Strategic Human Resource Practices and Organisational Culture in SMEs and Large Manufacturing Companies in Bahrain

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Strategic HR practices have faced several challenges in the manufacturing sector in Bahrain, such as a shortage of both quality employment and appropriate national skills, as well as many weaknesses existing in the organisational culture. Therefore, this study was motivated by the desire to examine the effects of strategic human resource (HR) practices on four types of organisational culture (clan culture, adhocracy culture, market culture, and hierarchy culture), in small, medium, and large manufacturing companies in Bahrain. A cross-sectional survey was utilised in this study using a self-administered questionnaire to collect data. The total number of usable questionnaires was 159, with a response rate of 75.4%. The findings indicated that strategic HR practices have significant and positive effects on the four types of organisational culture in small, medium, and large companies in the manufacturing sector. The study resulted in several implications for researchers and decision makers to strengthen the relationship between strategic HR practices in a way that supports the organisational goals.

Key words: Strategic HR Practices, Organisational Culture, Clan Culture, Adhocracy Culture, Market Culture, Hierarchy Culture.
Introduction

Typically, strategic HR practices and organisational culture play parallel key roles in improving an organisation’s effectiveness (Cameron & Quinn, 2006; Dubkevics & Barbars, 2010). From another viewpoint, strategic HR practices may use organisational culture to reach organisational purposes (Kaya & Kesen, 2014). According to Cameron and Quinn (2006), different HR practices can strengthen different types of organisational culture. For example, to build a clan culture, strategic HR practices should focus on championing employees. Reinforcing the adhocracy culture needs strategic HR practices to change agents by facilitating transformation; and building the hierarchy culture requires strategic HR practices to emphasise administrative specialisations through a re-engineering process (Cameron & Quinn, 2006).

Empirically, Adewale and Anthonia (2013) studied the relationship between HR practices and organisational culture in the Nigerian private university context. Their findings demonstrated a significant relationship between these two variables. In particular, the results showed that the HR practices in many areas, such as recruitment, training, job performance, and payment structure, had a positive and close relationship with organisational culture (OC) in the Nigerian private universities studied (Adewale & Anthonia, 2013).

Furthermore, Dubkevics and Barbars (2010) examined the relationship between the four types of HR practices and four types of organisational culture in Latvia. Their survey showed a positive relationship between the two variables. A study indicated that the employees preferred the hierarchy culture and the managers preferred the clan culture (Dubkevics & Barbars, 2010). Hassan (2007) studied the relationship between HR practices and organisational values as an essential component of OC in eight organisations in Kuala Lumpur. The study indicated that HR practices, such as promotion, learning, training, and development were positively related to organisational values of collaboration, creativity, quality, delegation and humane treatment. Moreover, the study showed that HR practices in the performance appraisal system and career planning were negatively associated with values such as trust and creativity (Hassan, 2007).

Strategic Human Resources Practices

Wright and McMahan (1992) defined strategic HR practices as a pattern of planned HR activities that enable the organisation to achieve its goals. These two scholars highlighted two dimensions that distinguish strategic practices from traditional practices. Firstly, strategic practices are linked to the strategic management process of the organisation. Secondly, strategic practices have internal coordination and congruence. Additionally, Dessler (2014) defined strategic HR practices as the construction and implementation of HR policies and practices that lead to the creation of employees’ competencies, and encouraging behaviour which supports the organisation in terms of achieving its strategic goals.
Becker and Huselid (2006) indicated that strategic HR practices should focus on organisational performance, and on the solutions to business problems, rather than individual performance. In addition, they commented that strategic HR is about building sustainable competitive advantage and creating an above-average financial performance (Becker & Huselid, 2006). According to Lengnick-Hall, Lengnick-Hall, Andrade and Drake (2009), strategic HR practices are likely to achieve better performance if they fit with and match the organisational objectives, conditions, and strategic interests. From their perspective, these practices should create strategic contributions, rather than focus on managing people (Lengnick-Hall et al., 2009).

**Organisational Culture**

Organisational culture was defined as a pattern of assumptions that are shared by people in the organisation (Schein, 2010). From another perspective, organisational culture refers to the system of shared values, beliefs, and assumptions that show employees what is appropriate and inappropriate behaviour (Carpenter, Bauer & Erdogan, 2009). Organisational culture has been seen as one of the important assets to improve employee’s morals, work life, financial performance, innovation, communication, relationships, and decision making (Bates & Khasawneh, 2005; Schein, 2010).

According to the competing values framework (CVF), which was developed by Cameron and Quinn (2006), as illustrated in Figure 1, there are four types of organisational culture: clan culture, adhocracy culture, hierarchy culture, and market culture. Clan culture emphasises the flexibility and internal focus in an organisation, where training and development of employees is utilised to achieve cohesion and to increase the employees’ morale (O’Donnell & Boyle, 2008). According to Cameron and Quinn (2006), this type of culture focuses on teamwork, corporate commitment, and employee involvement programs, more than rules, procedures, and competitiveness in the market. Also, Dani and others (2006), summarised the fact that this kind of culture focuses on internal maintenance by considering flexibility, employees’ concerns, and customers’ sensitivity. Adhocracy culture has a flexibility and external focus, where the organisation exploits readiness and adaptability to gain growth, external support, and resource acquisition (O’Donnell & Boyle, 2008). Market culture is oriented towards the external environment of the organisation with a need for stability and control. Moreover, this type of culture focuses on suppliers, contractors, customers, and unions (Cameron & Quinn, 2006). Igo and Skitmore (2006) declared that market culture is directed towards clear and rational goals. Additionally, market culture is concerned with getting the job done and maintaining value competitiveness, perfectionism, aggressiveness and personal initiative (Igo & Skitmore, 2006). Finally, hierarchy culture has a control and internal focus, and emphasises formalisation, behaviour regulations and taking care of employee’s security (Gregory, Harris, Armenakis &
Shook, 2009). Additionally, hierarchy culture focuses on formalisation and organisational structure, a high level of leadership co-ordination, standardised rules, and well-defined responsibilities (Cameron & Quinn, 2006). This culture is identified through the domination of fixed rules and procedures, which maintain the stability of the organisation (Aktaş, Çiçek & Kiyak, 2011).

These types of culture are identified by the business environment; for example, clan culture exists when the business environment is very sociable, and adhocracy culture would be appropriate when the environment is creative and energetic. Additionally, the market type of culture exists when the environment focuses on results and goals, while hierarchy culture fits when the environment is formalised and structured (Klimas, 2016).

Figure 1. A Competing Values Framework (CVF) of Organisational Effectiveness

Strategic HR Practices and Organisational Culture in the Bahrain Manufacturing Sector

The Bahrain Economic Vision 2030 has been implemented since 2008, mainly to reduce the high dependence of the national economy on oil and gas and to enhance the manufacturing sector, and to help Bahrain face the decline in oil and gas production (Oxford Business Group, 2011). As part of the national effort to strengthen the manufacturing sector, the Bahrain government has strived to support strategic HR practices as a key to empowering the people, fill skills gaps apparent in the Bahraini labour force, and to make Bahrainis the preferable
choice for employers (Allen Consulting Group, 2009; Bahrain Economic Development Board, 2008, 2013; Hasan et al., 2009; Oxford Business Group, 2011; Tamkeen, 2015; World Trade Organization, 2014). However, the implementation of strategic HR practices faced several challenges in the manufacturing sector, such as a shortage of both quality employment and appropriate national skills. Moreover, the participation of Bahrainis in the labour market was relatively low (World Trade Organisation, 2014). Also, Al-Jalahma (2012) indicated in his study that the manufacturing sector faced several challenges, such as lack of training, management style slowing down the learning of the culture, lack of job satisfaction, lack of participation in improvement projects and frequent turnover of managers. Such weaknesses result in a high rate of absenteeism, non-qualified staff and lack of competency in recruitment teams to hire the right people (Moovala et al., 2013). According to Al-Jalahma's (2012) study, adhocracy and clan culture are relatively low in the manufacturing sector compared with the services sector in Bahrain. Therefore, this study was motivated by an intention to examine the effects of strategic HR practices on the organisational culture in the manufacturing sector of Bahrain.

Based on the above discussion, it is hypothesised that strategic HR practices have significant effects on the four types of organisational culture. In particular, the following hypotheses are proposed:

H1: Strategic HR practices have a significant effect on the clan culture in the manufacturing companies.
H2: Strategic HR practices have a significant effect on the sustainable adhocracy culture in the manufacturing companies.
H3: Strategic HR practices have a significant effect on the market culture in the manufacturing companies.
H4: Strategic HR practices have a significant effect on the hierarchy culture in the manufacturing companies.

Methodology

The target population for the study was 466 small and medium enterprises (SMEs) and large manufacturing companies in Bahrain (240 small-sized companies, 164 medium-sized companies, and 62 large-sized companies), as listed in the Industrial Companies Directory (Ministry of Industry Commerce and Tourism, 2015). After referring to the Sekaran (2003) technique, the sample size of the current study was 211 companies (45.27%), which were chosen randomly from the targeted population.

A cross-sectional survey was conducted using a self-administered questionnaire. The questionnaire was divided into two parts. Part A measured strategic HR practices as the
independent variable, while Part B measured sustainable competitive advantage as a dependent variable. The measurement scale used with regard to strategic HR practices comprised 10 items, which was developed by Chen and Huang (2009). Regarding sustainable competitive advantage, the measurement scale was adapted from Mahdi (2015), who developed this measurement scale after referring to Barney (1991, 1995). This scale used 20 items to measure sustainable competitive advantage. To serve as an interval scale, a 5-point Likert scale was employed in the last three sections. These scales ranged from “Strongly Agree” on the positive side to “Strongly Disagree” on the negative side. The questionnaires were addressed to top-level management of the manufacturing companies, rather than to lower-level employees, with the CEO or the Managing Director or Managers being chosen to complete the questionnaire.

After the completion of the survey and a review of the returned questionnaires, 15 were excluded and 5 questionnaires were classified as outliers. Therefore, the total number of completed and usable questionnaires was 159, indicating a response rate of 75.4% (159/211*100). According to the classification of the Ministry of Industry (2017), these questionnaires were collected from 38 large companies (23.9%), 55 medium-sized companies (34.6%), and 66 small companies (41.5%). The collected data were processed and analysed using SPSS and SmartPLS software.

Results and Discussions

Assessment of the Data Normality and Descriptive Analysis

The results indicate that the skewness and kurtosis of all 30 items of the studied variables were between ±2 and ±7, respectively. Hence, the data set of all items was well-modelled by a normal distribution. Moreover, to give a better understanding of the variables and to summarise the overall trends in the collected data, the researcher performed a descriptive analysis, where the means, standard deviations, minimum and maximum values were measured on a 5-point Likert scale. As one of the measures of central tendency, the mean was computed. The results range between 3.459 and 3.893. These results indicate that the mean values of all constructs are above their mid-point level 3 (considering 3 is the mid-point of the 5-point Likert scale). These results mean that respondents’ perception towards the study’s variables were above the average.

Validity and Reliability

Reliability was measured in the current study via Cronbach’s alpha and composite reliability (CR). Cronbach’s alpha is a statistical technique, which is used to provide a measure of the internal consistency of the scale and find out the extent to which all the items in the test measure the same construct (Tavakol & Dennick, 2011). Additionally, the CR value is extracted from

71
the square sum of factor loading and the sum of error variance term for a construct (Hair et al., 2010).

Convergent validity has been employed to analyse the first-order constructs in the strategic HR practices and organisational culture. Regarding the strategic HR practices, the analysis included three constructs: recruitment, employee development, and compensation and rewards. The analysis indicated that the factor loadings were positive values. This means that the correlations and weights between each variable and factor are highly relevant in defining the factor’s dimensionality (Torres-Reyna, 2010). These factor loadings ranged between 0.9 and 0.936. Since the values of factor loadings of all items were above the recommended cut-off of 0.6 (Hair et al., 2010), no items were removed from the model. To confirm the above validity, the values of average variance extracted (AVE) were measured. The results of the AVE were higher than the recommended cut-off of 0.5 (Chin, 1998; Fornell & Larcker, 1981). Regarding the reliability of the strategic HR practices, the values of internal reliability Cronbach’s Alpha and composite reliability (CR) were assessed, and the results indicated that the values were greater than 0.6. These values indicate the adequacy of internal consistency (Bagozzi & Yi, 1988; Hair et al., 2010; Hair, Hult, Ringle, & Sarstedt, 2017).

Regarding the organisational culture, the analysis included four constructs: clan culture (CC), adhocracy culture (AC), market culture (MC), and hierarchy culture (HC). The results indicated that the values of factor loadings of three items (CC6, MC1, HC3) were below the cut-off of 0.6 (Hair et al., 2010). These items were removed from the model as recommended by Hair et al. (2010). It is clearly seen that the number of total deleted items (3) was not relatively high compared to the total items in the constructs. Likewise, this elimination did not significantly change the content of the constructs as they were conceptualised. The factor loading values of the remaining items were all above 0.6, which ranged from 0.847 to 0.917. To confirm the above validity, the values of the average variance extracted (AVE) were measured. The results of the AVE were higher than the recommended cut-off of 0.5 (Chin, 1998; Fornell & Larcker, 1981). Regarding the reliability of the four types of organisational culture, the values of internal reliability Cronbach’s Alpha and composite reliability (CR) were assessed and the results indicated that the values were greater than 0.6. These values indicate the adequacy of internal consistency (Bagozzi & Yi, 1988; Hair et al., 2010, 2017).

**Direct Effects of the Constructs**

To test the direct effects of the four types of strategic HR practice on the four types of organisational culture, the coefficient parameters were examined. The path coefficients of the direct effects between the variables in all the different-sized companies are displayed in Figure 2. Moreover, the path coefficients and the results of examining the hypothesised direct effects are illustrated as follows:
**H1: Strategic HR practices have a significant effect on the clan culture in the manufacturing companies.**

Table 1 illustrates that the t-values and p-values of strategic HR practices in predicting the clan culture were 4.7116 and 0.000, respectively, in all manufacturing companies. It means that the probability of getting a t-value as large as 4.7116 in an absolute value was 0.000. In other words, the regression weight for strategic HR practice in the prediction of clan culture in the manufacturing companies was significantly different from zero at the 0.000 level (two-tailed). Simultaneously, the p-values of strategic HR practices in predicting clan culture were 0.000 in small companies, 0.001 in the medium companies, and 0.000 in the large companies. These results show that strategic HR practices had direct effects on clan culture overall companies, small companies, medium companies, and large companies. Therefore, H1 is supported.
Table 1: Examining the Results of the Hypothesised Direct Effects between the Strategic HR Practices of Clan Culture in the Manufacturing Companies.

<table>
<thead>
<tr>
<th>Organization Size</th>
<th>Path Coefficient</th>
<th>Standard Error</th>
<th>t-value</th>
<th>p-value</th>
<th>Hypothesis Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>0.1743***</td>
<td>0.037</td>
<td>4.7116</td>
<td>0.000</td>
<td>H1 is supported</td>
</tr>
<tr>
<td>Small</td>
<td>0.3485***</td>
<td>0.0758</td>
<td>4.5958</td>
<td>0.000</td>
<td>H1 is supported</td>
</tr>
<tr>
<td>Medium</td>
<td>0.3467**</td>
<td>0.0985</td>
<td>3.5212</td>
<td>0.001</td>
<td>H1 is supported</td>
</tr>
<tr>
<td>Large</td>
<td>0.201***</td>
<td>0.0268</td>
<td>7.508</td>
<td>0.000</td>
<td>H1 is supported</td>
</tr>
</tbody>
</table>

*p< 0.05 , **p< 0.01, ***p< 0.001

H2: Strategic HR practices have a significant effect on the sustainable adhocracy culture in the manufacturing companies.

The direct effects between strategic HR practices and adhocracy culture were examined and the results are displayed in Table 2. The t-values and p-values of strategic HR practices in predicting the adhocracy were 7.5968 and 0.000, respectively, in all the manufacturing companies. This means that the probability of getting a t-value as large as 7.5968 in an absolute value was 0.000. In other words, the regression weight for strategic HR practices in the prediction of adhocracy in the overall manufacturing companies was significantly different from zero at the 0.000 level (two-tailed). Additionally, the p-values were 0.000 for all company sizes, except the small sized-companies, which was 0.351 and more than the recommended cut-off values (0.05). Accordingly, this hypothesis was supported in all sized-companies except the small sized companies. The path coefficients were 0.2565 in overall companies, 0.098 in the small companies, 0.2125 in the medium companies, and 0.5383 in the large companies. These values of path coefficients indicated that there were positive relationships between strategic HR practices and adhocracy in all companies, except small-sized manufacturing companies.

Table 2: Examining the Results of the Hypothesised Direct Effects between the Strategic HR Practices Adhocracy Culture in the Manufacturing Companies.

<table>
<thead>
<tr>
<th>Organization Size</th>
<th>Path Coefficient</th>
<th>Standard Error</th>
<th>t-value</th>
<th>p-value</th>
<th>Hypothesis Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>0.2565***</td>
<td>0.0338</td>
<td>7.5968</td>
<td>0.000</td>
<td>H2 is supported</td>
</tr>
<tr>
<td>Small</td>
<td>0.098</td>
<td>0.1047</td>
<td>0.9362</td>
<td>0.351</td>
<td>H2 is not supported</td>
</tr>
<tr>
<td>Medium</td>
<td>0.2125***</td>
<td>0.0229</td>
<td>9.2752</td>
<td>0.000</td>
<td>H2 is supported</td>
</tr>
<tr>
<td>Large</td>
<td>0.5383***</td>
<td>0.0252</td>
<td>21.3388</td>
<td>0.000</td>
<td>H2 is supported</td>
</tr>
</tbody>
</table>

*p< 0.05 , **p< 0.01, ***p< 0.001

H3: Strategic HR practices have a significant effect on the market culture in the manufacturing companies.
In terms of the direct effects between strategic HR practices and market culture in the manufacturing companies, the collected data was analysed and is displayed in Table 3. The t-value and p-value of strategic HR practices in predicting the market culture were 8.8242 and 0.000 in the overall manufacturing companies. This result shows that the probability of getting a t-value as large as 8.8242 in absolute value was 0.000. The regression weight for strategic HR practices in the prediction of market culture in the overall manufacturing companies was significantly different from zero at the 0.000 level (two-tailed). Additionally, the t-values ranged between 6.0449 and 30.1052 for all company sizes. The p-values were 0.000 for all the companies. Hence, this hypothesis is supported in all manufacturing companies. The path coefficients were 0.2762 in the overall companies, 0.1487 in the small companies, 0.2321 in the medium companies, and 0.656 in the large companies, indicating positive relationships between strategic HR practices and the market culture.

Table 3: Examining the Results of Hypothesised Direct Effects between the Strategic HR Practices Market Culture in the Manufacturing Companies.

<table>
<thead>
<tr>
<th>Organization Size</th>
<th>Path Coefficient</th>
<th>Standard Error</th>
<th>t-value</th>
<th>p-value</th>
<th>Hypothesis Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>0.2762***</td>
<td>0.0313</td>
<td>8.8242</td>
<td>0.000</td>
<td>H3 is supported</td>
</tr>
<tr>
<td>Small</td>
<td>0.1487***</td>
<td>0.0246</td>
<td>6.0449</td>
<td>0.000</td>
<td>H3 is supported</td>
</tr>
<tr>
<td>Medium</td>
<td>0.2321***</td>
<td>0.0297</td>
<td>7.804</td>
<td>0.000</td>
<td>H3 is supported</td>
</tr>
<tr>
<td>Large</td>
<td>0.656***</td>
<td>0.0214</td>
<td>30.1052</td>
<td>0.000</td>
<td>H3 is supported</td>
</tr>
</tbody>
</table>

*p< 0.05 , **p< 0.01, ***p< 0.001

H4: Strategic HR practices have a significant effect on the hierarchy culture in the manufacturing companies.

Regarding the direct effects between strategic HR practices and hierarchy culture, the results showed that t-values and p-values of strategic HR practices in predicting hierarchy culture were 8.7248 and 0.000, respectively, in all the manufacturing companies. This means that the probability of getting a t-value as large as 8.7248 in an absolute value was 0.000. In other words, the regression weight for strategic HR practices in the prediction of hierarchy culture in the overall manufacturing companies was significantly different from zero at the 0.000 level (two-tailed). Additionally, the p-values were 0.000 for all company sizes. Accordingly, this hypothesis is supported. The path coefficients were 0.2646 in the overall companies, 0.2281 in the small companies, 0.2395 in the medium companies, and 0.4314 in the large companies. These values of path coefficients indicated a positive relationship between strategic HR practice and hierarchy culture in all manufacturing companies.
Table 4: Examining the Results of the Hypothesised Direct Effects between the Strategic HR Practices Hierarchy Culture in the Manufacturing Companies.

<table>
<thead>
<tr>
<th>Organization Size</th>
<th>Path Coefficient</th>
<th>Standard Error</th>
<th>t-value</th>
<th>p-value</th>
<th>Hypothesis Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>0.2646***</td>
<td>0.0303</td>
<td>8.7248</td>
<td>0.000</td>
<td>H4 is supported</td>
</tr>
<tr>
<td>Small</td>
<td>0.2281***</td>
<td>0.0265</td>
<td>8.6251</td>
<td>0.000</td>
<td>H4 is supported</td>
</tr>
<tr>
<td>Medium</td>
<td>0.2395***</td>
<td>0.0204</td>
<td>11.7464</td>
<td>0.000</td>
<td>H4 is supported</td>
</tr>
<tr>
<td>Large</td>
<td>0.4314***</td>
<td>0.0311</td>
<td>13.3744</td>
<td>0.000</td>
<td>H4 is supported</td>
</tr>
</tbody>
</table>

*p< 0.05 , **p< 0.01, ***p< 0.001

Conclusions and Implications of the study

This study was conducted to examine the effects of strategic HR practices on the four types of organisational culture of SMEs and large manufacturing companies in Bahrain. Based on 159 usable questionnaires, which were answered by the top management of these companies, the effects were assessed by SPSS and SmartPLS. The findings indicated that the strategic HR practices have significant and positive effects on the clan culture, adhocracy culture, market culture, and hierarchy culture, in all companies.

This result agrees with that of Uslu (2015), who revealed that strategic HR practices have a positive relationship with adhocracy culture (innovation culture) in Turkey, in both the public and the private sectors. Additionally, the findings are consistent with those of Dubkevics and Barbars (2010), who showed a direct relationship between HR practices and the four types of organisational culture in Latvia. Furthermore, Hassan's (2007) study indicated that HR practices were positively related to organisational culture in eight organisations in Kuala Lumpur. Likewise, the results of the current study are consistent with Cameron and Quinn’s (2006) argument, in which they pointed out that HR practices can strengthen different types of organisational culture. Similarly, the findings were supported by Aycan (2005) who provided a systematic analysis of how HR practices and organisational culture have direct effects on different aspects of an organisation.

This study has several implications for researchers and decision makers in the manufacturing sector in Bahrain. For instance, the empirical evidence of the study contributes significantly to the existing literature of HR management and organisational culture. Additionally, these findings include numerous valuable implications for further empirical research among researchers and scholars who are interested in either strategic HR management or organisational culture.
REFERENCES


