderom, C. P. M.



© 2022 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license (<https://creativecommons.org/licenses/by-sa/4.0/>).