

# Corporate Work Culture and Organisational Performance: Mediating Role of Human Resource Management Practices

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## Abstract

**Purpose:** This study presents theoretical and empirical manifestation on the relationship between the corporate work culture of the human resource department and organisational performance.

**Theoretical framework:** From the theoretical perspective organisation work culture has a profound impact on the organisation processes, employees and performance. Most of the studies analysed human resource management (HRM) and its relationship with organisational performance, showing a positive relationship among them. Empirically a limited number of studies conducted on organisation work culture and performance.

**Design/methodology/approach:** In this paper, an attempt has been made to understand the kind of relationship that exists between work culture and organisational performance by considering the mediating role of human resource practices. In this study mediation analysis has been performed to achieve the stated objective. Data were collected from organisations operating in energy sector in India through a structured questionnaire.

**Findings:** The findings of the study suggest that work culture is not a significant variable in determining organisational performance. However, in the presence of HR practices as a mediating variable work culture has a significant and indirect impact on organisational performance. Thus, it is concluded here that HR department plays a vital role in instilling work culture among the employees and organizations having a well-equipped HR department will contribute more to organizational performance

**Research, Practical & Social implications:** A positive and vibrant work culture has greater impact on the performance of the employee and the organisation at large. It is the responsibility of HR department to check that the human resource is well conversant with its work culture. In this research work, only public sector undertakings in the power sector considered, which follows a bureaucratic system and can be extended to private sector organisations.

**Originality/value:** The relationship of corporate work culture on organizational performance has been empirically proved, which will contribute to the existing literature on HR administration.

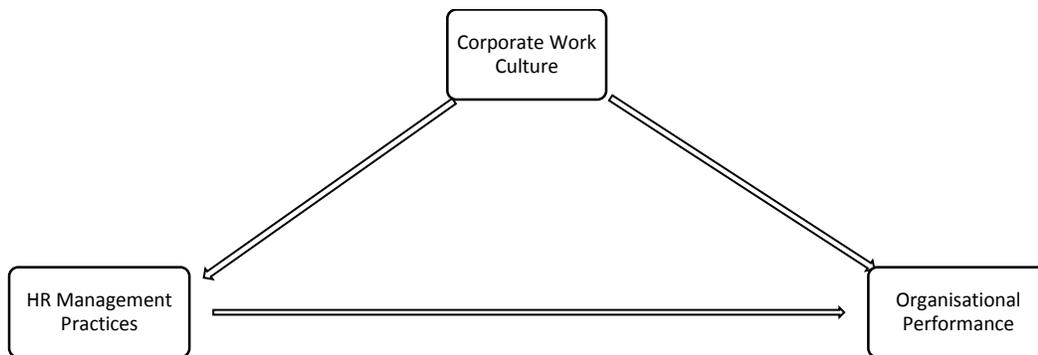
**Keywords:** Work Culture, Mediation Analysis, Principal Component Analysis, HR management practices, Organizational performance

## 1. INTRODUCTION

Human resource management is concerned with the human resource function in the development and delivery of HRM objectives. Literally the terms HR department and HR functions are synonymously used, and in this study, the term HR department is used. The HR department plays a vital role in creating a positive workplace culture for employees in an organization. This will eventually attract and retain quality professionals. It is through the HR department, other departments and individual employees will receive cue on how to perform their job. According to Van Dyk (2001), the HR department constitutes employees responsible for the proper implementation of HRM activities. Carrell et al. (1995) enlisted around sixty different activities that may be assigned to the HR department. The department is responsible for the issue of policies and procedures that diffuses through the organization and carry out activities along with other line departments. Interview, training and development, career planning, disciplinary procedures and performance appraisal are significant activities performed by HR departments. According to Carrell et al. (1998), much evidence could be found in the literature on the importance of the HR department in the organizations' effort to achieve financial success. The results indicate a strong relationship between HR practices and bottom line profits and supported in research by Beer

(1997). On the other hand, activities performed by the HR department was severely criticized by many authors on ground of overstaffing, reactive, rule followers and handling grievances by rule book perspective. Despite criticisms organizations in the present globalization era need to focus on effective human resource management in order to achieve organizational objectives.

Armstrong and Baron (1998) opined that with the development of the world economy, companies compelled to focus on organizational performance to measure their behaviour and results. Thus, researchers are working to identify factors that influence organizational performance and the relationship with HR department activities. Over the last couple of years HRM function performed by the department and its relationship with organizational performance have been studied empirically by authors like Bondarouk et al., 2016; Jiang et al., 2012; Ogbonnaya and Valizade, (2016); Prowse and Prowse (2010). According to Buller and McEvoy (2012), there exists no clear cut relationship between them, while Paauwe (2009) argued on a weak statistical relationship. On the contrary, some other authors supported an empirically, robust relationship (Combs et al., 2006). However, the indirect relationship between corporate work culture and organizational performance has not been empirically investigated in the presence of HR management practices so far.



**Figure-1: Conceptual Model**

The present study is based on the survey of 05 domestic power generation and distribution public sector companies situated in the northeastern states of India. This research tries to identify human resource management practices as a mediator in the relationship between corporate work culture and organizational performance (Figure-1).

## **2. REVIEW OF LITERATURE AND THEORETICAL BACKGROUND**

The General systems theory as proposed by Cleland and King (1983) stated that an organization is a complex set of interdependent parts that includes organizational strategy, structure, technology, HR management and decision making within the framework of an industry. On the other hand, Resource-based theory has focused on the connection between the organizational strategy and its internal environment. It analyses the formulation of strategy within the framework of organizational resources. According to Barney (1991), the resources can be categorized based on value, scarcity, imperfect imitability and lack of substitutes as physical capital, human capital and organizational capital. Among the three human capital consisting of employees of the organization and their performance has a significant impact on the performance of the organization as a whole. Therefore, organizations expect loyalty as well as a proper understanding of the work culture from their employees. Brooks (2006) stated that proper knowledge and awareness of organizational culture help in improving the ability to examine the behaviour of an organisation that will promote efficient managing and leading. Pettigrew (1979) had used the term organizational culture for the first time in the academic literature and stated that the culture of the organization need to be developed in such a way that the employees performance will be improved. Thus, the conceptual model presented in this paper has discussed its elements of “HR work culture”, “HR practices” and “Organisational Performance”.

## **2.1 Corporate work culture and Organisational Performance**

Forehand and Von Gilmer (1964), stated that culture is an arrangement of different attributes that express an organization and differentiate it from other, while Schein (1990) defines culture is a set of values and behaviours that guide to success. In other words, culture is defined as a gained knowledge, explanations, values, beliefs, communication and behaviour of large group of people at the same time and same place (Shahzad. F. et.al., 2012). Thus, organization culture is a defined way through which employees carry out tasks and interact with each other within the organization. Organization culture helps in binding the human resource together and provides a direction for the company. Corporate culture can have a significant impact on employee performance and motivation. An employee is willing to work harder to achieve the organizational goal if he considers himself as a part of the corporate environment. While different cultures operating in one company can impact employee performance, it entails organizations to ensure that corporate culture must be aligned with performance management systems. Kotter and Heskett (1992) investigated and established a dynamic relationship between culture and performance. They also found a strong association between culture, management practices and performance. On the other hand, Rosseau (1990) found no positive correlations between culture and employee performance. As per Denison (1990), the performance of an organization is dependent on the degree of comprehensively shared values of the culture.

*H<sub>1</sub>: Corporate work culture is positively related to Organisational Performance.*

## **2.2 HR Management Practices and Organisational Performance**

The contribution of Human resource management practices on a firm, whether individually or collectively, had been empirically tested and supported in previous works earlier. According to Arthur & Boyles (2007) HR practice is the implementation and experience of an organization's HR programs by lower level managers and employees. Wright, Dunford and Snell (2001) developed a conceptual model on people management practices that create value and form the basis of enhancing the firm's core competencies. Therefore if human resource management practiced systematically will act as one of the sources of a firm's competitive advantage (Zhang 2010). The importance of HR management was felt in India after opening up of the economy by the government in 1991 by adopting a policy of foreign direct investment in domestic companies.

*H<sub>2</sub>: Human resource management practices has a positive and direct impact on Organisational Performance.*

## **2.3 Corporate Work Culture and HR Management Practices**

The development of a corporate work culture is a continuous process over time and shaped by the leadership by actions and values perceived to be contributed to earlier successes. The corporate culture can be managed through cultural awareness by organisational leaders and HR professionals. Thus, HR plays a vital role in ensuring that an organisation's culture will continue and thrive. HR professionals have many tools for developing and sustaining a high performance corporate culture, that includes hiring, performance management programs, recognition programs etc. In other words a vibrant work culture will enforce the HR department to perform their responsibility accordingly that in return motivate the employee resulting into increase in productivity and performance.

*H<sub>3</sub>: Corporate work culture influences Human resource management practices and has an positive and indirect impact on Organisational Performance.*

## **3. RESEARCH METHODS AND DESIGN**

The population for this study was organizations operating in the power sector that includes power generation, distribution and transmission companies operating in Northeast India more specifically in Arunachal Pradesh since the majority of hydropower generation companies are situated in the sampled state. In total, 150 questionnaires administered among General Managers, human resource managers and other line managers involved in decision making. Out of which 141 responses returned and 120 questionnaires considered for further analysis which is 80% of the total population. A five point likert scale was used to rate the items in questionnaires.

### 3.1 Variable Measurement and Statistical Tool

*HR Management Practices:* On the basis of the scale developed and used by HR-Survey LLC 49 items has been considered with a good reliability coefficient ( $\alpha = 0.79$ ). The principal component analysis (PCA) is used and 07 factors such as- Accessibility, Information sharing, Employee involvement, Customer service, Training, Hiring and Teamwork has been extracted (Table-1).

**Table-1: Factors extracted through Principal Component Analysis**

Variable (HR Management Practices)	Factor Loading	Eigen Values	Total Variance explained
<b>Accessibility:</b>		1.349	80.462
The HR staff is accessible & responsive when I need Assistance	0.617		
In HR dept. the lines of communication are open up to Director	0.503		
<b>Information Sharing:</b>		2.223	73.644
HR dept. provides all employees with a Policy Manual	0.592		
Information from HR dept. is informative, relevant & consistent	0.896		
HR department timely communicates changes in policies	0.858		
<b>Employee Involvement:</b>		1.992	77.708
HR identifies a variety of solutions before implementing changes	0.701		
HR department solicits inputs from employees	0.779		
Grievance process used by HR dept. is fair, efficient and doesn't waste time or resources	0.712		
<b>Customer Service:</b>		4.873	63.776
HR department staff looks for other ways to assist me	0.728		
HR assistance is readily available to all employees without any discrimination	0.894		
HR serves as internal consultants to management as well as counsellors to employees	0.889		
Managers create a win-win solution for employees	0.927		
HR understands the needs of the employee	0.691		
HR services are responsive and timely	0.581		
<b>Training:</b>		2.617	69.107
Employees are provided with variety of training opportunities	0.885		
HR supports efforts made by employees to obtain training on new skills	0.84		

HR invests in employees through training and development	0.826		
HR helps employees to build competencies needed to successfully achieve strategic objectives	0.492		
I am more efficient in my job now as compared to when I started	0.711		
HR offer training for development and personal achievement	0.593		
<b>Hiring:</b>		6.259	53.832
My department has the right people in the right places	0.745		
HR department has a good pool of applicants to choose from	0.717		
HR department partners with universities to hire graduates	0.807		
HR department is successful in recruiting to fill both long- and short-term vacancies	0.672		
The hiring procedure is clearly defined	0.788		
The hiring process is fair and unbiased	0.706		
The hiring process adopted by HR department is efficient in hiring excellent candidates	0.753		
<b>Teamwork:</b>		20.113	41.047
HR department promotes teamwork	0.757		
HR department have a good understanding of the needs of my department and helps to fulfil, train and staff	0.792		
Conflicts within the team are handled appropriately	0.622		
Employees work together to share ideas and resolve issues	0.619		
Team members are working towards a common goal	0.712		
HR department cooperates and works together with all departments to effectively achieve organisation objectives	0.772		
I feel myself a part of the team	0.892		

*Corporate Work Culture:* Organisation culture assessments need to be reviewed regularly rather than year on year basis. Out of several types of assessments that allow leaders to look into organizational culture, in this study job satisfaction survey has been used to measure the corporate work culture. A job satisfaction survey is a set of questions that addresses how employees perceive organizational culture and what values they support or ignore. It requires an approach in toto to which questions like- ‘I feel valued at work’, ‘I feel connected to other team members’ etc. were asked. The answers to these questions has provided an insight into an employee’s perspective on how they perceive the culture of the company (Table-2).

**Table-2: Items for measuring Corporate work culture**

No	Items	Mean	Std. Dev.
1	HR activities help in fostering the foundation belief within me	3.67	0.901

2	HR activities, policies & practices encourage an atmosphere of cooperation, commitment to excell in performance	3.63	1.107
3	My HR department is aligned with the organisation's overall mission and vision	3.93	1.075
4	I am not afraid to contact the HR department if I experienced a problem in the work place	4.00	1.004
5	I feel connected to other department team members to achieve organisation's mission and vision	3.87	0.943
6	In my opinion HR department always acts in an ethical manner	3.64	0.742
7	In my opinion HR department carries its role in a professional manner	3.83	0.806
8	New employee orientation includes information about our culture	3.82	0.847
9	HR department supports honest two-way communication between managers and employees	3.61	0.833
10	I feel valued at work and my contribution is duely recognized	3.75	0.791
11	The organisation culture promotes learning and creativity	3.77	0.817
12	Our culture promotes balance between work and family life	3.51	0.907

*Organisational Performance:* In this study subjective measure of organisational performance employed. The objective of utilising subjective measure as opposed to objective measure is because of few sampled organisations were not ready to disclose their financial performance. The subjective measure of performance were successfully used in CRANET (Tregaskis, Mahoney and Atterbury, 2004). In order to measure organizational performance the scale developed by Bontis, Crossan and Hulland (2002) with the objective of collecting perceptions of business performance has been used along with some more items. The scale items are provided in the Table-3.

**Table-3: Items for measuring Organizational Performance**

No	Items	Mean	Std. Dev.
1	The organisation serves its employees with all they need efficiently	4.06	0.946
2	My organisation is successful	3.32	1.195
3	The team meets its performance targets with well utilisation of resources without wastage	3.80	1.050
4	Individuals are generally happy working here	3.83	1.133
5	My organization's future performance is secure	4.04	0.844
6	The response time to customer needs is prompt	3.44	1.431
7	We have positively contributed to our organization's growth	4.09	0.995

Mediation analysis is used in this study to test the hypothesis. It investigates the mechanisms that underlie the observed relationship between an exposure variable and an outcome variable and examines their relationship with the third intermediate variable, the mediator (Valeri, L., & VanderWeele, T. J., 2013). According to MacKinnon (2008) the mediator variable serves to clarify the nature of the relationship between the exposure and outcome variable. The SPSS process macro developed by Andrew Hayes (Hayes and Rockwood, 2017) to test direct and indirect effect is used to validate hypotheses.

#### 4. DATA ANALYSIS AND RESULTS

The hypothesis H<sub>1</sub> – H<sub>3</sub> on the relationship between Corporate work culture, HR management practices and organisational performance has been tested by simple mediation analysis in line with procedures presented by Hayes (2017) and presented in the following Table.

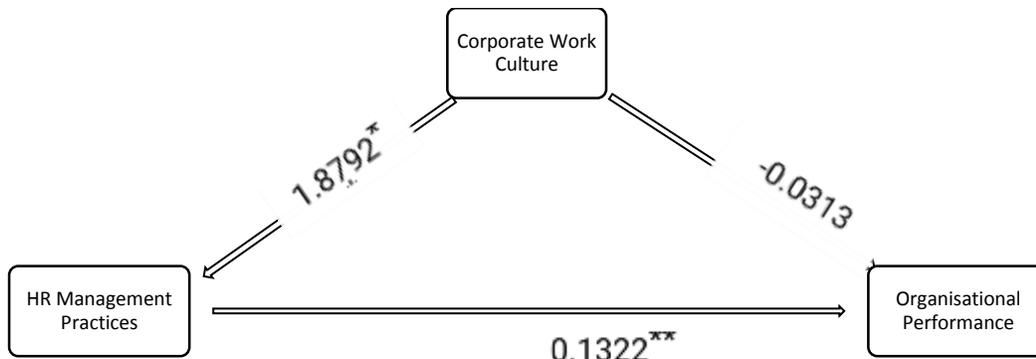
**Table-4: Model Summary**

<i>Outcome Variable- HR Management Practices</i>						
R	R <sup>2</sup>	MSE	F	df <sub>1</sub>	df <sub>2</sub>	p-value
0.6713	0.4506	77.0345	43.4678	1.000	118.000	0.000
<i>Outcome Variable- Organisational Performance</i>						
R	R <sup>2</sup>	MSE	F	df <sub>1</sub>	df <sub>2</sub>	p-value
0.5714	0.3265	36.06	12.602	2.000	117.000	0.000

**Table-5: Model Coefficients**

<i>Outcome Variable- HR Management Practices</i>							
	Coefficient	Standardised Coefficient	SE	t-Value	p-Value	LLCI	ULCI
Constant	38.901		8.547	4.551	0.000	21.76	56.04
WCULT	1.8792	2.6713	0.0364	6.593	0.000** *	0.1668	0.312 7
<i>Outcome Variable- Organisational Performance</i>							
	Coefficient	Standardised Coefficient	SE	t-Value	p-Value	LLCI	ULCI
Constant	14.443		6.8964	2.0945	0.0411	0.6055	28.28 3
HRPRAC	0.1322	0.6044	0.0336	3.9366	0.0002* *	0.0648	0.199 5
WCULT	-0.0313	-0.0512	0.0940	- 0.3332	0.7403	- 0.2199	0.157 3

The regression output helps in investigating the hypothesis that HR management practices mediate the effect of corporate work culture on organizational performance. Results indicate that corporate work culture was a significant predictor of HR management practice in a positive way ( $\beta = 0.24$ ,  $SE = 0.036$ ,  $p\text{-value} < 0.05$ ). Furthermore, HR management practice is a significant predictor of organisational performance ( $\beta = 0.132$ ,  $SE = 0.034$ ,  $p\text{-value} < 0.05$ ), while Corporate work culture is not a significant predictor of organisational performance ( $\beta = -0.0313$ ,  $SE = 0.094$ ,  $p\text{-value} > 0.05$ ). These results support the mediation hypothesis. Apart from this, approximately 33% of the variance in organizational performance was accounted by the predictors ( $R^2 = 0.3265$ ). The indirect effect of work culture on organization performance was also tested by using the percentile bootstrap estimation approach with 5000 samples (Shrout & Bolger, 2002). The results ( $\beta = 0.248$ ,  $SE = 0.17$ , 95% Confidence Interval = 0.036, 0.712) indicate that work culture was associated with organization performance, which is approximately 0.25 points higher as mediated by HR management practices positively. Therefore, the final model is shown in the following figure-2.



**Figure-4. Final Model**

\*\* Significance at 1% level of significance

As exhibited in Table-6 and based on the T-value test Hypothesis-2 and 3 are supported whereas Hypothesis-1 is not supported.

**Table-6: Hypothesis Testing**

Hypothesis	Path	Estimate	T-value	P-value	Support
H <sub>1</sub>	ORGPREF ← WCULT	-0.0313	-0.332	0.7403	Not Supported
H <sub>2</sub>	ORGPREF ← HRPRAC	0.1322	3.937	0.0002	Supported
H <sub>3</sub>	HRPRAC ← WCULT	1.8792	6.593	0.0000	Supported

## 5. DISCUSSION

The purpose of this study is to investigate the relationship between corporate work culture, HR management practices and organizational performance. Based on the results of the Mediation analysis, we can find out the relationships and interactions among them.

*Hypothesis-1:* Corporate work culture influences organizational performance. A healthy organizational culture is essential for a business to prosper since it influences the employee behaviour and decisions. It acts as a social glue to bond the employees together and make them feel a part of a broader corporate environment. Corporate work culture is also useful for employees to understand the organizational vision, mission, and objectives, that will enhance the efficiency and effectiveness of employees resulting in better performance of the organization. Table-6 shows that H<sub>1</sub> (ORGPREF ← WCULT) is not supported and the value of the estimate is -0.031. That means in the sampled organizations work culture has no direct impact on the business performance alone.

*Hypothesis-2 and 3:* These two hypotheses examined the relationship between corporate work culture and HR management practices as well as HR practices on organizational performance. The HR management mainly includes in the light of work culture accessibility, information sharing, employee involvement, customer service, training, hiring and teamwork. Researchers claimed that HR management practices and organizational performance are positively correlated and such claim has been supported in this model. The value of the estimate is 0.132 and positive. Similarly, corporate work culture has a positive impact on HR management practices and has an indirect impact on organizational performance. This means that it is the responsibility of the concerned HR department to instill work culture among the employees so that employees will be motivated and their performance will be enhanced resulting in increased organizational performance.

## 6. CONCLUSION

The prime objective of this study is to empirically verify some of the hypotheses derived from reviewing extant literature on the impact of corporate work culture on organizational performance in the presence of HR management practices. The above discussion of the study leads to the following conclusions:

In an organization, every employee has to internalize the culture irrespective of his own different beliefs and values to perform accordingly. A positive impact on performance by culture as available in the existing literature is refuted here. The Corporate work culture has no direct impact on organizational performance among the organizations under study. However, work culture has an indirect effect on organizational performance in the presence of HR management practices. It is the HR department which plays a vital role in instilling work culture among the employees. Thus, organizations having a well-equipped HR department will contribute more to organizational performance. In this research work, only public sector undertakings in the power sector considered, which follows a bureaucratic system. Therefore, this work can be extended to private sector organizations and the style of leadership can also act as a determining factor in the organizational performance that needs to be studied further.

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