

# Evaluating the Effects of HRM Practices on Employee Engagement and Organizational Culture

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## Abstract

Human resource management (HRM) is a critical field in business and organizations, and practices in this field can significantly influence employee engagement and organizational culture. The paper proposes a model for evaluating the effects of HRM practices on employee commitment and organizational culture. The empirical study in which the model is tested was carried out among 294 employees from Romanian organizations who answered the questionnaire questions. Structural equation modeling was used to process the data and obtain the results. HRM practices can directly influence employee engagement and organizational culture. Involving employees in the decision-making process, offering opportunities for career development, properly managing labor relations, and promoting diversity and inclusion are HRM practices that can increase employee engagement and develop a positive organizational culture. The study has important managerial implications by highlighting HRM practices that substantially affect employee engagement and organizational culture. Employees more involved and loyal to the organization are more likely to respect its values and goals, so the organizational culture becomes more substantial and better defined. Therefore, organizations must implement HRM practices that help increase employee engagement and develop a more robust and better-defined organizational culture.

## Keywords

*Human resource management, HRM practices, employee commitment; organizational culture; employee perceptions.*

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## Introduction

In recent decades, human resource management has become a significant concern for most organizations, regardless of size or industry. Since employees are one of the most critical assets of any company, improving employee engagement and organizational culture has become a priority for most managers and organizational leaders.

Employee engagement represents the degree to which an employee feels attached and involved in the organization's activities and goals (Shimazu et al., 2015; Mercurio, 2015). Organizational culture refers to the values, attitudes, behaviors, and practices shared by organizational members that influence how the organization achieves its goals and fulfills its mission (Hall et al., 2010; Iqbal, 2017). HRM practices can have a significant impact on employee engagement and organizational culture. A well-structured approach to HRM can contribute to developing a robust organizational culture based on respect, trust, and collaboration. At the same time, a solid organizational culture can increase employee commitment and improve organizational performance (Delaney and Huselid, 1996; Khoreva and Wechtler, 2018; Tortia et al., 2022).

This paper aims to evaluate the effects of HRM practices on employee commitment and organizational culture in the perception of employees of Romanian organizations. The structure of the paper has five

sections. The first section presents the introduction, the second provides a literature review, and the third describes the research design. Finally, the last two sections present the results, discussion, and conclusions.

## 1. Literature review

HRM is essential in any organization, and its practices can significantly impact employee engagement and organizational culture (Giancaspro et al., 2021). In recent years, research has encouraged organizations to focus more on developing HRM practices that help increase employee engagement and develop a positive organizational culture, which can lead to better employee performance in the long term (Khoreva and Wechtler, 2018; Tortia et al., 2022).

HRM practices can significantly impact employee engagement and organizational culture (Delaney and Huselid, 1996; Otoo, 2019). Delaney and Huselid's (1996) study showed that HRM practices promoting professional development, employee recognition and appreciation, and open and transparent communication could increase employee commitment and a more robust organizational culture.

Studies have also shown that HRM practices perceived as unfair and discriminatory can negatively impact employee engagement and organizational culture (Delaney and Huselid, 1996; Khoreva and Wechtler, 2018; Tortia et al., 2022). For example, Mercurio (2015) showed that the absence of justice in pay and benefits could lead to low employee engagement and a fragile organizational culture.

In addition, studies have shown that HRM practices can vary by culture and organizational context. For example, a study by Iqbal (2017) showed that HRM practices that work in one cultural context might be ineffective in another. Therefore, managers and leaders must consider the organizational and cultural context when implementing HRM practices. Assessing the effects of HRM practices on employee commitment and organizational culture can provide valuable information for managers and organizational leaders (Ha-que et al., 2017). Various studies have shown that HRM practices can have a significant impact on employee engagement and organizational culture, but it is essential to consider the organizational and cultural context (Vărzaru and Vărzaru, 2013; Vărzaru and Vărzaru, 2016; Hall et al. al., 2010; Iqbal, 2017; Moreira et al., 2022). HRM practices that promote professional development, employee recognition and appreciation, and open and transparent communication can lead to increased employee commitment to the organization and a more robust organizational culture (Moreira et al., 2022).

In particular, recruitment and selection, training and development, performance appraisal, and reward practices have been found to have a significant influence on employee engagement and organizational culture (Delaney and Huselid, 1996; Hall et al., 2010; Iqbal, 2017; Mercurio, 2015; Moreira et al., 2022). In terms of recruitment and selection practices, they have been found to influence organizational culture significantly (Iqbal, 2017). Employees perceive organizations that emphasize recruiting and selecting the best candidates have a more robust and better-defined organizational culture. As a result, they are more engaged and loyal to the organization. Training and development practices significantly influence employee engagement (Mercurio, 2015). Employees perceive that organizations that invest in their training and development have greater trust in the organization and are more engaged in their work. Performance appraisal practices also significantly influence employee engagement and organizational culture (Moreira et al., 2022). Employees perceive that organizations with a well-defined and fair performance evaluation process have a more robust organizational culture and are more engaged in their work. Regarding reward practices, employees perceive that organizations that offer fair and transparent rewards have a more significant commitment from employees and are more motivated to achieve their goals (Giancaspro et al., 2021). At the same time, unfair and discriminatory practices can harm employee engagement and organizational culture. Thus, managers and organizational leaders must consider equity in implementing HRM practices (Bocean, 2015).

In general, evaluating the effects of HRM practices on employee commitment and organizational culture can help develop and improve HRM policies and practices in organizations (Bocean, 2007, 2008). Managers and organizational leaders need to consider the specific context of their organization and focus on practices that promote employee engagement and strong organizational culture, and avoid practices that may negatively impact them (Moreira et al., 2022).

Based on the literature review, we proposed two research hypotheses:

H1. In the perception of the organization's staff, HRM practices exert a direct influence on employee engagement.

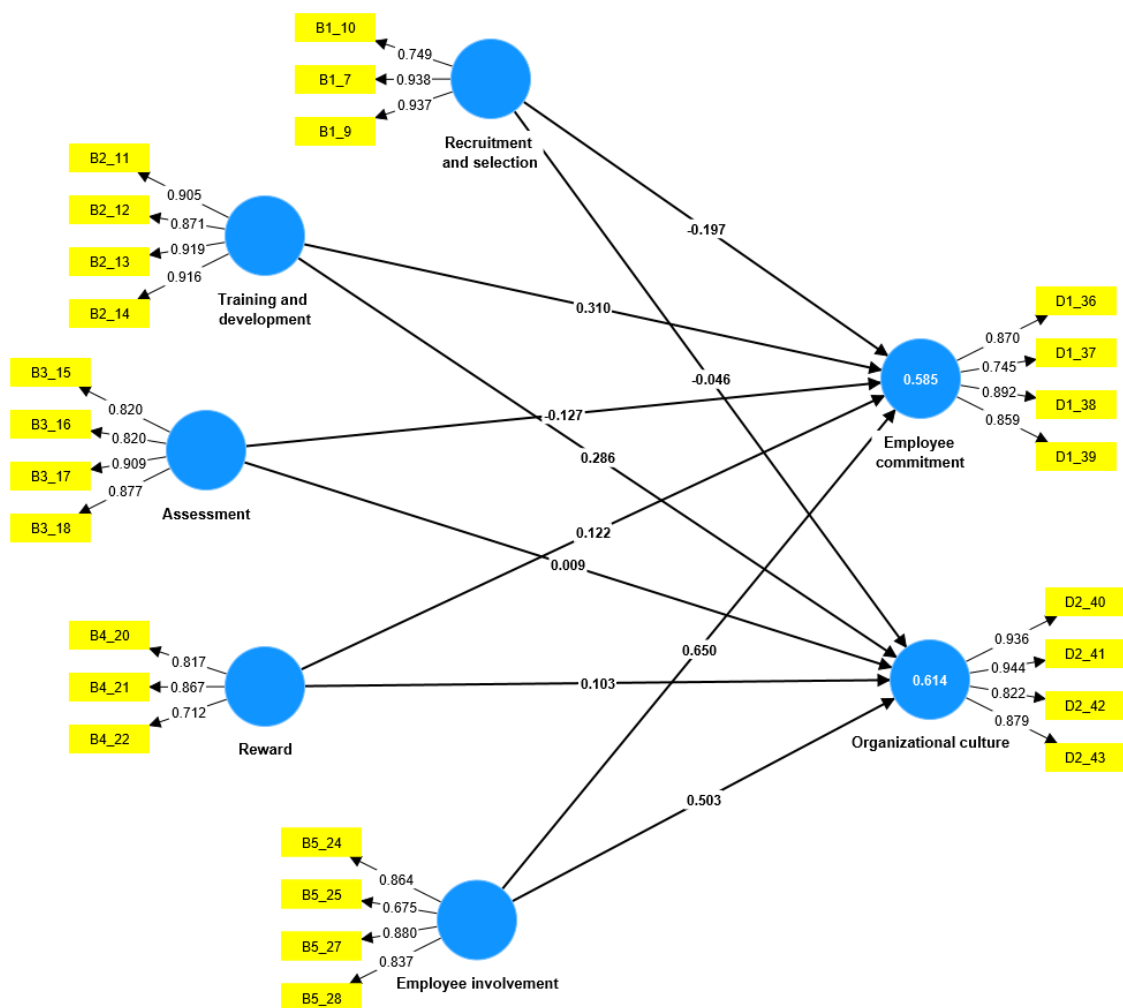
H2. In the perception of the organization's staff, HRM practices exert a direct influence on employee engagement.

## 2. Research Methodology

The research design involved conducting an empirical study among 294 employees from Romanian organizations who answered the questionnaire questions regarding HRM practices, employee commitment, and organizational culture. The method used to construct the sample was stratified random sampling, depending on three socio-demographic variables: gender, age, and education. The paper uses structural equation modeling to evaluate the relationships between HRM practices, employee commitment, and organizational culture, which other researchers also use to evaluate the relationships between latent variables (Vărzaru et al., 2022; Iancu et al., 2022; Puiu et al., 2022). Structural equation modeling allows the analysis of relationships between latent variables, built based on observable variables (questionnaire items), exogenous to the model (Vărzaru, 2022).

## Results and discussion

The empirical model involves testing relationships between latent variables. Figure 1 shows the theoretical model applied to the selected sample, obtained with the help of SmartPLS v 4.0.



**Figure 1. Modified PLS model**

*Source: Developed by the authors based on data using SmartPLS v4.0*

The resulting model is relevant and reliable. SRMR has a value of 0.079 (<0.08), and NFI has a value of 0.914 (>0.9). Other reliability indicators are shown in Table 1.

**Table no. 1. Model reliability indicators**

	<b>Cronbach's alpha</b>	<b>Composite reliability</b>	<b>Average variance extracted</b>
Employee commitment	0.864	0.877	0.908
Organizational culture	0.918	0.928	0.942
Assessment	0.879	0.882	0.917
Training and development	0.925	0.931	0.946
rewarding	0.717	0.723	0.842
Recruitment and selection	0.855	0.922	0.91
Employee involvement	0.837	0.875	0.889

*Source: Developed by the authors based on data using SmartPLS v4.0*

Path coefficients indicating the total effects of HRM practices on employee engagement and organizational culture are presented in Table 2.

**Table no. 2. Path coefficients**

	Original sample	Standard deviation	T statistics	P values
Assessment -> Employee engagement	-0.127	0.074	1.714	0.087
Assessment -> Organizational culture	0.009	0.068	0.138	0.891
Training and development -> Employee engagement	0.31	0.076	4.088	0.000
Training and development -> Organizational culture	0.286	0.082	3.474	0.001
Reward -> Employee engagement	0.122	0.07	1.736	0.083
Reward -> Organizational culture	0.103	0.067	1.534	0.125
Recruitment and selection -> Employee engagement	-0.197	0.079	2.505	0.012
Recruitment and selection -> Organizational culture	-0.046	0.089	0.513	0.608
Employee involvement -> Employee engagement	0.65	0.057	11.408	0.000
Employee involvement -> Organizational culture	0.503	0.057	8.855	0.000

*Source: Developed by the authors based on data using SmartPLS v4.0*

Following the analysis of the path coefficients and significance levels (p values), it can be concluded that the HRM practices influencing employee commitment are professional training, personal development, and employee involvement. Such practices increase employee engagement in their organizations. As far as organizational culture is concerned, it is influenced by professional training and personal development, labor relations, and employee involvement. Following the analysis of the research model, it was stated that hypotheses H1 and H2 were partially validated. In the perception of the organization's staff, some HRM practices directly influence employee commitment and organizational culture.

Research results based on correlation analysis and structural equation modeling show that HRM practices can directly influence employee engagement. One of these practices is the employees' involvement in the organization's decision-making process. According to Giancaspro et al. (2021), the involvement of employees in the decision-making process can increase their level of satisfaction and commitment to the organization. This can be achieved through tools such as brainstorming sessions or organizing regular employee meetings. Research also shows a strong link between career development and employee engagement (Otoo, 2019). Thus, offering opportunities for career development can contribute to increasing employee engagement.

Moreover, according to other research that was not confirmed by our research findings, several HRM practices are related to employee rewards and benefits. For example, according to research, offering

additional benefits to employees, such as flexible working hours or customized benefits packages, can help increase employee engagement (Tortia et al., 2022). Also, offering a fair salary package can increase employee engagement (Khoreva and Wechtler, 2018).

In addition to influencing employee engagement, HRM practices can also influence organizational culture. According to Giancaspro et al. (2019), there is a strong link between HRM practices and positive organizational culture. This can be achieved by developing a shared set of values and principles, promoting open communication, and encouraging team collaboration. In addition, research shows that HRM practices that encourage diversity and inclusion can contribute to developing a positive organizational culture (Otoo, 2019).

Research also shows a strong link between HRM practices and creative and innovative organizational culture. According to Tortia et al. (2021), HRM practices that encourage innovation, such as providing professional training and incentives for innovative ideas, can contribute to developing a positive organizational culture and increasing organizational innovation.

## Conclusions

Our research results demonstrate that HRM practices can significantly impact employee engagement and organizational culture. Some specific factors of HRM practices that can positively impact employee commitment and organizational culture include professional development opportunities, employee involvement in organizational decisions, open and transparent communication, and equity and justice regarding the granting of wages and benefits. On the other hand, HRM practices that can negatively impact employee commitment and organizational culture include the absence of professional development opportunities, excessive supervision, absence of feedback, abuse of power, and discrimination. HRM practices that employees perceive as fair, transparent, and equitable can lead to increased employee commitment and a more robust organizational culture.

Assessing HRM practices and their effects on employee engagement and organizational culture can provide valuable information for managers and organizational leaders. For example, HRM practices that promote professional development and employee involvement can lead to increased employee commitment and a more robust organizational culture. On the other hand, HRM practices that are perceived as unfair, unjust, and discriminatory can lead to low employee engagement and a fragile organizational culture. Therefore, managers and organizational leaders should regularly review and revise HRM practices to ensure increased employee engagement and a healthy and robust organizational culture.

The paper presents a limitation derived from the transversal approach, which does not consider the time factor. However, through a longitudinal approach, the evolution of employees' perceptions can be followed. Also, the study carried out among Romanian employees may have geographical and cultural limitations. Therefore, expanding the research for employees from other countries can increase the representativeness.

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