Investigating the Relation between Human Resource Management and Organizational Entrepreneurship: the Mediating Role of Knowledge Sharing by Middle Managers (case study: Ahwaz Pipe Manufacturing Company)

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Abstract

Increased competition among the firms, together with technological changes, has forced the organization to pursue modern methods for achieving competitiveness in the market. Recently, firms have been trying to improve their flexibility, creativity, innovation, risk taking and entrepreneurship to become the winner in competition. There are a number of factors that improve organizational entrepreneurship. One of these factors is the role of human resource management. The present study was conducted to investigate the relation between human resource management and organizational entrepreneurship. This study is an applied research. Statistical population includes managers and employees (N=2000), out of which 384 individuals were selected as the sample using Cochran’s formula. Data were collected by an author-synthesized questionnaire that includes 24 questions. Correlation of the variables was evaluated by LISREL software. Path analysis was performed to investigate causal relation among the variables and to confirm total model of the research. Path analysis was performed by LISREL8.5 software. The results obtained in this study revealed that there is positive and significant relation between human resource selection and improvement of organizational entrepreneurship, extensive training of human resource and improvement of organizational entrepreneurship, job evaluation and improvement of organizational entrepreneurship, rewarding and improvement of organizational entrepreneurship, employees’ participation in current affairs and improvement of organizational entrepreneurship, selection of competent experts and improvement of organizational entrepreneurship, managers’ tendency to share implicit knowledge and improvement of organizational entrepreneurship and managers’ tendency to share explicit knowledge and improvement of organizational entrepreneurship. There is positive and significant relation between human resource management and organizational entrepreneurship regarding mediating role of middle managers. Finally, some strategies are recommended for improving organizational entrepreneurship.

Keywords: Human Resource Management, Organizational Entrepreneurship, Knowledge Sharing, Middle Managers.
1. Introduction
It is entrepreneur organizations that can be of higher competitiveness and power in today’s market. There are many factors that affect organizational entrepreneurship. One of these factors is human resource (HR) management and its practices. The role of HR management in organizational entrepreneurship has not been studied until recently. During recent years, this issue has become a critical factor among the organizations especially those trying to play distinctive role in competition field (Sathe, 2003; Carrier, 1999). Empirical studies in this field suggest that organizational entrepreneurship has positive effect on organizational performance. Since effectiveness of organizational entrepreneurship leads to increased profitability and growth, many scholars have tried to identify the factors that motivate and strengthen organizational entrepreneurship. In this regard, critical role of some factors such as external environment and organizational culture have been emphasized (Huse et al, 2005). Many studies have remarked that HR management and workplace form the basis of innovation and fortify organizational entrepreneurship. Furthermore, HR management practices are considered as important mechanisms for simulation of entrepreneurial innovations. It is well documented that acceptance of HR management can results in achieving competitive advantage via development of human capital and encouraging the employees to realize organizational interests (Castrogiovanni et al., 2010). According to Hyton (2003) and Karatku et al (2001), corporate entrepreneurship is a proxy for effectiveness of HR management and the rate of entrepreneurial actions can be strengthened by HR management practices (Schmelter et al, 2010; Zhang and Jia, 2010).

According to scholars, organizational entrepreneurship has three dimensions as follows:
1- Common new businesses,
2- Innovativeness.
3- Strategic novelty (Guth and Guinsberg, 1990).

1.1. Organizational entrepreneurship
Organizational entrepreneurship is necessary for dynamic firms working a turbulent environment that need flexibility and innovation (Yiu and Lau, 2008). Organizational entrepreneurship is related to pursuing the opportunities by an organization (Covin and Slevin, 1989). Organizational entrepreneurship depends on organization’s learning ability through searching for new knowledge and exploiting the existing knowledge. Indeed, organizational entrepreneurship is a strategic tendency that includes amendment of products, processes, services, strategies and even whole the organization (Seyyed Naghvi and Abbaszadeh, 2010). Organizational entrepreneurship is a major aspect of firm performance that is expected to be affected by HR management systems (Hayton, 2005). Miller (1983) stated that entrepreneurial behavior includes innovation, activity and risk taking. Organizational entrepreneurship refers to creation and development of an entrepreneurial culture in business to enhance innovative capapcity of an organization (Montoro and Riberio, 2011). Organizational entrepreneurship requires that the organization create and develop new resources and resource reviving methods continuously (Schmelter et al, 2011). Organizational entrepreneurship can be perceived via successful search for entrepreneurial opportunities resulting from asymmetries of market or technological knowledge (Hayton, 2005).
Organizational entrepreneurship plays crucial role in improvement of productivity and economic growth. In fact, organizational entrepreneurship is considered as a process of fortifying firm’s capacity to achieve and implement innovative skills and employees’ abilities (Montoro and Riberio, 2011). Organizational entrepreneurship is an important aspect of firm performance to be affected by HR management systems (Hayton, 2005).

1.2. The relation between HR management and organizational entrepreneurship

The relation between HR and entrepreneurship fields has been studied by many authors. Although HR management plays vital role in entrepreneurial organizations, there have been few studies in this field. In fact, it can be said that HR management practices such as promotion, rewarding, compensation and so forth are the factors that improve employees’ innovation and creativity and since creativity and innovation form the basis of entrepreneurship, it can be concluded that good HR management can promote organizational entrepreneurship. According to Minzberg (1984), HR management is a vital part of managerial decisions that affect organizational entrepreneurship. Thus, the changes in this field are probably related to variation seen at entrepreneurship level (Minzberg, 1984). Positive relation between HR practices and organizational entrepreneurship has been documented in recent studies. Hayton (2005) maintained that HR management encourages organizational entrepreneurship via parameters such as power decentralization, cooperation, organizational learning, knowledge sharing, trust and risk taking (Schmelter et al, 2010; Zhang and Jia, 2010).

1.3. Knowledge and its types

According to Davenport and Prusak, knowledge is a major source of competitive advantage and innovation for organizations (Li, Chang, Lin & Ma, 2014; Lin & Lo, 2015; Sunyoung & Eun-Jee, 2015; Lee, Yoo & Yun, 2015). Organizations should manage the knowledge and embed knowledge management to achieve HR productivity, employees’ empowerment, reduction of decision making time, organizational effectiveness, employees’ job satisfaction, cost reduction, competitive advantage, increase of creativity and innovation (Firestone & McElroy, 2004; Plessis, 2007; Alwis & Hartmann, 2008). Knowledge is a vital source by which the organizations can develop their sustainable competitive advantages (Davenport and Prusak, 1998). Knowledge types include:

1- Explicit knowledge: it is a type of knowledge that is explicitly formulated and shared by information technologies. Explicit and encoded knowledge only plays role in decisions relating to organizational mission.

2- Implicit knowledge: is a comprehensive concept characterized by the following properties: subsidiary issue in a conversation, tangible perceptions resulting from experience, competence feeling resulting from people’s participation in functional groups. Implicit knowledge stems from individuals’ conscience and is difficult to express vocally. The knowledge embedded in the organizational culture is referred to as implicit knowledge. Implicit knowledge is rare, irreplaceable, inimitable and valuable. Through externalization process, implicit knowledge is converted to explicit knowledge that is achievable (Nonaka, 1994).
1.4. Knowledge sharing
Knowledge sharing is the practice of voluntarily sharing the acquired skills and experiences with others. Knowledge sharing is a powerful tool for encouraging knowledge creation and exchange to identify competitive advantages (Liao et al, 2004). King (2008) stated that knowledge sharing is vital for the organizations that are going to use their knowledge to obtain profit and progress. According to Jo (2008), knowledge sharing is an important issue without which individual knowledge won’t be converted to organizational knowledge and employees across the organization get access to strategic ideas instead of retained knowledge. Knowledge sharing is a transactional practice that includes mutual and asynchronous exchanges between people. Knowledge sharing is a critical mechanism for exploiting organizational knowledge because it provides how and work-related information for others and their cooperation to solve the problems, to develop new ideas and implementing the policies and procedures. Knowledge sharing behavior can be supported by HR practices (Mustafa et al, 2015).

2. Literature review
Castrogiovanni et al (2011) investigated the relation between firm entrepreneurship and HR management in small and medium size enterprises (SMEs) in Spain. The author found out that HR practices and leadership styles of management affect entrepreneurship of SMEs. Moreover, factors such as openness of communication channels between employees and management facilitate organizational entrepreneurship and presence of such communication creates innovation. Montoro-Sanchez and Ribeiro-Soriano (2011) investigated the relation between organizational entrepreneurship and HR management and observed that HR management plays vital role in this field and encourages corporate entrepreneurship. Tang et al (2014) studied how HR management affects organizational entrepreneurship. This study proposed a model that bridges between strategic HR management and entrepreneurship. Moreover, the relation between political and relational skills of HR and organizational development was studied and it was revealed that this relation is affected by a partially developed leadership style. This relation is more powerful in the firms hiring skillful human force. Camelo-Ordaz et al (2011) investigated the influence of HR management on knowledge sharing and innovation with mediating role of effective commitment. The results indicated that HR management practices have no effect on knowledge sharing when effective commitment plays the role. Schmelter et al (2010) carried out a study to reveal which HR management practice improves organizational entrepreneurship in SMEs. Their results provided empirical evidence on the strong impact of employee selection, employees’ training and rewarding on organizational entrepreneurship. Lee et al (2011) investigated the relation between corporate entrepreneurship and HR management in a Ford automobile agency in Spain. The authors conducted a confirmatory study and reported that this Spain firm working under supervision of Spain Ford Company has fortified its innovation capacity based on continuous hiring of educated staff and new employees.

3. Methodology
3.1. Research method
This research is an applied study. Statistical population includes managers and employees (N=2000), out of which 384 individuals were selected as the sample using Cochran’s formula.
Data were collected by an author-synthesized questionnaire that includes 24 questions and its Cronbach’s alpha was 0.885. Correlation of the variables was evaluated by LISREL software. Path analysis was performed to investigate causal relation among the variables and to confirm total model of the research. Path analysis was performed by LISREL8.5 software.

3.2. Research hypotheses
1. There is positive and significant relation between HR selection and development of organizational entrepreneurship.
2. There is positive and significant relation between extensive HR training and development of organizational entrepreneurship.
3. There is positive and significant relation between job evaluation and development of organizational entrepreneurship.
4. There is positive and significant relation between employees’ rewarding and development of organizational entrepreneurship.
5. There is positive and significant relation between employees’ participation in current affairs and development of organizational entrepreneurship.
6. There is positive and significant relation between hiring competent experts and development of organizational entrepreneurship.
7. There is positive and significant relation between managers’ tendency to share implicit knowledge and development of organizational entrepreneurship.
8. There is positive and significant relation between managers’ tendency to share explicit knowledge and development of organizational entrepreneurship.

3.3. Conceptual model
4. Analysis of Findings
In order to evaluate conceptual model of the research and to ensure presence or lack of causal relation among the variable and to evaluate the findings’ fitness with the conceptual framework, research hypotheses were tested by structural equation modeling (SEM). The results of hypotheses tests are presented in the graph below.
Fig. 2. Evaluation of total model and hypotheses’ results in standard mode
Data normality was then tested using Kolmogorov-Smirnov test. Correlation between the variables was tested by LISREL software. Path analysis was performed to investigate causal relation among the variables and to confirm total model of the research. Path analysis was performed by LISREL8.5 software. According to the results, the values of all fit indices are acceptable; indicating that the model is well fitted. LISREL outputs showed that the ratio of chi square to degree of freedom is lower than three and other fit indices confirm model fit. Significance coefficient and the results of hypotheses test are presented in table 1.
Table1. Results of hypotheses test

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Standard</th>
<th>Significance</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is positive and significant relation between HR selection and development of organizational entrepreneurship.</td>
<td>0.76</td>
<td>7.76</td>
<td>Approved</td>
</tr>
<tr>
<td>There is positive and significant relation between extensive HR training and development of organizational entrepreneurship.</td>
<td>0.96</td>
<td>8.67</td>
<td>Approved</td>
</tr>
<tr>
<td>There is positive and significant relation between job evaluation and development of organizational entrepreneurship.</td>
<td>0.90</td>
<td>9.58</td>
<td>Approved</td>
</tr>
<tr>
<td>There is positive and significant relation between employees’ rewarding and development of organizational entrepreneurship.</td>
<td>0.98</td>
<td>9.89</td>
<td>Approved</td>
</tr>
<tr>
<td>There is positive and significant relation between employees’ participation in current affairs and development of organizational entrepreneurship.</td>
<td>0.84</td>
<td>7.92</td>
<td>Approved</td>
</tr>
<tr>
<td>There is positive and significant relation between hiring competent experts and development of organizational entrepreneurship.</td>
<td>0.77</td>
<td>5.59</td>
<td>Approved</td>
</tr>
<tr>
<td>There is positive and significant relation between managers’ tendency to share implicit knowledge and development of organizational entrepreneurship.</td>
<td>0.89</td>
<td>5.03</td>
<td>Approved</td>
</tr>
<tr>
<td>There is positive and significant relation between managers’ tendency to share explicit knowledge and development of organizational entrepreneurship.</td>
<td>0.75</td>
<td>7.19</td>
<td>Approved</td>
</tr>
</tbody>
</table>

In summary, for the first hypothesis, path significance value between the two variables is 7.76 (>1.96); thus the hypothesis is approved. Moreover, since the value is positive, its effect is direct. For the second hypothesis, path significance value between the two variables is 8.67 (>1.96); thus the hypothesis is approved. Moreover, since the value is positive, its effect is direct. For the third hypothesis, path significance value between the two variables is 9.58 (>1.96); thus the hypothesis is approved. Moreover, since the value is positive, its effect is direct. Regarding the fourth hypothesis, path significance value between the two variables is 9.89 (>1.96); thus the
hypothesis is approved. Moreover, since the value is positive, its effect is direct. For the fifth hypothesis, path significance value between the two variables is 7.92 (>1.96); thus the hypothesis is approved. Moreover, since the value is positive, its effect is direct. For the sixth hypothesis, path significance value between the two variables is 5.59 (>1.96); thus the hypothesis is approved. Moreover, since the value is positive, its effect is direct. For the seventh hypothesis, path significance value between the two variables is 5.03 (>1.96); thus the hypothesis is approved. Moreover, since the value is positive, its effect is direct. For the eighth hypothesis, path significance value between the two variables is 7.19 (>1.96); thus the hypothesis is approved. Moreover, since the value is positive, its effect is direct.

5. Conclusion and recommendations
Considering the increasing growth of environmental dynamics and competition in business world, the successful organizations are those that use higher level of innovation and creativity in development of products and services and are more entrepreneur. Organizations with higher entrepreneurship can compete easily. However, entrepreneurship is affected and improved by a number of factors such as HR management. It is especially the case for the middle managers who bridges between employees and top managers. Therefore, the present study was conducted to investigate the relation between HR management and organizational entrepreneurship regarding the mediating role of knowledge management by middle managers; the results indicated that in addition to HR management factors, managers’ tendency to share implicit and explicit knowledge can affect organizational entrepreneurship.

The following suggestions are recommended to improve organizational entrepreneurship regarding HR management and mediating role of middle managers:
- Middle managers can share their knowledge and experience with employees and subordinates. This will encourage the employees.
- Middle managers can delegate some of their unnecessary tasks to lower level managers.
- HR management department should design an appropriate performance appraisal to facilitate employees’ promotion process.
- An appropriate compensation system should be set for retirement period of the employees to encourage employees’ commitment, creativity and innovation.
- Suitable rewarding systems should be set for innovative and creative employees so that other employees are encouraged for innovation.
- Educated middle managers with ethics and team working orientation should be hired to share previous and current knowledge and experiences.
References


