



**ANALYSING THE RELATIONSHIP AMONG  
ORGANIZATIONAL CULTURE AND HRM PRACTICES:  
MEDIATING ROLE OF ORGANIZATIONAL LEARNING: A  
CASE OF MNCs in China**

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**Abstract**

**Aim:** The main aim of the study is to analyse the relationship among organizational culture and HRM practices in which there is a mediating role of organizational learning in the multinational companies in China

**Method:** The research method of this paper has utilized numeric data which was collected via a survey questionnaire. The sample size of this research was 375 individuals that were selected on the basis of convenience from different multinational companies operating in China. The quantitative responses obtained have been analysed via Smart PLS via the Structural Equation Modelling considering moderation was assessed in the model

**Results:** The results of this research shows that the impact of organisational culture on HRM practices is found to be statistically viable (0.002). Additionally, the moderating variable of the study i.e. organisational learning also have a significant impact over HRM practices (0.000). On the other hand, the moderation of organisational learning influencing the relationship of organisational culture and HRM practices was found to be statistically insignificant (0.44).

**Keywords:** Organisational culture, organisational learning, HRM practices, leadership, Policies, values, recruitment and selection, China, MNC, and Multinational companies

**Introduction**

Organisations are becoming complex that are operating with the dynamically interactions with different forces of the environment. In order to manage such complex systems which require a detailed understandings related to the impact of both external and internal environments of organisation (Al-Tit, 2016). The internal environment of the organisation mainly includes the internal culture of work whereas in external environment the main driver is the environment of enterprise in which characteristics of market, the nature in which the industry operates, status of ownership and availability of the resources are included. The sociocultural characteristics are also included in this which includes power distance and paternalism mainly (Jerez-Gómez, Céspedes-Lorente and Pérez-Valls, 2019). Physical as well as socio-political context are considered as the environmental forces which influences the organisational culture in which legal, ecological, political, social as well as historic forces are included.

The role of human resource management is becoming very important for the success of the business. It is evaluated that the outcomes of the organisation are mainly affected by the skills, knowledge as well as abilities of the qualified personnel. Due to these trends it is evaluated that the human resource management plays a major role in maximising the performance of the organisation which is strategic in nature. Whereas it is also evaluated that the traditional HRM and strategic HRM are new fields of study. There are several studies which shows that there is a deep relationship among HRM practices as they impact the performance of business (Chia, 2017). It is necessary for the companies to adopt new business models in current business environment in order to stay competitive in uncertain and volatile market. There is a need for organisation to adapt and change themselves for demanding the internal and external environment in order to thrive and sustain in the competition. Organisational learning is considered as one of the important factor which helps the organisation in survival and growth. Innovation is considered as another factor which is very important for the organisation to grow whereas the quality is considered as driver which helps in gaining profits for driving the market value (Huang and Su, 2016). Innovation helps the organisation for dealing with the turbulence in the external environment therefore it is considered as the main driver which helps in the long term success of the market.

It is evaluated that organisational learning plays a major role in innovating the processes and products which helps in creating innovative capabilities as well as un-learned old capabilities. When the flexibility as well as opportunity is provided by the organisation to their employees, they foster their creativity. Form this context, it is evaluated that there is need of HR systems as these practices plays a major role by delivering the skills which are desired by the organisation, in addition they are responsible for providing opportunities of training and development which enhances the creativity which results in the employees to be more innovative (Al-Ali, 2017). On the other hand the organisational learning provides a particular support system in which practices of HRM helps in enabling through motivating them for engaging in creative behaviours. The main aim of the study is to analyse the relationship among organizational culture and HRM practices in which there is a mediating role of organizational learning (Naranjo-Valencia, Jimenez-Jimenez and Sanz-Valle, 2017). The objectives of the study are as follows:

To analyse the concept of organisational culture and HRM.

To evaluate the relationship between among organizational culture and HRM practices.

To assess the mediating role of organizational learning in analysing the relationship between among organizational culture and HRM practices.

## **Literature Review**

Organisational culture is known as the system which is made up of shared values, assumptions as well as beliefs which plays a major role in governing the way by which people behave in an organisation. These are considered as the shared values that have string influence over the people in the organisation as it is dictated to them that how they should dress act as well as perform in their jobs (Lau, et al. 2017). There is a unique culture which is developed and maintained by the organisation as they mainly provides the guidelines and boundaries which makes the culture of organisation unique, this is considered as the guide for the people in the organisation that how they should behave among their fellow members. There are seven main characteristics of organisational culture which are ranged from high to low. There is a distinct value for every organisation in which each of the characteristics is combined as well as defines the unique culture of the organisation (Liu, et al. 2018). There are judgments that are made from the members of the organisation over the value of the organisation which mainly rely over these characteristics as well as adjust the behaviour with the set of values.

H0: There is positive relationship among the organisational culture and HRM practices.

Organisational culture is known as the apt construct which helps in demonstrating the way by which innovation is being influenced by different factor related to the human beings like beliefs, values as well as work system which mainly encourages creativity (Aktar and Pangil, 2018). A common frame is provided by the organisational culture under a particular leadership in order to change the organisation that is why it is considered as an important factor which successfully implements the changes in the organisation so it is considered as an important factor for organisational culture which implements changes in the system, structure as well facilitate the creativity of the employee (Abdi, et al. 2018). Organisational and leadership are related to each other as it provides leadership a platform in which they guides the organisation to

develop a habit of generating the idea as well as these skills are imparted by the HRM practices which helps in generation of new ideas (Oh and Kuchinke, 2017). This plays a major role in improving the innovativeness and there is a need of these ideas to be converted in the knowledge and such people in the organisation that are disseminated.

H1: there is a positive relationship among the leadership and organisational culture.

There is a direct impact of organisational culture over the purpose, market and operations of the organisation. This is known as the nature of the business, different businesses have different cultures that are followed in their organisation which mainly relies over the products and services they are providing as well as the clients and customers they have (Ojha, Acharya and Cooper, 2018).

H2: there is a positive relationship among the nature of business and organisational culture.

There are particular values that are followed in the organisation which are mainly derived by the policies which are followed in the organisation. In addition to this the employees are responsible for developing the values which are emphasized in the policies, processes as well as environment of work (Nieves and Quintana, 2018). Most of the organisation ask help of their employees in order to identify as well as defined the fundamental truth which is considered as the base for the system of behaviours and beliefs that collectively shapes the organisational culture.

H3: there is a positive relationship among company value and policies and organisational culture.

In addition to this there is a direct impact of clients and external parties over the organisational culture because the stakeholders of any organisation holds a major authority in shaping the culture of the organisation (Aktar and Pangil, 2018). The clients that are working with the organisation are also very important factor which impacts the culture of the organisation.

H4: there is a positive relationship among clients and external parties and organisational culture.

Recruitment and selection is considered as the main role of HRM practices that also impacts the culture which is practiced in the organisation. It is very important that HR of the organisation selects right types of employees as the type of employees that are hired by the organisation had major effected over the culture, specifically when the companies are in the mode of high growth and rapidly adding new employees (Naranjo-Valencia, Jimenez-Jimenez and Sanz-Valle, 2017).

H5: there is a positive relationship among recruitment and selection and organisational culture.

Conceptual framework and theoretical framework

The theory which is applied over study is human capital theory, as it is evaluated that human capital is mainly approached from different aspects in which there is separate question that is raised in defining and operations, however there are several possess of manifestations which are applied over this theory. Human capital theory is mainly linked with the resource oriented view of the organisation (Al-Ali, 2017). As per the view of this theory when the organisation has particular human resources which cannot be imitated and substituted by the rivals that are present in the market, then the sustained competitive advantage is achieved by the company.

Another theory which can be applied to the study is resource based view of the firm which mainly examines the relation among the resources which are present in the organisation and can affect the operations of the organisation (Chia, 2017). The main assumption on which this resource relies is that the resources of the organisation are distributed and developed unevenly which provides a heterogeneous rise to the organisation which needs explanation to some extent which provides the ability to organisation for competing effectively (Al-Tit, 2016). This theory is positioned to the HR system of the organisation so that they can contribute towards a sustained competitive advantage for development of the strategies which can improve effectiveness and efficiency of the organisation.

There are several factors that affects the organisational culture, whereas there is a mediating impact of organisational learning in the relationship of organisational culture and HRM practices. The relation is displayed as following:

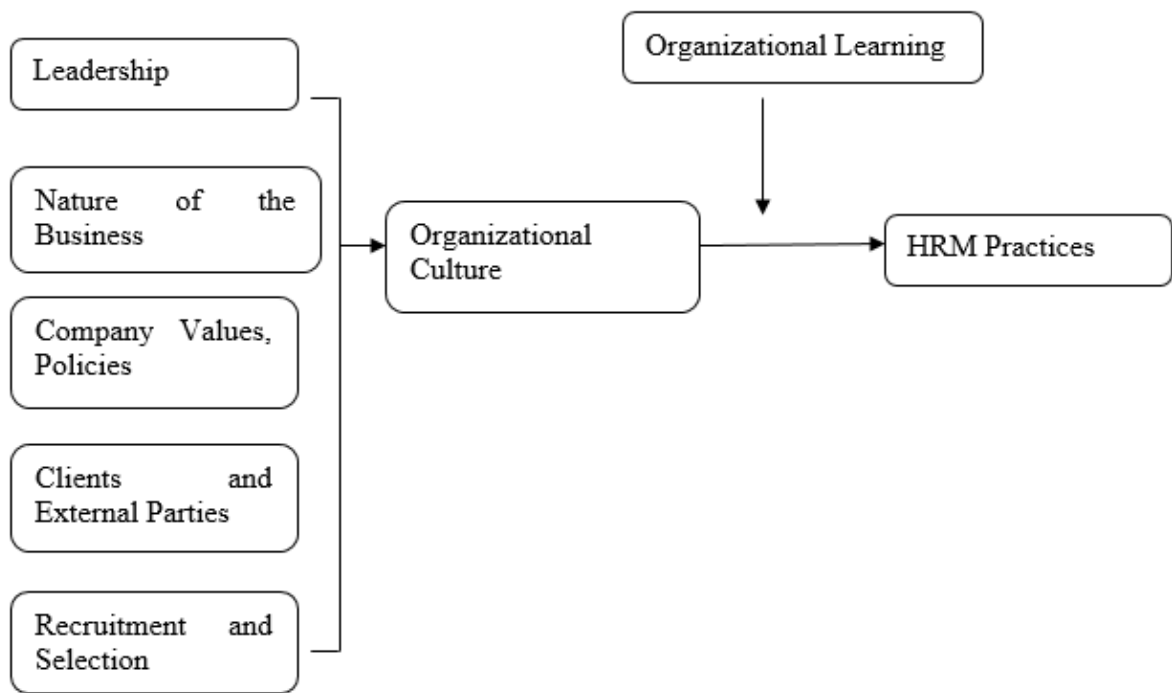


Figure 1: Conceptual Model

Source: Author (2020)

### Research Method and Approach

The research method of this paper has utilized numeric data which was collected via a survey questionnaire. The sample size of this research was 375 individuals that were selected on the basis of convenience from different multinational companies operating in China. The quantitative responses obtained have been analysed via Smart PLS via the Structural Equation Modelling considering moderation was assessed in the model.

### Results and Analysis

#### Confirmatory Factor Analysis

In social research, confirmatory factor analysis is used for the purpose of testing whether the measures of constructs are consistent with the understanding of research regarding the construct. Factor loadings show the consistency of each of the sub-construct within the variable. The value of factor loadings should be greater than 0.60 in order to deem that the constructs are consistent with the researcher's understanding about the construct. The following table shows factor loadings for each variable along with some other important measures of reliability and validity.

Table 1: Confirmatory Factor Analysis

Source: Author (2020)

	Factor Loadings	Cronbach's Alpha	Composite Reliability	AVE
CEP1	0.851447596	0.728147666	0.87835893	0.783338
CEP2	0.917448985			

CVP 1	0.945211899	0.853656383	0.931349534	0.87153 7
CVP 2	0.921763766			
HRM 1	0.788547276	0.876430942	0.915171942	0.72996 3
HRM 2	0.875327582			
HRM 3	0.896448572			
HRM 4	0.853361434			
LD1	0.853212476	0.716492597	0.874490786	0.77714 7
LD2	0.909022954			
NB1	0.897263078	0.84189193	0.924067435	0.85897 2
NB2	0.955438607			
OC1	0.91146046	0.761094287	0.833973076	0.62898 5
OC2	0.710722612			
OC3	0.742338873			
OL1	0.853189228	0.892395846	0.92403056	0.75256
OL2	0.858072894			
OL3	0.876232361			
OL4	0.882177427			
RS1	0.930270072	0.743767771	0.883033198	0.79093 1
RS2	0.846439912			

For the factor loadings, the acceptable value defined by the research conducted by Cramer and Barry (1999) is 0.70 or above. In consideration to the model of this research paper, the factor loadings for each of the variable is greater than 0.70 thus signifying that the measurement of the construct matches that to the understanding of researcher. One of the most widely used measure for determining the internal consistency of the metrics that are being used within a research model is Cronbach's alpha. In the data analysis of the research paper presented by Tavakol and Dennick (2011) the acceptable value of Cronbach's alpha is more than 0.70, this research paper has also considered the same value. For all the variables in this model, the scale used is internally consistent because the values are greater than 0.70. The next measure of validity is composite reliability which is widely used in SEM analysis to gauge the internal consistency. As per the findings of Peteron and Kim (2013), the value of composite reliability needs to be more than 0.70 and above that which is the case in this research model as well. The last measure in the above table is average variance extracted (AVE) which represents the variance of the variables and sub-variables relative to the variance which is caused due to the misconception in the measurement. Acceptable value in AVE is 0.50 and if it is more than 0.70 it is considered to be very efficient (Cheung, Lee, and Thadani, 2009). The AVE values in table 1 indicates that the validity of the variables is good. The following image can explain the factor loadings of the variables included in the model:

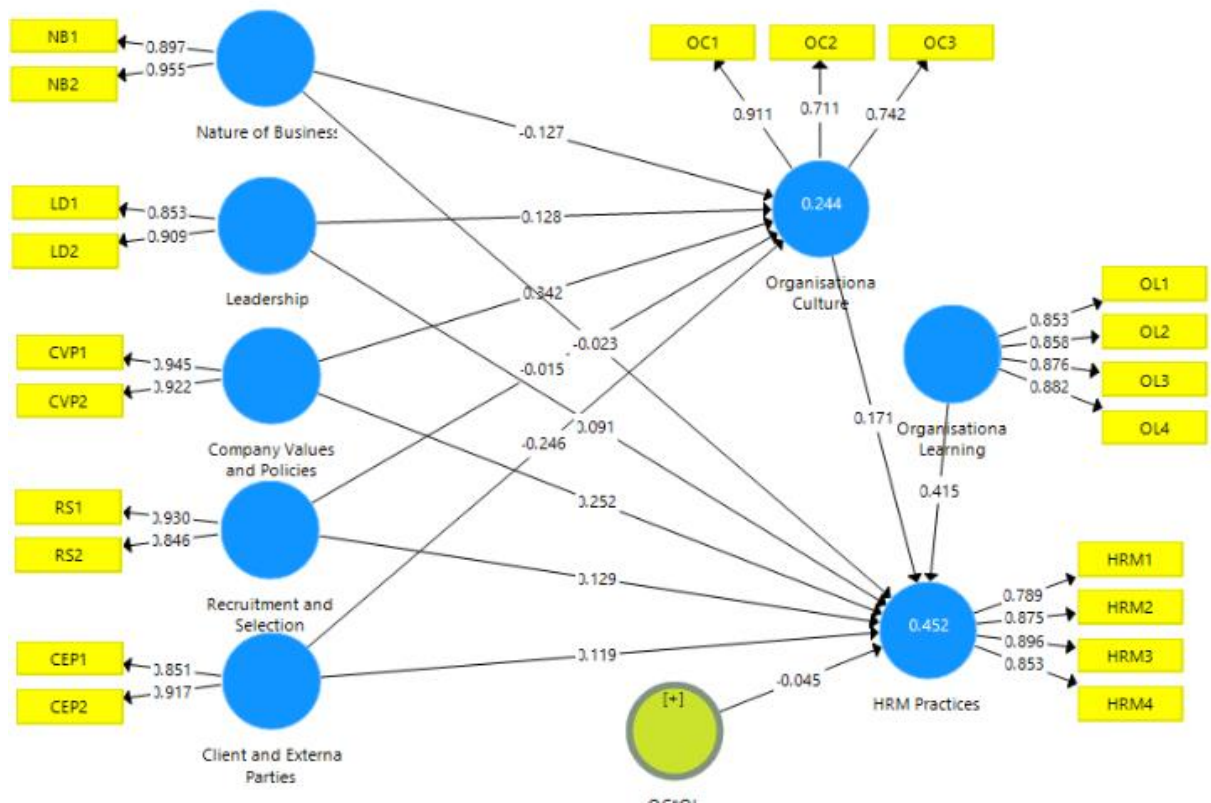


Figure 2: Research Model PLS

Source: Author (2020)

### Basic Model

The fundamental aim of this research is to analyse the impact of organizational culture on HRM practices while considering the moderating effect of organizational learning. Organisational culture in this research has been determined by various predicting factor including: leadership, nature of business, company values and policies, clients and external parties, and recruitment and selection methods. The following table includes the values of R square and adjusted R square:

Table 2: Basic Model, Source: Author (2020)

	R Square	R Square Adjusted
HRM Practices	0.452238543	0.440265615

First, the direct relationship of organizational culture is studied using the metrics of R-square and adjusted R-square for the purpose of analyzing the ability of predicting factors in explaining the variances that can occur in HRM practices which is the dependent variable in this model. Table 2 suggests that 45.22% of the variations in HRM factors can be successfully explained by organizational culture and after adjusting the model for inaccuracies, it can explain 44% variations.

### Path Analysis

In the last part of analysis the impact of variables over other is explained along with their statistical significance. The following table indicates the path analysis of the different variables that are included in the model under consideration:

Figure 3: Path Analysis, Source: Author (2020)

	Original Sample (O)	T Statistics ( O/STDEV )	P Values
Client and External Parties -> HRM	0.122088	2.61363104	0.00909

Practices	012	8	3
	-		
Client and External Parties -> Organisational Culture	0.244018 906	4.53735097	6.39E-06
Company Values and Policies -> HRM Practices	0.249066 4	4.42103366	1.09E-05
Company Values and Policies -> Organisational Culture	0.343157 496	6.00152467 6	2.73E-09
Leadership -> HRM Practices	0.085425 264	1.52897727 4	0.12658 6
Leadership -> Organisational Culture	0.131332 672	2.30423549 6	0.02141 4
	-		
Nature of Business -> HRM Practices	0.021880 496	0.37516804 8	0.70761 5
	-		
Nature of Business -> Organisational Culture	0.133970 415	1.90317706 5	0.05730 4
	-		
OC*OL -> HRM Practices	0.040089 645	0.76529713 5	0.44427 5
Organisational Culture -> HRM Practices	0.171656 672	2.97609836 6	0.00299
Organisational Learning -> HRM Practices	0.420203 546	9.66729639 7	5.68E-14
Recruitment and Selection -> HRM Practices	0.128153 688	2.42762279 8	0.01537 4
	-		
Recruitment and Selection -> Organisational Culture	0.014794 729	0.24187103 4	0.80893

For explaining the path in an efficient manner, it is first important to determine the significance of organisational culture with HRM practices which are the independent and dependent variables respectively. At 5% significance level, the impact is found to be statistically viable (0.002). Additionally, the moderating variable of the study i.e. organisational learning also have a significant impact over HRM practices (0.000). On the other hand, the moderation of organisational learning influencing the relationship of organisational culture and HRM practices was found to be statistically insignificant (0.44). Moreover, all the factors other than leadership (0.12) and nature of business (0.70) do not have a direct relationship with HRM practices. The remaining predictors of organisational culture have a significant impact on HRM practices as indicated by their respective p-values. The model can be visualised from the following images:

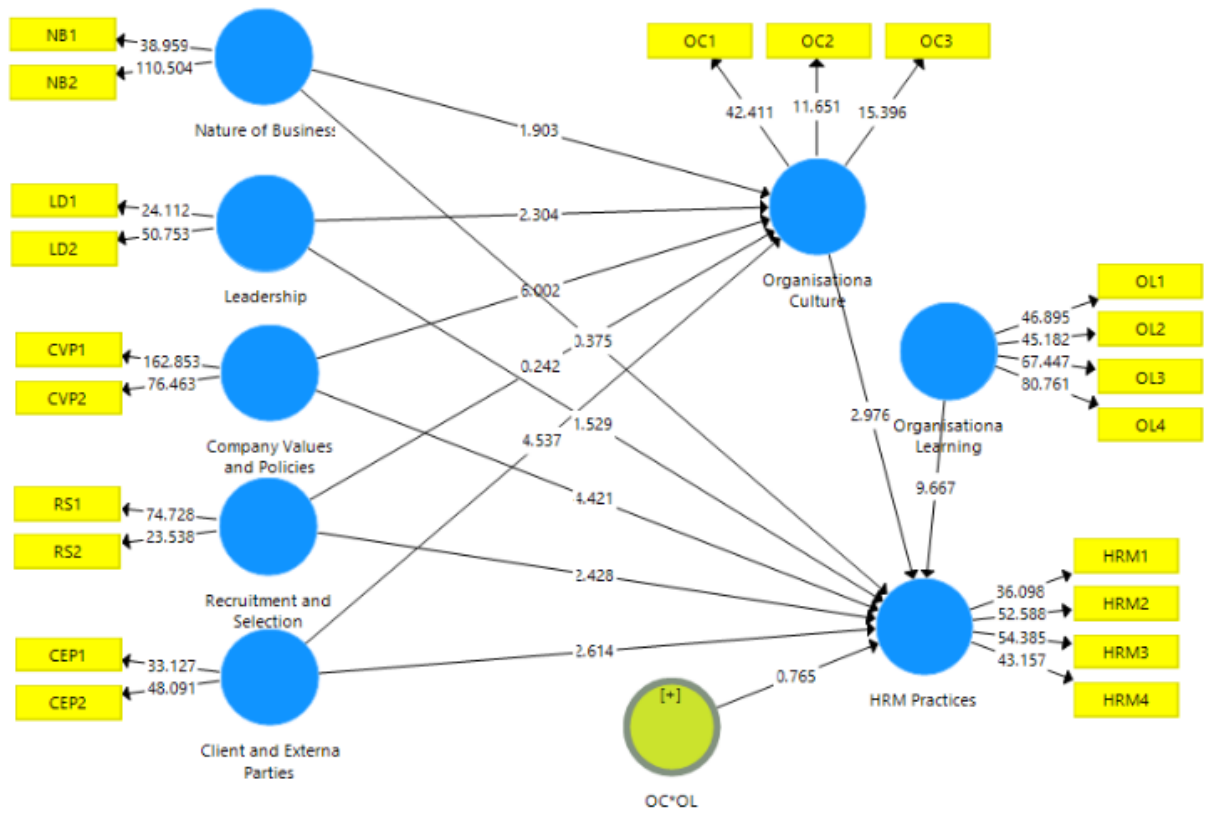


Figure 4: Research Model BTS- (A)

Source: Author (2020)

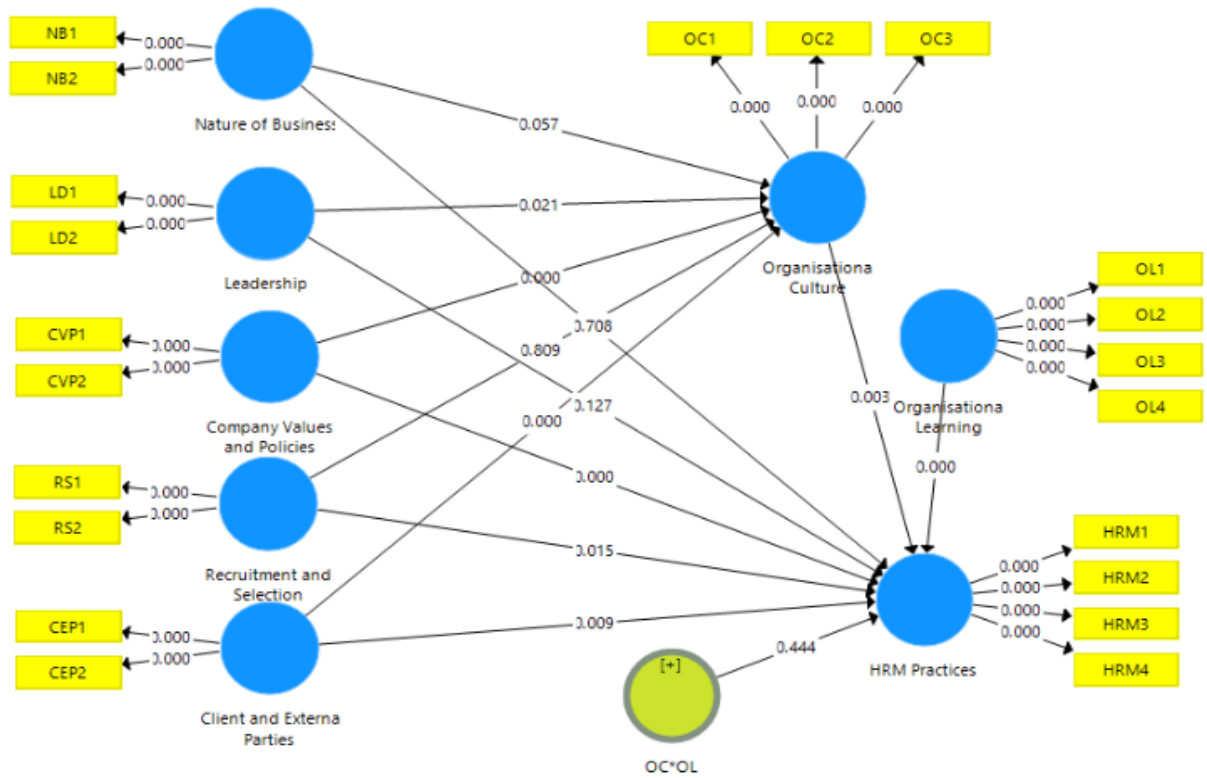


Figure 5: Research Model BTS- (B)

Source: Author (2020)



## Discussion

From the analysis it is evaluated that there is a significant relationship among the organisational culture and HRM. The main key for the successful organisation is the culture which is followed in the organisation which mainly holds the shared set of beliefs which are supported by the strategy and structure of the organisation (Jerez-Gómez, Céspedes-Lorente and Pérez-Valls, 2019). When there is a strong culture of any organisation the employees are aware of the way by which the top management would respond to the situation, in addition to this the employees believe that there is an expected response which is most proper one as well as employees are aware that they would be awarded for the sake of demonstrating the values of the organisation. There is a major role which is played by the human resource of the organisation in perpetuating the culture of the organisation which starts with the recruiting and selection of the application that would share the beliefs of the organisation as well as would thrive in the culture. There is a vital role which is played by the culture in the organisation (Al-Tit, 2016). From the study it is evaluated that the main functions of HRM includes training and development. Participation, recognition and rewards and performance appraisal system. In addition to this it is evaluated that HR practices are considered to be very useful in the development of different development of inputs and results in knowledge management and organisational learning (Naranjo-Valencia, Jimenez-Jimenez and Sanz-Valle, 2017). From the analysis it is evaluated that there is a significant relationship among the organisational learning and organisational culture as well as there is a significant relationship among the organisational learning and HRM practices. The organisational learning rely over the capability which accumulates the invisibles assets. However, HRM practices are considered to be critical for the system as invisible assets are embodied in the system.

## Conclusion

The main aim of the study is to analyse the relationship among organisational culture and HRM practices, in which there is a mediating role of organisational learning. It is concluded that there is a significant relationship among the dependent and independent variable of the study as well as there are significant relationship of mediating variable with dependent variable and independent variable separately. It is concluded that organisational learning does not play a significant moderating role in impacting the relationship between organisational culture and HRM practices.

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