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Organisational Values and Firm Effectiveness: Intervening Role of Strategic Human Resource Management

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ABSTRACT: The study aimed to investigate the effect of organisational values on firms' effectiveness using strategic human resource management (SHRM) as a mediating variable. The design for the study was descriptive, and the approach was quantitative. A questionnaire was administered to solicit data from 344 participants. Descriptive statistics, correlation and multiple regression analysis, were done to ascertain the averages, relationships and effects of the independent variable (organisational values) on the dependent variable (firm effectiveness). The study revealed corporate values' positive and significant effect on firm effectiveness. Besides, strategic human resource management practices mediate the relationship between organisational values and a firm's effectiveness. The implication is that firm leaders who prioritise corporate values win employees' trust, enthusiasm and commitment and can manage them strategically to achieve firm effectiveness. The interplay of organisational values, strategic human resource management in a single study, especially in Ghana and in the institutions of higher learning context, makes this study unique. Besides, most studies on values and a firm's effectivenes and carried out primarily in developed economies.

KEYWORDS: organizational, human resource, values, effectiveness, strategic, management

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INTRODUCTION

The study of organisational values is a fascinating trend that has dominated academic research, business, social sciences and psychology in recent years (Arieli et al., 2020). The definition and perception of values in the workplace are surrounded by clouds of ambiguity (Avota. et al., 2015). While some school of thought holds that values guide human behaviour, and are context-specific, Pedersen et al. (2018) assert that values are something a person desires, pursue relentlessly and strive to defend. Simcock (2018) adds that one of the multiple ways people's behaviours are shaped is through values essential to firms' decision-making and implementation. Organisational values are what workers in a company believe is morally worthy, defining predisposed behaviours and the activities that need to occur in the firm (Waheed et al., 2021). Organisational values show what the company represents and are unique to describe the characteristics that differentiate it from others (Mohammad et al., 2021). A firm's effectiveness means an organisation meets its objectives. The effectiveness of a firm is critical to the success of any industry. Organisations must execute strategies that engage employees to achieve more sustainable business results. Ensuring business effectiveness requires leaders to focus on aligning their people, management systems, structure and strategy (Darwish et al., 2013).

During the last decade, there has been rising attention on organisational values within higher education institutions. Practical company values are the main factors for higher learning institutions' success (Pombo & Gomes, 2020). Though remarkable attention has been accorded to corporate values' importance and effectiveness in higher education, more empirical research in this area needs to be done in Ghana. There needs to be a consensus on organisational values and enhancing an institution's effectiveness (Guest, 2011; Singh et al., 2012).

Notably, some researchers have also expressed ambiguity regarding the SHRM and institutional effectiveness, suggesting additional studies in different contexts for a broader view of the SHRM and institutional effectiveness. Thus far, most studies in this arena have been conducted in Asia and the Western context (Alshammari, 2020; Anwar & Abdullah., 2021). Therefore, there is an apparent gap in the literature in Ghana and the technical universities' context. This study aimed to investigate the effect of organisational values on institutional effectiveness using strategic human resource management (SHRM) as a mediating variable. The study's objectives were to analyse the relationship between

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<u>Publication of the European Centre for Research Training and Development-UK</u> organisational values, institutional effectiveness and SHRM, assess the effect of organisational values on institutional effectiveness, and assess the mediating role of SHRM between organisational values and firm effectiveness. Apart from the study's contribution to literature, the study would have implications for corporate leaders to manage employees strategically to achieve the desired institutional effectiveness.

LITERATURE REVIEW

Theoretical Underpinning

Two fundamental organisational theories influenced the study. These are the open system theory (Katz & Kahn, 1978) and the neoclassical theory (Mayo, 1924). The open system theory argues that an organisation is impacted by its internal and external environment. The internal actors that may impact the effectiveness of an organisation include its corporate values. Understanding the impact of this influence on the environment may help managers develop more effective leadership strategies. The neoclassical theory posits that managers must consider workforce characteristics and behaviours in designing an organisation's structure. Employees' behaviours are influenced by their individual, societal and organisation values. This theory assumes that the physiological and social aspects of a worker as an individual and his workgroup ought to be focused on. The neo-classical theory emphasises social factors and emotions influenced by a person's values at work. Therefore, the employee's effectiveness in the organisation is greatly influenced by the consistency of their values to that of the organisation. The theory argues further that designing job descriptions without understanding the values and individual characteristics is not enough motivation to work effectively. The two theories are essential to this study as the neoclassical theory helps to identify aspects of employees' value systems that influence them to exert effort to work enthusiastically to enhance their effectiveness at the workplace. The open systems theory assists in understanding the internal and external organisational elements that improve an organisation's effectiveness.

Empirical Evidence

Employees are motivated through values. Value creation, corporate sustainability, and strategic human resource management should be considered critical success factors to encourage the workforce for effective performance. Organisational values are affective and cognitive and guide groups toward a common target (Mekonnen & Azaj, 2020). Corporate values are associated with innovation, human orientation, and the stability of human resource practices (Pedersen et al., 2018).

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<u>Publication of the European Centre for Research Training and Development-UK</u> How institutional members interact with each other and work together to achieve results is driven by the institution's values. Nankervis et al. (2013) argue that the most appropriate definition of a corporation's effectiveness is the net satisfaction of all constituents in gathering and transforming' input into output efficiently. It is also the degree to which an organisation's short and long-term goals are attained (Mekonnen & Azaj, 2020). However, no single organisational effectiveness model fits all firm types, and organisational effectiveness revolves around several approaches. In this study, organisational effectiveness is the extent to which an organisation fulfils its objectives given specific resources and means without placing undue strain upon its members (Dumont et al., 2017).

Athota et al. (2020) posit that organisational values enable the workforce to contribute meaningfully to work. Organisational values also attract prospective employees and retain a talented workforce through the organisation's culture (Ferner & Almond, 2013). It builds a strong brand for the businesses. On the contrary, the lack of alignment of organisational values with strategic human resource practices results in low staff engagement, likely leading to low-quality services and performance, negatively impacting individuals and firm performance, growth and sustainability. The key to success, whether in private or public organisations, is the overall organisation values (Barahma et al., 2019).

Amka (2020) established that financial performance highly correlates with the alignment of an organisation's values and strategic human resource practices that organisations pursue. The organisation's success relates directly to the alignment between the leaders' underlying values and the aspirational values and concerns for employees, whether in terms of brand differentiation, high performance or retention of talented individuals. It is established that companies that willfully concentrate on their organisational values are more spirited and more successful (Mekonnen & Azaj., 2020). Strategic human resource management (SHRM) practices are crucial to the success of organisations. SHRM practices that align with corporate values improve corporations' effectiveness (Schuler et al., 2012). SHRM offers a continuous competitive edge with the workforce available compared to physical, technical or financial resources, which have no direct substitutes and still need to be hard to duplicate (Iqbal, 2019). It has been established that SHRM has a positive relationship with corporate values and effectiveness (Al-Khaled & Fenn, 2020). SHRM practices do retain not only employees but also increase a firm's effectiveness. Altarawneh (2016) found that the main foundation of creating a unique edge is the effective execution of corporate values. Bouaziz and Hachicha (2018) revealed a positive relationship between organisational value practices and firm efficacy and performance. Pattnaik and Sahoo

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<u>Publication of the European Centre for Research Training and Development-UK</u> (2020) examined SHRM on firm performance and effectiveness and found that SHRM contributes to corporate effectiveness. It was concluded that firms with higher SHRM levels gain a performance advantage. It was also found that using SHRM as a moderator reduces employee turnover and increases overall market performance. Darwisher and Mohamed (2013) studied the role of SHRM practices on institutions' effectiveness in Jordan. The study established that SHRM contributes to understanding human resource practices and impacts corporate effectiveness. Also, Moideenkutty et al. (2011) confirmed a positive effect of SHRM on organisational effectiveness and performance.

Anwar and Abdullah (2021) studied the impact of SHRM on firms' effectiveness. They identified an assumed causal chain between SHRM and company outcomes. In addition, there needs to be a complete relationship between SHRM and firm performance (Ho & Kuvaas, 2020). This led to limited analysis and failure to examine the firms more broadly. Hamadamin and Atan (2019) indicate no direct relationship between how SHRM leads to improved company effectiveness. Aburumman et al. (2020) affirm this fact by indicating no definitive agreement on the performance outcomes and the contribution of SHRM and firm effectiveness. Though it is known that SHRM can significantly contribute to enhancing organisational effectiveness, contrary evidence suggests that the reality might not match the rhetoric that exists. Katou (2017) established that SHRM practices generally do not affect organisational performance directly and that there is an indirect relationship between SHRM and a firm's performance.

Conceptual framework

The conceptual framework in Figure 1 demonstrates the relationship between organisational values, strategic human resource management and organisational effectiveness. In the framework, hypothesis H2 represents the relationship between organisational values and strategic human resource management practices. Hypothesis H3 shows the relationship between SHRM and organisational effectiveness (H3). It also shows the intervening role of strategic human resource management practices between organisational values and organisational effectiveness and the direct link between organizational values and firm effectiveness is represented by hypothesis H1.

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Publication of the European Centre for Research Training and Development-UK Conceptual Framework



Figure 1: Conceptual Framework

Hypothesis

H1: There is no statistically significant relationship between organisational values (OV) and organisational effectiveness (OE)

H2: There is no statistically significant relationship between organisation values (OV) and strategic human resource management (SHRM).

H3: There is no statistically significant relationship between strategic human resource management (SHRM) and organisational effectiveness (OE).

H4: Strategic human resource management (SHRM) mediates between organisational values (OV) and organisational effectiveness (OE) (OV-SHRM-OE)

METHODOLOGY

This study adopted the positivist philosophical paradigm. The approach was quantitative, and the design was a descriptive survey. Using the descriptive survey design enabled the study to gather data about different subjects to know how varied conditions could be obtained and to determine whether there is a positive or negative relationship between variables. The population of the study were employees of five (5) technical universities in Ghana. Yamene's (1967) sample size formula was used to calculate a sample of 344 from a population of 2400. A questionnaire made of closed-ended and open-ended questions was used to solicit data. All the questions were adapted and modified from previous empirical studies and were measured with a five-point- Likert scale. Organisational effectiveness was measured using four approaches. These approaches were the goal approach, the systems approach, the internal process approach and the strategic resource approach with seventeen (17) items as developed by Neely et al. (1995) and Bourne et al. (2000). SHRM was captured by modifying the thirty-one (31) items created by Delery and Doty's (1996) for

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<u>Publication of the European Centre for Research Training and Development-UK</u> the current study and measured in terms of recruitment and selection, training and development, participation, performance appraisal and staff retention. The stratified and simple random sampling techniques were used to select participants for the study. The table of random numbers was used to select participants from each group for the study. Inferential statistics such as correlation and regression analysis were done to establish relationships and effects between the variables. This was done with the application of IBMSPSS version 24. The participants were given consent forms on which the purpose of the investigation was explained to them. In addition, participation in the research process was voluntary, and participants could withdraw whenever they felt so.

Investigators use various techniques to keep the identity of research subjects confidential. In this study, data was kept drawers and locked. Codes were ascribed to data, so tracking and tracing study participants' responses with identifying information would be impossible. In addition, aggregate findings and not person-level data were reported in the study. Further, the subjects were assured of confidentiality using the consent forms. For example, the study participants were informed that identifying features like occupation, place of work, ethnic background, and units or departments would be changed. Discussing the confidentiality of data at the beginning of data collection enabled the study to obtain informed consent and build trust and confidence with participants. Again, during data cleaning, confidentiality issues were addressed.

RESULTS

Validity and reliability tests were conducted to evaluate the internal consistency of the constructs as well as the actual score. Critical indicators of validity: principal component analysis (PCA) focusing on the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity, composite reliability and average variance extracted was conducted on all instruments. Cronbach's alpha and composite reliability were employed to examine the construct reliability, and the results were all above the threshold of .70 and .80, respectively (Nunnally, 1978). The Average Variance Extracted greater than > .50 and the factor loadings of the various constructs above .50 demonstrate convergent validity. The multiple items measuring a single concept indicated adequate internal consistency of the constructs (Babin & Zikmund, 2016).

Correlation Analysis

Correlation analysis examined the relationship between the outcome and predictor

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<u>Publication of the European Centre for Research Training and Development-UK</u> variables. A low to moderate correlation among the predictor variables showed its unique contribution to the model (Kamasak, 2011). Therefore, if the measure of the relationship between the predictor variables is above 0.9, then multicollinearity will likely occur in the model. Table 1 shows that the relationship among the variables was less than 0.9. The study observed a positive relationship between all the variables.

		a b		•	•		-		-
Variable	Μ	SD	1	2	3	4	5	6	7
Gender	.55	.49							
Age	2.67	.79	032						
Education	.79	.40	.172**	234**					
Status	.76	.42	147**	.158**	.166**				
Experience	1.48	.66	.059	$.270^{**}$	160**	040			
OV	2.67	.59	.012	.033	.143**	.217**	.120*		
OE	2.85	.62	023	.008	.131*	.177**	.009	$.470^{**}$	
SHRM	2.82	.47	.031	.010	.130*	.174**	.071	.527**	.563**

Table 1: Correlation analysis

N=344. **p<0.01, *p<.05 level (2-tailed).

Note: OV=Organisational Values, OE= Organisational Effectiveness, SHRM= Strategic Human Resource Management.

From Table 1, the results of the Pearson correlation specify a moderately significant positive relationship between all the main variables: organisational values and firm effectiveness as well as strategic human resource management ($r=.470^{**}$, p<.01), ($r=.527^{**}$, p<.01) respectively and finally, between fir effectiveness and strategic human resource management ($r=.563^{**}$, p<.01). The means and standard deviations of the variables were also examined. Organisational values had the lowest mean (2.67), as firm effectiveness and strategic human resource management were close at (2.85 and 2.82). However, strategic human resource management had the lowest standard deviation (.47) and organisational value and corporations' effectiveness followed with (.59 and .62), respectively.

Analysis of Conceptual Model

Regression analysis was conducted based on the conceptual model of the study. The model proposed four outcomes by way of hypotheses. The initial three hypotheses (H1, H2 and H3) examined the direct effect of organisational values on firm effectiveness, strategic

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<u>Publication of the European Centre for Research Training and Development-UK</u> human resource management and strategic human resource management on firm effectiveness. The final hypothesis (H4) assessed the indirect effect (mediating role) of strategic human resource management (SHRM) between organisational values (OV) and firm effectiveness (OE).

Multiple Regression Analysis

Statistical analysis included ordinarily least square (OLS) regression models using SPSS version 24. The multiple regression was the initial analysis, and the results were compared with the subsequent output generated via the Hayes PROCESS macro (Model 4). The latter confirmed the former, and the results are presented in Table 6 below. Additionally, the bootstrap confidence interval outperforms alternatives such as the Sobel test (Preacher & Hayes, 2008; Fritz et al., 2012; Preacher & Selig, 2012; Hayes & Scharkow, 2013) was employed for the mediation test. Hayes and Rockwood (2016) maintain that the 2.5th and 97th percentiles of the bootstrap distribution of ab delineate the lower-level confidence interval (LLCU) and upper-level confidence interval (ULCI) of a confidence level of 95% for the indirect effect. Thus, mediation is supported whenever the interval is above or below zero but not supported when the confidence interval bestrides zero. This further explains that conclusive proof of M mediating the effect of X on Y needs to be included in the context.

Direct Paths

Outcome variables: Strategic Human Resource Management and Organisational Effectiveness.

Controls:

Model 1 (Controls): $OE = b_0 + b_1G + b_2A + b_3E + b_4S + b_5YE + \varepsilon$

Model 2: SHRM= $b_0 + b_1G + b_2A + b_3E + b_4S + b_5YE + b_6OV + \epsilon$

Model 3: $OE = b_0 + b_1G + b_2A + b_3E + b_4S + b_5YE + b_6OV + \varepsilon$

Model 4 (Indirect path): $OE = b_0 + b_1G + b_2A + b_3E + b_4S + b_5YE + b_6CV + b_7SHRM + \varepsilon$

Where; " b_0 "s represent the constants, b_1 to b_7 are the unstandardised regression coefficients, and " ϵ " is the error terms. The respective standardised parameter estimates and t-values are displayed in Table 2 below.

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<u>Publication of the European Centre for Research Training and Development-UK</u> Table 2: Hierarchical Regression Results

Variables	Controls	Direct paths	Indirect path		
	Model 1	Model 2	Model 3	Model 4	
	OE b(t-values)	SHRM b(t-value)	OE b(t-value)	OE b(t-value)	
Controls					
Gender	027(396)	.017 (.382)	033(538)	044(776)	
Age	.000(.003)	005 (172)	.003(.084)	.006(.175)	
Education	.177(1.982)***	.057 (.964)	.086(1.069)	.053(.724)	
Status	.231(2.779)	.0573(1.031)	.094(1.238)	.061(.878)	
Experience	.032(.614)	.018(.534)	031(665)	042(988)	
Direct Path					
OV		.406 (10.671)***	.474 (9.073)***	.235(4.294)***	
SHRM				.589(8.710)***	
R ²	.043	.289	.231	.373	
ΔR^2	.039	.240	.188	.034	
Δ F-Statistics	3.061**	22.843	16.884	28.524	

Note: t-values are captured in the parenthesis, $p < .10^*$, $p < .05^{**}$, $p < .01^{***}$ (two-tailed).

Results of the model

When all the essential requirements regarding the model's fitness, reliability and validity test were met, the study tested the hypotheses. This was done by examining each dependent variable's multiple squared correlation coefficient (\mathbb{R}^2) to determine the amount of variance explained by its corresponding model (Chin, 1998). In SPSS, this is achieved by examining the strength of the regression weights, t-values, and p-values for the significance of t-statistics and the effect sizes of the independent variables on the dependent variables (Hair et al., 2014). The results of the hypotheses testing are presented below.

In Table 2, the fit indices of the model were significant in predicting organisational effectiveness (OE) as the R² (square) for models 1, 2, 3, and 4 were .043, .289, .231, and .373, respectively, accounting for 4.3%, 28.9%, 23.1%, and 37.3% variance in the outcome variable. The F-statistics and associated degree of freedom also justified the model's fitness. The first hypothesis proposed a positive direct effect of organisational values (OV) on strategic human resource management (SHRM). The outcome (β = .406, t= 10.671) at 1% significance level confirmed the proposition. Thus, H1 was accepted. The R² of .289 implies that this model accounts for a 27.2% variance in SHRM. Therefore,

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<u>Publication of the European Centre for Research Training and Development-UK</u> increasing organisational values will increase strategic human resource management. Specifically, a unit increase in OV will lead to a 41.1% increase in SHRM.

H2 posited a positive effect of OV on OE. The results (β =.474, t= 9.073) at a 1% significant level supported the hypothesis. The shared variance between this model and the outcome variable is 23.1%, implying that a unit increase of OV will result in a 49.2% increase in OE. The third hypothesis, H3, stated that SHRM positively affects OE. The results (β =.589, t= 8.710) confirmed the hypothesis. This model accounts for a 37.3% variance in the outcome variable (OE) and specifically maintains that a unit increase in SHRM will lead to a 57.7% increase in OE.

Path		Indirect Effect (IE)	Total Effect (D+I)	BSE	BLLCI	BUCCI	Mediation
$OV \rightarrow$.052			
SHRM \rightarrow	.235	.239			.167	.317	Partial
OE			.474(9.073)				

Note: BSE= *Bootstrap Standard Error, BLLCI*= *Bootstrap Lower-Level Confidence interval, BULCI*= *Bootstrap Upper-Level Confidence Interval.*

The final hypothesis H4 was that SHRM practices mediate the relationship between Organisational Values and Organisational Effectiveness. It was observed from Table 3 that the introduction of SHRM does not eliminate the existing direct relationship between OV and OE; however, it mitigates that effect. Hence, SHRM practices partially mediate the relationship between OV and OE but not entirely. The mediation was significant as the bootstrap confidence interval had no zero within, and the indirect effect differed significantly from zero. Thus, H4 was supported.

DISCUSSION

The study's objectives were to analyse the relationship between organisational values, institutional effectiveness and SHRM, assess the effect of organisational values on institutional effectiveness, and assess the mediating role of SHRM between organisational values and firm effectiveness. The results revealed a positive relationship between

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Publication of the European Centre for Research Training and Development-UK organisational values and firm effectiveness mediated by strategic human resource management. This implies that adopting and practising organisational values improves an organisation's effectiveness. The study's finding reflects the assumption underlying the neoclassical theory, which shows that understanding the values, characteristics and behaviours of employees and designing jobs that reflect these features will elicit their efforts and enhance their effectiveness, which contributes to the entire effectiveness of the organisation. This implies that organisational leaders must spend time understanding employees' value systems and other factors that influence their performance when designing jobs since their effectiveness and effectiveness depend on their characteristics. This reflects existing findings that maintain that employees' differences and characteristics contribute to performance and make them actively involved in their work in organisations (Ferner & Almond, 2013). This finding corroborates Athota et al. (2020), who found that organisational values that align with individual values and strategic human resource management practices elicit employees' enthusiasm, energy, commitment and creativity, enhancing employees' effectiveness and overall effectiveness.

The positive effect of the mediating role of strategic human resource management in the relationship between organisational values and organisational effectiveness infers that in as much as organisational values directly influence the efficacy of an organisation, the impact of strategic human resource management cannot be undermined. In that regard, organisations that can manage their human resource strategically stand to unearth their workforce potential for improved performance. The study's findings support the study's conceptual model and the hypothesis that strategic human resource management practices mediate the relationship between organisational values and a firm's effectiveness. This indicates that organisational managers must employ several strategic human resource management practices to improve firm effectiveness since there is evidence that deploying SHRM practices improves a firm's effectiveness. This finding aligns with previous studies that argued that addressing employees' concerns through strategic human resource management practices is a prerequisite for achieving long-term organisational effectiveness (Jackson et al., 2012). In addition, the result mirrors previous studies that assessed SHRM effectiveness and firm effectiveness and concluded that employing human capital strategies and values reduces employee turnover and increases organisations' overall market performance and efficacy (Pattnaik & Sahoo, 2020).

The study has revealed that when values are aligned with a firm's human resource management practices, it motivates employees to work hard, improve their performance

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<u>Publication of the European Centre for Research Training and Development-UK</u> and contribute to the organisation's effectiveness. This helps build a strong brand and competitive advantage for companies. Implementing organisational values strategically positions an organisation to attract a qualified and highly competent prospective workforce. The outcome of this vital study implies that as organisations strive to be successful, the management must strengthen strategies that will help manage their human resource. This is necessary because the management of employees through strategic human resource management practices keeps the workforce motivated and maximises organisational effectiveness.

Implications to Research and Practice

The results indicated that the efficacy of an institution is highly predicted by its organisational values. By implication, organisational leaders and managers that prioritise their values win their employees' trust, enthusiasm and commitment and can manage them strategically to achieve the desired results. The outcome of the study also implies that organisational leaders must incorporate more of the strategic human resource management practices to encourage the workforce to work hard since SHRM practices, e.g., recruitment and selection, retention strategies, training, and development, are critical variables found to commit employees to work hard to improve organisational effectiveness.

CONCLUSIONS

The research established a significant correlation between organisational values as a predictor and organisational effectiveness as the outcome variable. In addition, strategic human resource management was found to mediate the relationship between OV and SHRM. Since the study found that organisational values influence organisational effectiveness, the management of technical universities must make organisational values an integral part of their operations. This will also serve as a platform for attaining corporate goals and objectives. As established in this study, organisations that emphasise their values provoke employee engagement, enthusiasm, commitment and creativity, which lead to individual and organisational effectiveness.

Future Research

The study used the quantitative approach to study the relationship between organisational values and effectiveness and the mediating role of strategic human resource management between the variables. Future research can employ a mixed-method approach in studying the phenomenon to give it a broader perspective.

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