Assessing the Direct Influences Exerted by Organizational Culture and Government Policies on Strategic Human Resource Practices

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Abstract

In today's dynamic business environment, where organizations strive to remain competitive and adaptable, understanding the intricate interplay between organizational culture and government policies has become increasingly imperative for effectively managing human resources and devising strategic initiatives. This paper employs Structural Equation Modeling (SEM) to investigate the complex interaction between organizational culture and government policies, focusing on their direct influences on strategic human resource practices. In today's business environment, where organizations strive to remain competitive and adaptable, understanding this complex interplay has become increasingly imperative for effectively managing human resources and devising strategic initiatives. Through SEM analysis, we aim to highlight how organizational culture, government policies, and strategic HRM practices shape and mutually influence each other, shedding light on the dynamics of this relationship and offering an understanding of both theory and practice.

Key words: Oorganizational culture, government policies, strategic human resource practices, structural equation modeling

J.E.L. classification: H83, J24

1. Introduction

In today's business environment, where organizations strive to remain competitive and adaptable, understanding the intricate interplay between organizational culture and government policies has become increasingly imperative for effectively managing human resources and devising strategic initiatives. Organizational culture, comprising shared values, beliefs, and norms within an organization, plays a crucial role in shaping employee behavior, attitudes, and performance. Similarly, government policies and regulations concerning labor, employment, and workplace practices set the legal framework within which organizations operate, influencing recruitment, training, compensation, and other HR practices (Vărzaru and Vărzaru, 2013a, 2013b).

However, despite recognition of the individual importance of organizational culture and government policies in shaping HR practices, there exists a notable gap in research regarding how these two factors interact and directly influence strategic HRM practices (Wilkinson, 2022). While numerous studies have examined the impact of either organizational culture or government policies on HRM independently, limited attention has been paid to understanding their combined effects and the mechanisms through which they intersect to shape strategic HRM decisions (Young, 2021).

In this context, our article investigates this interaction using Structural Equation Modeling (SEM), a robust analytical framework for evaluating the complex relationships between key variables. By integrating perspectives from organizational behavior, HR management, and public policy, we seek to provide a comprehensive understanding of how organizational culture and government policies directly influence strategic HRM practices. Specifically, we focus on variables such as organizational culture, government policies, and strategic HRM practices, aiming to elucidate how these factors shape and mutually influence each other within the organizational context.

Through our research, we aim to address this gap in the literature and contribute to a deeper understanding of the dynamics between organizational culture, government policies, and strategic HRM practices. By uncovering the mechanisms through which these factors interact, we hope to provide valuable insights for both academia and practitioners, informing strategic decision-making and HRM practices in contemporary organizations.

2. Theoretical background

Organizational culture and government policies are two significant determinants that shape the landscape of strategic HRM practices within organizations. Understanding their contributions and how they intersect is crucial for developing effective HRM strategies and ensuring organizational success.

Organizational culture, defined as the shared values, beliefs, and norms that guide behavior within an organization, has long been recognized as a critical factor influencing HRM practices. Schein (1985) emphasizes the role of organizational culture in shaping employee behavior and decision-making processes, highlighting its impact on recruitment, performance management, and organizational performance (Vărzaru and Vărzaru, 2015b; Vărzaru and Vărzaru, 2016). Similarly, Hofstede (1980) identifies dimensions of organizational culture, such as power distance and uncertainty avoidance, which influence HRM practices across different cultural contexts.

Numerous studies have demonstrated the link between organizational culture and strategic HRM practices. For example, Denison and Mishra (1995) found that organizations with strong cultures characterized by adaptability and employee involvement were more likely to adopt innovative HRM practices. Similarly, O'Reilly et al. (1991) showed that organizations with a strong culture of customer service tend to prioritize HR practices that enhance employee satisfaction and customer orientation.

Government policies and regulations play a significant role in shaping HRM practices by setting legal requirements and standards for employment relations. The impact of government policies on HRM has been widely studied, with researchers examining various aspects such as labor laws, minimum wage regulations, and employment protection legislation.

Becker and Huselid (1998) argue that government policies can both constrain and enable strategic HR practices. While regulations such as minimum wage laws and anti-discrimination statutes impose compliance requirements on organizations, they also create opportunities for differentiation and competitive advantage through strategic HR initiatives. Moreover, scholars have highlighted the importance of government policies in shaping HRM practices related to diversity and inclusion (Kalev et al., 2006) and employee rights (Guest, 1997).

While organizational culture and government policies have been studied extensively in isolation, there is a growing recognition of the need to understand their intersection and combined effects on strategic HRM practices. Scholars have increasingly emphasized the importance of considering both factors simultaneously, as they interact and mutually influence organizational behavior and HRM outcomes (Bocean, 2007, 2008, 2009).

For example, Jackson et al. (2014) argue that organizational culture moderates the impact of government policies on HRM outcomes. They suggest that organizations with strong cultures are better equipped to navigate and respond to regulatory changes effectively (Vărzaru et al., 2013; Vărzaru and Vărzaru, 2015a). Such organizations may have well-established values, norms, and practices that guide decision-making and behavior, enabling them to adapt their HRM strategies in alignment with evolving legal requirements. In contrast, organizations with weaker or less coherent cultures may struggle to interpret and implement government policies, leading to inconsistencies in HRM practices and compliance issues (Vărzaru and Vărzaru, 2015b; Vărzaru and Vărzaru, 2016).

Moreover, organizations with strong cultures may leverage government policies as opportunities for competitive advantage. By aligning HRM practices with organizational values and norms, these organizations can differentiate themselves in the labor market and attract and retain top talent. For instance, policies promoting diversity and inclusion may be embraced and integrated into the organizational culture, leading to a more diverse and engaged workforce.

Conversely, government policies can also shape organizational culture by setting norms and

expectations for acceptable practices (Denhardt et al., 2019). For example, labor laws mandating fair treatment of employees may reinforce values of fairness and equity within organizations, influencing HRM practices such as performance management and compensation. Similarly, regulations promoting work-life balance may encourage the adoption of policies and programs that support employee well-being and flexibility, contributing to a positive organizational culture (Bocean, 2007).

Overall, the interaction between organizational culture and government policies has significant implications for strategic HRM practices. By understanding how these factors intersect and influence each other, organizations can develop HRM strategies that are not only compliant with legal requirements but also aligned with their values, goals, and competitive strategies. This recognition underscores the importance of considering both organizational culture and government policies in the design and implementation of HRM practices, ensuring their effectiveness and sustainability in today's complex business environment (Denhardt et al., 2019).

Organizational culture and government policies are critical determinants that shape strategic HRM practices within organizations. While existing research has provided valuable insights into their individual effects, more studies are needed to understand their combined influences and the mechanisms through which they interact. By exploring this intersection, scholars can contribute to a deeper understanding of how organizations navigate the complexities of regulatory environments while fostering cultures that support strategic HRM objectives.

3. Research methodology

To assess the strategic human resource management practices, a questionnaire based on hypotheses was developed and administered to employees of public institutions in Olt County. The questionnaire consists of 32 items comprising seven primary variables, each of which is detailed by secondary variables (questionnaire items) as follows: socio-demographic variables (6 items); recruitment and selection of human resources (B7a-B10a); employee training and development (C11a-C14a); performance management (D15a-D19a); work environment (E20a-E23a); organizational culture (F25a-F29a); government policies (G30a-G32a).

A purposive sampling technique was utilized to select participants from public institutions in Olt County, ensuring representation across different organizational levels and departments. The questionnaire was administered electronically or in paper format, depending on participant preference, to ensure maximum participation and data integrity.

Quantitative data collected through the questionnaire were analyzed using descriptive statistics to summarize participant demographics and frequency distributions of responses. Structural Equation Modeling (SEM) was then employed to examine the relationships between organizational culture, government policies, and strategic HR practices. SEM allows for the estimation of both the measurement model (relationships between observed and latent variables) and the structural model (relationships between latent variables), providing insights into the direct influences exerted by organizational culture and government policies on strategic HR practices. Also, other authors have successfully used SEM to determine the relationships between heterogeneous variables (Bocean et al., 2021, 2023; Nicolescu and Vărzaru, 2020; Vărzaru et al., 2022; Vărzaru, 2022a, 2022b).

The hypothesis of this study posits that organizational culture and government policies significantly influence strategic practices in human resource management (HRM).

Organizational culture, characterized by shared values, beliefs, and norms within an organization, shapes employee behaviors, attitudes, and decision-making processes. A solid organizational culture fosters alignment with strategic objectives and influences the adoption and implementation of HRM practices that support organizational goals. Thus, it is hypothesized that variations in organizational culture will correspond to differences in strategic HRM practices across organizations.

Similarly, government policies and regulations concerning labor, employment, and workplace practices create a regulatory framework within which organizations operate. These policies influence HRM practices by imposing legal requirements, shaping employee rights and protections, and setting standards for employment relations. Consequently, it is hypothesized that variations in government policies will impact the strategic HRM practices adopted by organizations as they seek to comply with regulatory requirements and leverage policy opportunities for competitive advantage.

4. Results and discussions

To test the research hypothesis, we utilized artificial neural networks, which are individually established between variables defining organizational culture and government policies, variables characterizing strategic practices in human resource management, and structural equation modeling (SEM).

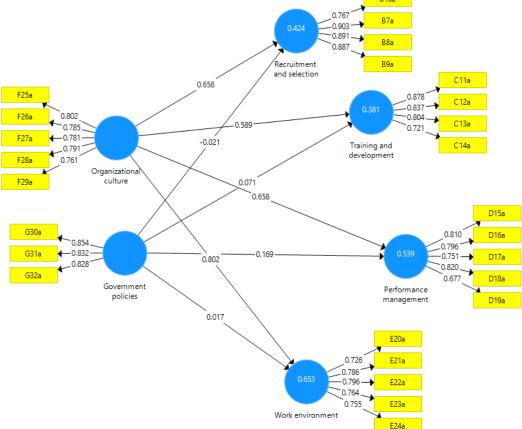
The SEM model used is of the reflective type with Partial Least Squares (PLS). The latent variables are represented by employee recruitment and selection, employee training and development, performance management, work environment, organizational culture, and government policies. Each of these latent variables (endogenous) is characterized by observable variables (exogenous) represented by questionnaire items. The resulting empirical model from testing the hypothesis is illustrated in Figure No. 1.

Figure no. 1. Empirical model of the relationships between organizational culture, government policies, and strategic practices in human resource management.

B10a

0.767

B7a



Source: Developed based on data collected using SmartPLS v3.0

The loadings of the exogenous variables exceed the recommended value of 0.7, with only one exception (D19). Upon studying the reliability and validity indicators, it can be observed that all latent variables exhibit excellent reliability and validity (Table no. 1).

Table no. 1. Reliability and validity of the model of relationships between organizational culture,

government policies, and strategic practices in human resource management.

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Organizational culture	0.844	0.846	0.889	0.615
Training and development	0.831	0.863	0.885	0.660
Performance management	0.831	0.842	0.880	0.597
Work environment	0.824	0.825	0.876	0.587
Government policies	0.795	0.818	0.876	0.703
Recruitment and selection	0.885	0.894	0.921	0.746

Source: Developed based on data collected using SmartPLS v3.0

Discriminant validity using the Fornell-Larcker criterion shows that the model is not valid, and modifications are required (Table no. 2). The Fornell-Larcker criterion is used to ensure that latent variables in a structural model are genuinely distinct and measure different concepts (Hair et al., 2017).

Table no. 2. Discriminant validity of the model of relationships between organizational culture, government

policies, and strategic practices in human resource management.

	Organizational	Training and	Performance	Work	Government	Recruitment
	culture	development	management	environment	policies	and selection
Organizational culture	0.784					
Training and development	0.614	0.812				
Performance management	0.717	0.735	0.772			
Work environment	0.808	0.660	0.726	0.766		
Government policies	0.348	0.276	0.398	0.296	0.838	
Recruitment and selection	0.650	0.597	0.667	0.659	0.208	0.864

Source: Developed based on data collected using SmartPLS v3.0

Furthermore, the indicators characterizing the adequacy of the model (model fit) show that further modifications are necessary to increase its validity and reliability. SRMR (Standardized Root Mean Square Residual) records values above 0.08, and NFI (Normed Fit Index) has a value of 0.8, which is below the acceptable value of 0.9 (Table no. 3).

Table no. 3. Indicators of the adequacy of the model of relationships between organizational culture,

government policies, and strategic practices in the field of human resource management.

	Saturated model
SRMR	0.089
d_ULS	2,752
d_G	0.937
Chi-Square	1065.659
NFI	0.800

Source: Developed based on data collected using SmartPLS v3.0

To increase the reliability and validity of the model, we eliminated the exogenous variables with the lowest loadings. The resulting modified model is presented in Figure no. 2.

, Recruitment and selection 0.605 -0.8720.871 -0.834 -0.066 Training and development Organization culture 0.059 0.857 0.853 -0.830-0.852 0.669 0.828 Government Performance policies management 0.059 -0.797 0.848

Figure no. 2. Modified empirical model of the relationships between organizational culture, government policies, and strategic practices in the field of human resource management.

Source: Developed based on data collected using SmartPLS v3.0

Upon studying the reliability and validity indicators of the modified model, it can be noted that all latent variables also exhibit excellent reliability and validity (Table no. 4). The AVE (Average Variance Extracted) indicator is a measure of the convergent validity of a latent construct. It is calculated as the average of the squared loadings' variances of the indicators on the latent factor, divided by the sum of the variances and covariances of the indicators (Hair et al., 2017). This indicator is higher for all latent variables of the modified model, except for government policies, where the AVE remains stagnant.

Table no. 4. Reliability and validity of the modified model of the relationships between organizational culture, government policies, and strategic practices in the field of human resource management.

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Organizational culture	0.793	0.799	0.878	0.707
Training and development	0.808	0.828	0.886	0.722
Performance management	0.783	0.790	0.873	0.696
Work environment	0.751	0.762	0.857	0.667
Government policies	0.795	0.817	0.877	0.703
Recruitment and selection	0.898	0.899	0.936	0.830

Source: Developed based on data collected using SmartPLS v3.0

Discriminant validity using the Fornell-Larcker criterion, however, shows that the modified model is valid (Table no. 5). All values below the main diagonal are smaller than the values on this diagonal, both row-wise and column-wise.

Table no. 5. Discriminant validity of the modified model of the relationships between organizational

culture, government policies, and strategic practices in the field of human resource management.

	Organizational	Training and	Performance	Work	Government	Recruitment
	culture	development	management	environment	policies	and selection
Organizational culture	0.841					
Training and development	0.690	0.850				
Performance management	0.719	0.737	0.835			
Work environment	0.690	0.615	0.667	0.817		
Government policies	0.352	0.295	0.442	0.295	0.838	
Recruitment and selection	0.582	0.591	0.613	0.614	0.147	0.911

Source: Developed based on data collected using SmartPLS v3.0

The indicators characterizing the adequacy of the model (model fit) fall within the recommended values (Hair et al., 2017). SRMR (Standardized Root Mean Square Residual) records values below 0.8 (0.073), and NFI (Normed Fit Index) has a value of 0.951, which is above the acceptable value of 0.9 (Table no. 6).

Table no. 6. Indicators of the adequacy of the modified model of the relationships between organizational culture, government policies, and strategic practices in the field of human resource management.

	Saturated Model		
SRMR	0.073		
d_ULS	0.912		
d_G	0.448		
Chi-Square	545.275		
NFI	0.911		

Source: Developed based on data collected using SmartPLS v3.0

Table no. 7 presents the influences exerted by the latent variables of organizational culture and government policies on strategic practices in the field of human resource management.

Table no. 7. Path coefficients of the modified model of the relationships between organizational culture,

government policies, and strategic practices in the field of human resource management.

	Path coefficient (C)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Organizational culture -> Training and development	0.669	0.667	0.057	11.805	0.000
Organizational culture -> Performance management	0.643	0.644	0.061	10.571	0.000
Organizational culture -> Work environment	0.669	0.672	0.044	15.338	0.000
Organizational culture -> Recruitment and selection	0.605	0.604	0.056	10.712	0.000
Government policies -> Training and development	0.059	0.063	0.067	0.874	0.383

Government policies -> Performance management	0.215	0.217	0.060	3.595	0.000
Government policies -> Work environment	0.059	0.056	0.058	1.024	0.306
Government policies -> Recruitment and selection	-0.066	-0.064	0.070	0.940	0.348

Source: Developed based on data collected using SmartPLS v3.0

Based on all these findings and considerations, we can say that the hypothesis is partially validated. From Table 3.52, it can be observed that the latent variable organizational culture exerts significant positive influences (C > 0.6; p < 0.001) on all strategic practices in the field of human resource management. When organizational culture is well-defined and promotes values such as transparency, continuous improvement, and respect for stakeholders, a significant correspondence is observed with the adoption of efficient human resource management practices (Young, 2021).

On the other hand, the latent variable government policies exert a significant positive influence only on performance management (C > 0.6; p < 0.001) among the strategic practices in the field of human resource management. Government policies, such as objective-based evaluation and transparent criteria, feedback and solutions for activity improvement, fairness, and equity in the salary system, have a more pronounced impact on employee performance management compared to other aspects of human resource management (Denhardt et al., 2019).

5. Conclusions

The study revealed a strong and direct influence of organizational culture on strategic HR practices. Organizations with cohesive and well-defined cultures were found to exhibit more aligned and effective HRM strategies, emphasizing the importance of culture in shaping HR practices. Additionally, government policies were also found to exert a significant influence on strategic HR practices, particularly in areas such as recruitment, training, and performance management. Organizations demonstrated a need to adapt their HRM strategies in response to regulatory changes and compliance requirements.

Furthermore, the study highlighted the interplay between organizational culture and government policies, with organizational culture moderating the impact of policy changes on HRM outcomes. Organizations with solid cultures were better able to navigate regulatory changes and leverage them for competitive advantage. These findings have important implications for HR practitioners and organizational leaders. Recognizing the influence of both organizational culture and government policies, organizations can develop HRM strategies that are not only compliant with legal requirements but also aligned with their values and goals.

While this study provides valuable insights, further research is needed to explore additional factors that may influence the relationship between organizational culture, government policies, and strategic HR practices. Longitudinal studies and comparative analyses across different industries and regions could provide a deeper understanding of these dynamics.

In conclusion, this study underscores the importance of considering both organizational culture and government policies in shaping strategic HR practices. By understanding the complex interplay between these factors, organizations can develop HRM strategies that drive organizational success and competitive advantage in today's dynamic business environment.

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