

The Effect of HR Function on Job Satisfaction: The Moderating Role of Employee-Centered Culture

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Abstract: The study pursues to investigate the effect of HR function on job satisfaction. In particular employee centered culture is expected to moderate the relationship. A corporate panel survey data are used to test the hypotheses. The data included 500 firms representing manufacturing, banking and non-banking service industries. After excluding banking and non-banking service firms, the final sample was composed of 369 manufacturing firms. Prior to proceeding hypothesis testing, factor analysis was conducted. To test the research hypotheses, this study utilized several regression analyses. The results of this study indicate that HR function is positively related to job satisfaction. This positive impact suggests that if HR department participates on decision-making related to business strategy formation and contribute business performance, employee become more satisfied with their job or organization. Thus HR department influence strategic decisions which top management team including CEO design and implement to achieve business goals and sustain its success. The result of this study indicated that the relationship between HR function and job satisfaction is moderated by employee-centered culture. Favorable perception of organizational culture from employee's experience on work policies, practices, climates, communication and relations among members strengthened the relationship between two variables. When HR functions fit other systems and culture, the effects are enhanced.

Key words: HR function, employee-centered culture, job satisfaction, moderating role, organizational, effects

INTRODUCTION

Corporate's human resource function is a systematic process which plays in determining the survival, effectiveness and competitiveness of businesses. Human Resource Management (HRM) refers to the policy, practices and systems which influence individual's attitudes, behaviors and performance (Noe *et al.*, 2013). HR functions include analyzing and designing work and job, determining HR supply and demand, recruiting potential employees, selecting employees, training employees how to perform their job and preparing them for the future job requirements, evaluating their performance, rewarding employees based on the results of evaluation and building a positive work environment. Administrative tasks of HR functions are decreasing and its roles as advocates for employees, change agents, business partner and architect designers are increasing.

The impacts of HR functions on employee's attitudes and performance has been a pervasive area of research for several decades (Yon *et al.*, 2016; Kang *et al.*, 2015; Moon, 2016). Although, the prevailing evidence on the relationship between HR functions and organizational effectiveness has been advocated, very limited number

of studies has been conducted on conditions which have influenced the associations. It is required to expand our knowledge on the impact of HR functions on organizational effectiveness while the studies investigate the contexts or conditions possible to influence the relationship.

In this study, organizational culture, especially employee-centered culture, is derived to examine the conditions where the impact of HR functions on job satisfaction reinforces or decreases. Organization culture influences overall systems and its performance. Employee-centered culture is characterized as the organizational value systems and assumptions which prioritize employees among several resources or alternatives when the organization needs to formulate its business strategies and implement the strategies to gain competitive advantages. McGregor (2006) advocated that organization practices were determined by their perspectives or approaches toward people who worked daily and contributed their performance. If organization sees employees as people who liked to work diligently, engage their works, motivate autonomously in the case that organization appropriately allocate employees jobs or duties and treat favorably (Colquitt *et al.*, 2009). But when organization treats its employees with a negative

perspective, organization systems and practices could not motivate employees to work effectively or efficiently.

In this vein, this study investigates the impact of HR functions on employee's job satisfaction. Job satisfaction has been one of the most pervasive themes in the field of management because job satisfaction is a critical indicator to predict employee's performance which contribute overall organizational performance or effectiveness. Thus this study examines the role of employee-centered culture. The culture influences the relationship between HR function and employee's job satisfaction. This study is undertaken to explore the answers to the following two research questions.

Research question 1: Is there any association between corporate HR functions and employee's job satisfaction?

Research question 2: Does employee-centered culture influence the relationship between corporate HR functions and employee's job satisfaction?

Theoretical background and hypothesis

HR function and job satisfaction: HR function refers to the policy and practices which affect employee's attitudes and behaviors. HR function includes analysis and design of works HR planning, recruitment, selection, placement, training and development, performance management, evaluation and reward roles (Noe *et al.*, 2003).

Organizations are first necessary to identify the outputs of work, to determine the quality and quantity criteria for those work outputs. Based on the outputs, organizations need to analyze the transformation process and input resources to gain desirable outputs. These analyses of work provide an overview of the dynamic relationship among works which individuals or teams perform to achieve their common goals. Organizations need to attain talent when there is a labor shortage and at the same time to control when there is a labor surplus. To do so, organizations need to have a clear idea of their configuration of human resources. Organizations must know where they are and where they are going to sustain their competitiveness in the market. Recruitment refers to the practices or activities to identify and attract potential employees. Prior to recruitment, organizations need to identify the nature of the vacancies for which employees are recruited.

Selection is the process which organizations decide who will or will not be hired into them. In order to choose the most capable talent, organizations must have systematic and strict methods of selection. The selection methods are necessary of the features such as reliability,

validity, generalizability, utility and legality (Noe *et al.*, 2003). Reliability is defined as the consistency of performance measure which is free from random error. Validity refers to the degree to which a measure assesses all the relevant aspects of job performance. Generalizability is the extent to which a selection method established in one context applies to other contexts including jobs and works. Utility is the extent to which a selection method increases the bottom-line effectiveness of the organization. Legality means that organizations must comply with laws and legal precedents when they design and implement selection methods.

Training is a planned method to provide employees to learn what they need to hold knowledge, skills and attitudes to meet job requirements. More recently, organizations establish a learning organization system which facilitate employee's learning and encourage the learning to share among employees. The first step of training is assessing the training needs which are used to determine if training is necessary to overcome performance problems. Most organizations evaluate the results or outcomes of training to decide whether the training program is effective or efficient and whether the training program is implemented continuously. If the training program is not effective or does not achieve a desirable goal, organizations must redesign or redevelop the program.

Performance management is a process to identify employee's strengths or weaknesses, link employees to appropriate training programs and reward performance. Organizations also utilize the information of performance management in administrative decisions. For example, according to the performance evaluation, organizations determine who is promoted or whose payroll is increased. HR function is not separate but is integrated among sub-functions. If sub-functions are not consistent with HR policies and systems, employees do not trust capabilities and intents of organization toward human resource management. Job satisfaction is a pleasurable emotional state which results from job experiences (Huselid *et al.*, 1997). It shows how employee feels about his or her job and what they experience during daily works (Colquitt *et al.*, 2009). The construct of job satisfaction includes several aspects of job.

There are pay, promotion, supervision, coworker and the work itself. Pay satisfaction refers to employee's feelings about their pay to whether it is as much as they deserve, secure and appropriate for normal expenses and exceptional items. Pay satisfaction of employees is grounded on the comparison of the pay that employees receive and they want to receive. Thus, employees compare their pay level with others.

Promotion satisfaction refers to employee's feelings about policies and execution of promotion in terms of fairness. Supervision satisfaction is employee's feeling about their managers or boss in terms of competence, politeness and communication. Coworker satisfaction is employee's feeling about whether coworkers are competent, responsible and helpful. Also, employees have general feeling about their work itself on whether work is challenging, interesting and meaningful.

HR systems influence employee's motivation levels and in turn their attitudes and performance related to job. Employee's job satisfaction can be a competitive resource because human resources of organizations cannot be easily imitated and substituted by competitors. If organization treats employees as valuable or favorable resources and provides ample supports, they perceive that they become critical success factor in the organization (Yon *et al.*, 2016; Kang *et al.*, 2015). Employees will try to meet with organization's needs and have positive feeling about their job including various aspects.

There are evidences that when organizations have good selection method and training programs and provide employees to obtain and develop their talents, employees have more positive attitudes on their job in Korea (Park and Kim, 2014). Employees who work in SMEs in Korea were more satisfied with their jobs or organization when their organization had favorable HR functions toward employees (Kim and Wang, 2016). Sound HR functions are positively related to job satisfaction. Based on the notion, the hypothesis is as follows:

- H₁: HR function will positively affect job satisfaction

The moderating effect of employee-centered culture:

Organizational culture refers to the shared beliefs and attitudes to the organization. Employees build desirable attitudes and behaviors while they perform their job requirements and interact with other members. If organization perceive employees valuable resources and provide favorable climate, employees respond with the ways which organization deals with them. In this reason, employee-centered culture will add the impact of HR functions on job satisfaction (Colquitt *et al.*, 2009).

Organizations which have employee-centered culture are characterized with favorable and supportive supervisors, fair organization systems, clear work process and collaborative work teams. Employees experience organization climate while they implement their job requirements and communicate with supervisor and coworkers. Also, they evaluate the ways or means which their works are related to and assessed to achieve common goals.

In particular, scholars in the field of strategic HRM address the importance of internal fit among HRM functions. A systematic process of recruitment and selection must be associated with performance management and evaluation system. If sub functions of HRM system are not congruent each other, effectiveness of individual sub HR function decreases. In the situation, employees cannot believe that organization authentically treat them and have competence to deal with issues related to human resources. HR functions as a system influence employee's attitudes and performance. The impact can be reinforced or inhibited by organizational culture. Based on the notion, the hypothesis is as follow:

- H₂: employee-centered culture will moderate the relationship between HR function and employee job satisfaction

MATERIALS AND METHODS

Sample and data collection: The present study used Human Capital Corporate Panel (HCCP) data collected by Korea Research Institute of Vocational Education and Training (KRIVET) in 2011. The HCCP data included 500 firms representing manufacturing, banking and non-banking service industries. After excluding banking and non-banking service firms, the final sample was composed of 369 manufacturing firms.

Measures: The study included three variables; HR function, employee-centered culture and job satisfaction. HR function is operationally defined as the degree of contribution and participation of HR department on decision-making related to business strategy, CEO decision making and organization innovation. Four items were used to measure the variable of HR function. Employee-centered culture is also operationally defined as the degree to which organization favorably perceives employee's value, which was measured with three items. Job satisfaction is operationally defined as employee perception on the job itself, compensation and social relation in organization including three items. All items had 5-point Likert scales.

RESULTS AND DISCUSSION

Descriptive statistics: Table 1 shows means, standard deviation and correlations among all research variables. As seen in the Table 1, HR function had a mean of 3.40 (SD = 1.00). Employee-centered culture had a mean of 3.39 (SD = 0.85). Job satisfaction had a mean of 3.57 (SD = 0.66). Three research variables had positive and significant correlations with other variables.

Table 1: Descriptive statistics and correlations

Variables	Mean	SD	1	2
HR	3.40	1.00	-	-
Culture	3.39	0.85	0.381**	-
Satisfaction	3.57	0.66	0.303**	0.549*

N = 10,043, *, ** p<0.05<0.01

Table 2: Factor analysis

Variables	Factors		
	1	2	3
HR 1	0.899	0.153	0.116
HR 2	0.890	0.108	0.092
HR 3	0.878	0.177	0.119
HR 4	0.881	0.175	0.113
Culture 1	0.166	0.847	0.230
Culture 2	0.185	0.871	0.238
Culture 3	0.179	0.854	0.233
Job 1	0.109	0.231	0.811
Job 2	0.124	0.363	0.641
Job 3	0.107	0.127	0.830
Cum. Var.	32.78	55.82	77.54

N = 10,043; HR = HR function; Culture = Employee-centered culture, Job = Job satisfaction

Table 3: Regression analysis

variables	M1 (β)	M2 (β)	M3 (β)
Industry	-0.065**	-0.046**	-0.049**
Position	-0.033*	0.006	0.007
Level	0.082**	0.038*	0.039*
Job	0.020	0.018	0.019
Gender	-0.073**	-0.038**	-0.035**
Year	0.040	0.021	0.020
Education	0.022**	0.011	0.009
HR	-	0.114**	0.127**
Culture	-	0.486**	0.482**
HR*Culture	-	-	0.091**
R ²	0.022	0.308	0.316
ΔR ²	-	0.286	0.008
F-value	21.976**	326.468**	305.182*

*, **p<0.05<0.01

Hypothesis testing: Prior to proceeding hypothesis testing, factor analysis was conducted. Factor loadings yielded 32.78 for HR function, 25.04 for employee-centered culture and 19.72 for job satisfaction. Cumulative variance for three research variables was 77.54. Thus, all three variables were grouped as like as which the researcher intended without any exception (Table 2).

To test the research hypotheses, this study utilized several regression analyses. In the first step, control variables including type of company, size and benefits were entered to remove their effects on the dependent variables. And then independent variables were entered into the regression analyses as shown in Table 3. H₁ predicted that HR function would be positively related to job satisfaction. As indicated in Model 2 of Table 3, this hypothesis was supported by a significant and positive relationship between HR function and job satisfaction (β = 0.114, p<0.01).

H₂ predicted that the relationship between HR function and job satisfaction would be moderated by employee-centered culture. Interaction was entered into Model 3. The findings for this interaction are displayed, which show that the hypothesis was supported by a significant and positive interaction (β = 0.091, p<0.01).

Summary: The results of this study indicate that HR function is positively related to job satisfaction. This positive impact suggests that if HR department participates on decision-making related to business strategy formation and contribute business performance, employee become more satisfied with their job or organization. Thus HR department influence strategic decisions which top management team including CEO design and implement to achieve business goals and sustain its success. The results can be understood with the theories related to strategic HRM (Huselid *et al.*, 1997; Pfeffer, 1998) Participative HRM practices encourage employee's commitment to organization strategy and business and in turn employees can have ownership on their work as well as organization because their ideas and opinions are reflected to organization. In particular, uncertain business environment renders employee feel worried about their job and organization so that they want to have initiative to determine their individual career and are curious about in which the organization is proceeding under competitive environment. In this situation, competent and reliable HR function reduces anxiety of employees and increases motivation to job.

Further, result of this study indicated that the relationship between HR function and job satisfaction is moderated by employee-centered culture. Favorable perception of organizational culture from employee's experience on work policies, practices, climates, communication and relations among members strengthened the relationship between two variables. As McGregor (2006) advocated, organization's perspective toward people determines all kinds of systems and practices related to human resources. If organization regards employees as distinct and valuable assets, culture as well as HR function includes the characteristics of the perspective. Thus, the effectiveness of all systems and practices increases when each part or function of the organization fit internally (Pfeffer, 1998).

CONCLUSION

The results support the findings of strategic HRM. In the practical standing point, employees evaluate organizational systems and its culture at the same time, they want that organizational policies, systems and culture are congruent with each other.

IMPLICATIONS

Exploration of the effects of HR functions on employee's job satisfaction is critical because employee attitudes and behaviors are influenced by organizational systems and policies. In turn they predict employee performance which organizations pursue to achieve its strategic goals and objectives. This study has two implications for theories and practices in terms of HRM.

Research has little known on the conditions how the relationship between HR functions and job satisfaction is enhanced or inhibited. To extend our knowledge on the relationship, this study examined the effect of employee-centered culture. As the results of study shown, the level of job satisfaction increase when organization considers employees valuable resources. When HR functions fit other systems and culture, the effects are enhanced. The results support the findings of strategic HRM. In the practical standing point, employees evaluate organizational systems and its culture at the same time, they want that organizational policies, systems and culture are congruent with each other. Thus culture can be crucial condition when organization design and implement its HR functions to improve employee performance.

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