

# Organizational Culture and HR Practices Impact on Firm Performance

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**Abstract** — The managing human resource is a typical task. The multicultural employee attitude managing with merge of organizational culture, which influence HR practices. The functions of organization impact its culture of host and home nation. Culture will impact employee attitude, which reflect on work style. The information collected from various research studies and survey for primary data source from three different IT companies

**Keywords** — HR Practices; Organizational Culture; Effectiveness; Employee Attitude

## 1. Introduction

Today's competitive environment are continuously espoused to be an organization's culture and its HR practices, both of which influence the behavior of organizational members, the deliberate selection of candidates who share the desired values which reinforce the organization's cultural norms[1]. Recruitment and selection within a global context is a complex issue and HR managers need to be careful in carrying out recruitment activities in different cultural contexts. National culture could also be a crucial moderator of relationships between recruitment activities and outcomes across all phases of the recruitment process. By taking different cultural values into consideration, firms may be able to have an advantage over competitors when building up the most important resources of organizations, their people such as recruitment and selection explore the cultural values influence the effectiveness of recruitment practices in different cultural contexts [2].

In a world where organizations continually have to reinvent themselves in the face of constant change it is important that they recognize that their employees are the ultimate source of value. So the onus is on HR to ensure that in fulfilling their functions of recruiting, selecting, training, rewarding, motivating and appraising they are sensitive to the immense changes occurring in both the internal and external environments. HR policies and practices need to reflect changing demographics, social trends, economic conditions, technology, legislation and culture. These include ensuring that the planning process recognizes the value of its people from the start; seeing that top level decision makers recognize the HR implications of their proposals; designing and managing the culture, climate and organizational processes of the business to ensure that everyone does their job better and that high-caliber people are found and retained; reviewing the levels of commitment throughout the organization and making

improvements where necessary; and assessing the performance requirements needed to achieve the business objectives [3]. Through alternative ways like changing organizational culture where employees are encouraged to freely discuss and exchange ideas. Therefore, if managers are trained to use the transformational leadership behaviors discussed during this study, they'll help subordinates become more intrinsically motivated to place extra efforts into trying out new and artistic approaches to their problems [4]. It's suggested that a developmental culture is that the ape-man in-between HR system and innovation outcomes. An HR system which emphasizes extensive training, performance-based reward, and team development is important to make an organizational culture that's conducive to product innovation. The organizational culture acted as a mediator between a firm's HR system and product innovation [5]. Then creation of knowledge assets or the performance of knowledge transfer. Therefore, it is necessary for organizations to consider some of the elements that show are the relationship between organizational elements and the performance of knowledge transfer. Five main independent variables were identified organizational culture, organizational structure, technology, people/human resources and political directives and these were tested against creation of knowledge assets and knowledge transfer performance [6]. Human resource management (HRM) decisions are likely to have an important and unique influence on organizational performance [7]. Human resources that predict the direct and interact with effect of HR practices and organizational culture on firm performance. It goes beyond and static equilibrium mindset by identifying the dynamic and co-specialized resources needed proactively to anticipate and respond to environmental changes. It is a comprehensive study that has effectively integrated industrial economics and organizational theories [8].

An increasing number of studies indicate that HR systems don't lead on to performance. Instead, researchers propose to think about the intermediate linkages between

HR systems and performance (Katou and Budhwar 2006). Most of the prior studies found that employee attitudes (satisfaction and commitment) and climate (shared perception of HR) were the key mediating factors. Boselie, Paauwe and Jansen (2001) found that employee satisfaction, motivation, retention, social climate and involvement mediate the relationship between HR practices and firm performance [9]. The purpose of this study is to understand how firms sustain a competitive advantage through the effective management of people [10]. The organizational culture is categorized by behavioral norms [10] Organizational culture and HR practices are the significant and positive correlations with organizational performance [11].

Dyer and Reeves (1995) The relationship between HR practices and performance and proposed that measures of performance into four categories. First, employee outcomes affect the results of the practices on employees like their attitudes and behavior, particularly behavior like absenteeism and turnover. Organizational outcomes specialise in more operational measures of performance like productivity, quality and shrinkage, many or all of which might be precursors to profitability. Financial / accounting outcomes ask the particular financial performance measures and include expenses, revenues and profitability. Finally, market-based outcomes reflect how the financial markets value a firm, particularly stock price or variations of it [12].

The significant impact of HR practices and organizational commitment on the operating performance and profitability of business units, the role of transaction costs in examining HR outsourcing [13]. In Multinational companies surveyed in practical manner, expatriate managers, and culturally diverse workforces. Globalization requires the successful management of diversity. Multinational companies with worldwide subsidiaries need to recognize and appreciate the impact of culture on organizational values and practices to be able to successfully transfer management know-how to various local units [14]. The frame work of the relationship between HR practices on organizational performance by specifying the influence the internal social structure of the organizations [15]. In this study provides evidence for the hypothesis that human resource practices influence organizational climate which in turn influences customer satisfaction indices. The current study provides some understanding of the manner in which human resource practices influence organizational outcomes [16].

## 2. Analysis

To determine the effectiveness of organizational culture and HR practices on employee productivity.

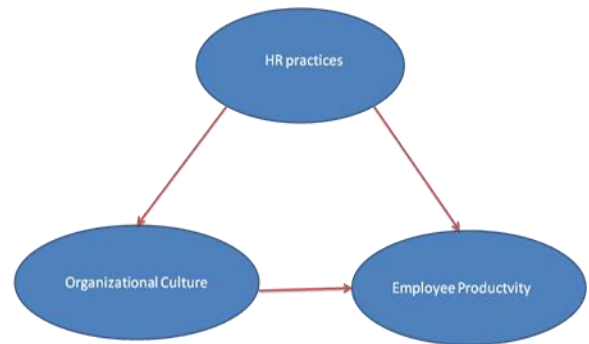


Fig.1: Difference between organizational culture and HR practices

There is a significant difference between organizational culture and HR practices on employee productivity.

Here,  
 X= Organizational culture,  
 M= HR practices,  
 Y1= Employee productivity.

### 2.1 Model 1

Run MATRIX procedure:

\*\*\*\*\* PROCESS Procedure for SPSS Version 3.3 \*\*\*\*\*

Written by Andrew F. Hayes, Ph.D. www.afhayes.com  
 Documentation available in Hayes (2018).  
 www.guilford.com/p/hayes3

\*\*\*\*\*

Model : 4  
 Y : Y1  
 X : x  
 M : M

Sample  
 Size: 108

\*\*\*\*\*

OUTCOME VARIABLE:  
 M

Model Summary

R	R-sq	MSE	F(HC3)	df1	df2	p
.5733	.3286	39.6209	25.6576	1.0000	106.0000	.0000

Model

	coeff	se(HC3)	t	p	LLCI	ULCI
constant	8.7270	7.1415	1.2220	.2244	-5.4316	22.8857
x	.3549	.0701	5.0653	.0000	.2160	.4937

Standardized coefficients

	coeff
x	.5733

Covariance matrix of regression parameter estimates:

	constant	x
constant	51.0004	-.4990
x	-.4990	.0049

\*\*\*\*\*  
 OUTCOME VARIABLE:  
 Y1

Model Summary

	R	R-sq	MSE	F(HC3)	df1	df2	p
	.6981	.4874	8.9193	28.4160	2.0000	105.0000	.0000

Model

	coeff	se(HC3)	t	p	LLCI	ULCI
constant	4.6293	2.8602	1.6186	.1085	-1.0419	10.3005
x	.0732	.0362	2.0229	.0456	.0014	.1449
M	.2969	.0757	3.9201	.0002	.1467	.4470

Standardized coefficients

	coeff
x	.2188
M	.5493

Covariance matrix of regression parameter estimates:

	constant	x	M
constant	8.1806	-.0468	-.0734
x	-.0468	.0013	-.0019
M	-.0734	-.0019	.0057

\*\*\*\*\* TOTAL EFFECT MODEL \*\*\*\*\*  
 OUTCOME VARIABLE:  
 Y1

Model Summary

	R	R-sq	MSE	F(HC3)	df1	df2	p
	.5337	.2848	12.3267	18.7196	1.0000	106.0000	.0000

Model

	coeff	se(HC3)	t	p	LLCI	ULCI
constant	7.2200	4.2194	1.7112	.0900	-1.1453	15.5854
x	.1785	.0413	4.3266	.0000	.0967	.2603

Standardized coefficients

	coeff
x	.5337

Covariance matrix of regression parameter estimates:

	constant	x
constant	17.8032	-.1738
x	-.1738	.0017

\* TOTAL, DIRECT, AND INDIRECT EFFECTS OF X ON Y \*

Total effect of X on Y

Effect	se(HC3)	t	p	LLCI	ULCI	c_ps	c_cs
.1785	.0413	4.3266	.0000	.0967	.2603	.0432	.5337

Direct effect of X on Y

Effect	se(HC3)	t	p	LLCI	ULCI	c'_ps	c'_cs
.0732	.0362	.0229	.0456	.0014	.1449	.0177	.2188

Indirect effect(s) of X on Y

	Effect	BootSE	BootLLCI	BootULCI
M	.1053	.0321	.0448	.1695

Partially standardized indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
M	.0255	.0062	.0126	.0371

Completely standardized indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
M	.3149	.0854	.1457	.4803

\*\*\*\*\* ANALYSIS NOTES AND ERRORS \*\*\*\*\*

Level of confidence for all confidence intervals in output:  
 95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:  
 5000

NOTE: A heteroscedasticity consistent standard error and covariance matrix estimator was used.

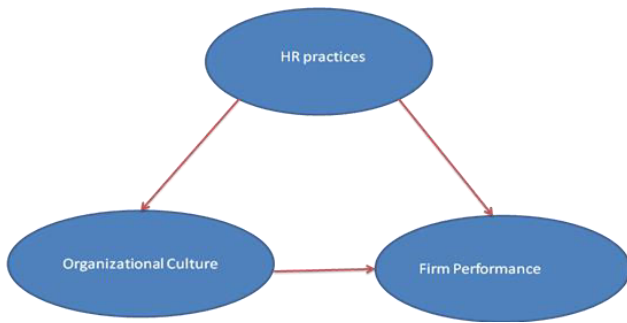
----- END MATRIX -----

*Result* - The above results indicate that the mediation variable (M) is highly influential than the direct variable X on Y1, Models with mediation and without mediation are all significant. The model with mediation is highly significant than the model without mediation variable as p-values are less than 0.05. When the model has only Independent variable, the correlation is 0.5the independent variable could explain a variance of 32.

**Table 1: Interpretation of Model 1**

Cases	Regression Equation	R	R <sup>2</sup>	p-value	Interpretation
Case 1	X on M	0.5733	0.3286	0.001	There is a moderate correlation and model explains 32.86 variance in DV
Case 2	X and M on Y1	0.6981 ~0.7	0.4874	0.001	There is a strong correlation and model explains 48.74% variance in DV
Case 3	X on Y1	0.5337	0.2848	0.001	There is a moderate correlation and model explains 53.37% variance in DV

Form the above table, it is evident from the case 2, that the mediating variable plays a vital role. To examine the impact of organizational culture and HR practices on firm performance.



**Fig.2: relation between Organizational culture and HR practices**

There is a significant relation between Organizational culture and HR practices on firm performance.

Here,  
 X= Organizational culture,  
 M= HR practices,  
 Y2= Firm Performance.

**2.2 Model 2**

Run MATRIX procedure:

\*\*\*\*\* PROCESS Procedure for SPSS Version 3.3 \*\*\*\*\*

Written by Andrew F. Hayes, Ph.D. www.afhayes.com  
 Documentation available in Hayes (2018).  
 www.guilford.com/p/hayes3

\*\*\*\*\*

Model : 4  
 Y : Y2  
 X : x  
 M : M

Sample Size: 108

\*\*\*\*\*

OUTCOME VARIABLE:  
 M

Model Summary						
R	R-sq	MSE	F(HC3)	df1	df2	p
.5733	.3286	39.6209	25.6576	1.0000	106.0000	.0000

Model						
	coeff	se(HC3)	t	p	LLCI	ULCI
constant	8.7270	7.1415	1.2220	.2244	-5.4316	22.8857
x	.3549	.0701	5.0653	.0000	.2160	.4937

Standardized coefficients	
	coeff
x	.5733

Covariance matrix of regression parameter estimates:

	constant	x
constant	51.0004	-.4990
x	-.4990	.0049

\*\*\*\*\*

OUTCOME VARIABLE:  
 Y2

Model Summary						
R	R-sq	MSE	F(HC3)	df1	df2	p
.8852	.7836	8.5595	105.6694	2.0000	105.0000	.0000

Model						
	coeff	se(HC3)	t	p	LLCI	ULCI
constant	5.3782	3.6096	1.4900	.1392	-1.7790	12.5354
x	-.0325	.0328	-.9906	.3242	-.0976	.0326
M	.7501	.0520	14.4174	.0000	.6469	.8532

Standardized coefficients	
	coeff
x	-.0645
M	.9206

Covariance matrix of regression parameter estimates:

	constant	x	M
constant	13.0292	-.0913	-.0882
x	-.0913	.0011	-.0003
M	-.0882	-.0003	.0027

\*\*\*\*\* TOTAL EFFECT MODEL \*\*\*\*\*

OUTCOME VARIABLE:  
 Y2

Model Summary						
R	R-sq	MSE	F(HC3)	df1	df2	p
.4633	.2146	30.7697	26.8429	1.0000	106.0000	.0000

Model						
	coeff	se(HC3)	t	p	LLCI	ULCI
constant	11.9241	4.5961	2.5944	.0108	2.8119	21.0363
x	.2337	.0451	5.1810	.0000	.1442	.3231

Standardized coefficients	
	coeff
x	.4633

Covariance matrix of regression parameter estimates:

	constant	x
constant	21.1241	-.2061
x	-.2061	.0020

\* TOTAL, DIRECT, AND INDIRECT EFFECTS OF X ON Y \*

Total effect of X on Y							
Effect	se(HC3)	t	p	LLCI	ULCI	c_ps	c_cs
.2337	.0451	5.1810	.0000	.1442	.3231	.0375	.4633

Direct effect of X on Y  
Effect se(HC3) t p LLCI ULCI c'\_ps c'\_cs  
-.0325 .0328 -.9906 .3242 -.0976 .0326 -.0052 -.0645

Indirect effect(s) of X on Y:  
Effect BootSE BootLLCI BootULCI  
M .2662 .0488 .1669 .3591

Partially standardized indirect effect(s) of X on Y:  
Effect BootSE BootLLCI BootULCI  
M .0427 .0072 .0280 .0566

Completely standardized indirect effect(s) of X on Y:  
Effect BootSE BootLLCI BootULCI  
M .5277 .0980 .3288 .7105

\*\*\*\*\* ANALYSIS NOTES AND ERRORS \*\*\*\*\*

Level of confidence for all confidence intervals in output:  
95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:  
5000

NOTE: A heteroscedasticity consistent standard error and covariance matrix estimator was used.

----- END MATRIX -----

*Result* - The above results indicate that the mediation variable (M) is highly influential than the direct variable X on Y1, Models with mediation and without mediation are all significant. The model with mediation is highly significant than the model without mediation variable as p-values are less than 0.05.

**Table 2: Interpretation of Model 2**

Cases	Regression Equation	R	R <sup>2</sup>	p-value	Interpretation
Case 1	X on M	0.5733	0.3286	0.001	There is a moderate correlation and model explains 32.86 variance in DV
Case 2	X and M on Y2	0.8852	0.7836	0.001	There is a very strong correlation and model explains 78.36% variance in DV
Case 3	X on Y2	0.4633	0.2146	0.001	There is a moderate correlation and model explains 21.46% variance in DV

Form the above table, it is evident from the case 2, that the mediating variable plays a major role.

## 6. Conclusion

The organizational culture linking with recruitment and selection, planning, organizing, motivating, staffing, directing, controlling and rewarding of managed employee attitude. Organizational culture is also impact on socio-economic conditions of internal and external environment. HR policies and practices got to reflect changing demographics, social trends, economic conditions, technology, legislation and culture. The mediating role of implementation and organizational culture in the employee attitude and firm performance linked. Moderating the business objectives as per current scenario for satisfy employee and stake holders. These processes by which a performance of work system affects firm performance. The statistically proven the internal and external environment are connected with organizational culture and HR practices. On firm performance and employee productivity are impacted by organizational culture and HR practices. The organizational culture dilute with framing and implementation of HR practices. Father research scope is detailed HR practices impacts.

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