HR Strength as a Mediator or a Moderator in the Relationship between HR Practices and Organizational Innovation? The Romanian Study

Abstract

There is accumulated evidence in the literature about the importance of Human resource management (HRM) to innovation performance outcomes. However, there are still difficulties to pronounce what is the process in which HR practices lead to these outcomes. In this study we focus on HR Strength as a major variable in that process. More precisely, we research whether HR Strength is a mediator or a moderator in the relationship between four High commitment HR practices and organizational innovation.

A sample of 323 Romanian managers was administrated. Our findings using Hierarchical Linear Modeling (HLM) indicate that HR strength has a double role as a moderator (Training only) and full mediator (Training and education only) in the relationship between HR practices and organizational innovation. The paper reviews the theoretical consequences and suggests ideas for future research.

Keywords: HR practices, HR strength, organizational innovation, Romanian culture.
Human resources management (HRM) is a collective term for all activities that manage people in an organization (Boxall & Purcell, 2008). Examples of these management activities includes: employee training and development, recruitment and selection, performance appraisal and safety. About 25 years ago, human resource management (HRM) become strategic and in parallel increased the awareness that HR practices have the potential to improve organizational performance (Wright, Dunford, & Snell, 2001).

Research evidence accumulated about the importance of HRM to various firm performance outcomes (e.g. Hailey, Farndale, & Truss, 2005; Combs, Liu, Hall, & Ketchen, 2006; Takeuchi, Lepak, Wang, & Takeuchi, 2007; Herdman, 2008; Subramony, 2009; Messersmith, Patel, & Lepak, 2011; Baluch, Salge, & Piening, 2013; Chen, & Wang, 2014; Bello-Pintado, 2015).

The concept behind the rationale that a particular set of HR practices have the potential to improved organizational performance is based on two theories: the human capital theory (Becker 1964) which suggests that training raises the productivity of workers by imparting useful knowledge and skills, and the resource-based view (RBV) means that the competitive advantage of a firm lies primarily on a bundle of valuable resources at the firm's possession (Penrose, 1959; Barney, 1991). Complementary HRM resources enable a firm to reach its full potential and achieve and sustain a competitive advantage (Kepes & Delery, 2007). However, the opinions differ about the ways HRM practices will lead to best firm performance outcome. "While there is broad consensus about the critical role that the adoption of advanced HRM practices plays in a firm's success, there still is an open debate about the configuration of HRM systems and their effectiveness" (Bello-Pintado, 2015, p.1). Bowen and Ostroff (2004) were pioneers in emphasizing the importance of the psychological processes through which employees give meaning to HRM. Accordingly, Sanders, Shipton and Gomes (2014) in their comprehensive
view, delved into the concept of HRM psychological processes and states of its potential to explain organizational outcomes. They concluded that HRM process approach is "a promising next step in HRM field" (p.499). In recent studies, Sanders and colleagues (Sanders, Jørgensen, van Rossenberg, Wang, Shipton, Li, Dysvik, Rodrigues, Wong, & Cunha, working paper; Sanders & Yang, 2015) researched such HRM psychological processes. They found that when HRM system is perceived as strong and consistent (HR strength) it moderates the relationship between HR practices and employees innovative behaviors.

Therefore, the purpose of this study is to add to the knowledge on the important role of HRM psychological processes to firm outcomes. More precisely, we will try to understand the role of HR strength in the relationship between HRM practices and organizational innovation. We will exhibit alternative models: in one HR strength is a moderator and in the other a mediator, between HRM practices and organizational innovation as shown in figures 1 and 2.

**FIGURE 1**
The Suggested Model for HR Strength as a Moderator between HRM Practices and Organizational Innovation

<table>
<thead>
<tr>
<th><strong>HRM Practices:</strong></th>
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<tbody>
<tr>
<td>• Training and Education (TE)</td>
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<td>• Career Management (CM)</td>
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<td>• Participation in decision making (DM)</td>
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<td>• Performance Appraisal (PA)</td>
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</table>

HR Strength → Innovation
Theorists adopting a universalistic perspective of strategic HRM (Delery & Doty, 1996) posit that greater use of specific HRM practices will always result in better or worse organizational performance (e.g. Terpstra & Rozell, 1993; Hamid, 2013). This perspective is consistent with the content approach of HR practices (Sanders, Dorenbosch & de Reuver, 2008; Sanders, Shipton & Gomes, 2014) also called "best-practice" model (Boxall & Purcell, 2000). Respectively, HR practices were found as promoting process innovation in manufacturing firms (Gritti & Leonie, 2015) and organizational innovation in professional service firms (PSFs) (Fu, Flood, Bosak, Morris, & O’Regan, 2015).

Regarding HRM content we have focused on four HRM practices identified as high commitment (Pfeffer, 1995; Guest 1997). "High commitment' HRM practices are essentially endeavoring to develop committed employees who can be trusted to use their discretion to carry out job tasks in ways that are consistent with organizational goals" (Arthur, 1994, p. 672).

Although there is a growing body of research evidence examining the association between high commitment HRM and performance, there is little consensus about which of the practices should be included in the analysis of high commitment HRM (Legge, 1995). We will research these four best practices:
Training and education

Training and education refers to a planned effort by the company to facilitate the learning of specific knowledge, skills, or behaviors that employees need to be successful in their current job (Goldstein, 1993; Pfeffer, 1995). The objectives of employee development are not necessarily tied to specific job but to personal and professional growth (Noe, Wilk, Mullen, & Wanek, 1997). Investments in training have been found to produce organizational outcomes (Knoke & Kalleberg, 1994). Training provides employees with skills, knowledge, and tools to generate and practice new ideas (Sanders et al, working paper).

Performance appraisal and reward

Performance appraisal is a formal, well-planned organizational process in an attempt to obtain reliable and precise information about how a certain employee performs the tasks of his/her job, as well as about his/her job-related behavior. Performance appraisal allows us to distinguish between excellent, mediocre, or poor performers, based on parameters that are considered essential to determining satisfaction with their performance and reward them in accordance (Tziner & Rabenu, 2011).

Performance appraisal includes two components: The first component focuses on the employee’s prior knowledge of the organizational expectations of him (e.g. achieving innovations goals). The second component highlights the importance of the feedback the employee receives on his performance. Knowing the results is most important for his achievement evaluation and for the process of increasing motivation and improving performance. Indeed, performance appraisal processes need to be strategically aligned with the organization's overall strategic objectives (Tichy, Fombrun, & Devanna, 1984). A recent research found considerable support for relating performance appraisal to firm-level performance (DeNisi, & Smith, 2014).
**Career Management** (also called internal mobility)

An aspect of staffing which deals primarily with the internal work force is that of extending promotional opportunities to its organizational members. Offering opportunity for advancement within the organization and promoting its employees is a form of recognizing their accomplishments. This signals to employees that the organization values their contributions and is willing to invest in them further by promoting them into positions of greater responsibility (Gavino, 2005). Career management provides an opportunity for an organization to arrive at congruence of aspiration and interests of high performing individuals with organizational business needs (Mishra & Sachan, 2012).

**Participation in decision making**

Participation in decision making is defined as influence sharing between hierarchical superiors and their subordinates (Mitchell, 1973; Wagner & Gooding, 1987).

Studies have found that participation of employees in decision making leads to positive organizational outcome such as higher job performance and organizational performance (e.g. Kim, MacDuffie and Pil, 2010; Ojokuku, & Sajuyigbe, 2014). Also, participation in team decision making manifest innovation (De Dreu & West, 2001).

However, based on their meta-analysis, Wagner and Gooding (1987) suggested that methodological artifacts explain many of those positive findings. As such, studies have been conducted trying to find moderating variables in the participation-performance relationship (for example: research setting and type of participant, see Miller, & Monge, 1986). Also, Hofstede (2001) criticized some of the Participation in decision making studies because they avoided
regarding culture variations- ‘One cannot write meaningfully about organizational participation without embedding it within a national cultural context’ (p. 109).

In the current research we will hypothesize Human Resource Strength (HRS) as an important variable in the HRM practices-innovation relationship and we will refer to a specific culture- the Romanian.

**The Romania's culture and HRM**

There are differences between Western and non-Western countries in attitudinal dimensions (Ronen & Shenkar, 1985). It is important that organizational researchers and practitioners comprehend cultural similarities and divergences (Cohen, 2006). Socio-cultural environment influence internal work culture and human resource management practices (Aycan, Kanungo, Mendonca, Yu, Deller, Stahl, Khursid, 2000). Rabl and colleagues (2014) found in their meta-analysis that the effect of a bundle of HR practices varies across different national cultures. Furthermore, a field study in 11 countries (Romania is not included) found that national culture affect the relationship between HRM practices and employees’ innovative behavior (through interaction with HR strength. See Sanders et al., working paper). Therefore it is interesting to research HR processes in Romania- an eastern European post-Communist country that joined the European Union in 2007. Romania is currently in transition from a centrally planned economy to a free-market economy (Buzea, 2014). "Little is known about the possibilities of applying Western conceptual models in an eastern European context" (Buzea, 2014, P.426). Regarding Romania, Constantin, Zaharia and Stoica-Constantin (2006) in their research on 558 company managers concluded that modern HRM in Romania is in its infancy after the communist period,
but it is still facing important challenges. “...HRM does not seem to be one of the priorities of the managers included in the present study. Most of them have never solicited HRM consulting and do not intend to do so in the near future, nor have they hired an HRM specialist” (p.764). Accordingly, Dalton and Druker (2012) states that the nature of Romanian business militates against a strong HR presence, and in many organizations HR practiced perceive as a lower level administrative process (e.g. recruiting, staffing, and training). HRM do not valued as a catalyst for organizational development nor as central to the organizations competitive advantage (Amaria, 2008).

However, Poor and Plesoianu (2010) in their research on Romanian civil service concluded that traditional Human Resource Management approaches no longer work. The authors thought that the time has come to devote more attention to best practice. Therefore it will be challenging to study the relationship between HR practices, HRS and innovation in the rising HR culture in Romania.

Especially, we would like to emphasize the Romanian's managers' perceptions of HR practices and HR strengths. The management aspects of the modernization of Romania are under-reported in the literature (Dalton & Druker, 2012, p.588). Romanian managers (particularly the generation of managers that can recall working within the communist labor system) are beginning to understand the need for a different leadership style (Fein, Tziner, Vasiliu & Felea, 2015). it will be interesting to see if there is any change in their perceptions according to HR too.

**Human Resource Strength (HRS)**

Bowen and Ostroff (2004) introduced the structure of “strength of the HRM system”. They suggested that the relationship between HRM systems and performance is mediated by a psychological strength, namely, the converge (or diverge) in people's views of the organizational
situations. They proposed that HRM practices can be viewed as a signaling function by sending messages that lead to employee perceptions, which in turn lead to attitudes and behaviors. When an HRM system is perceived as consistent, it contributes to firm performance by motivating employees to adapt desired attitudes and behaviors (Bowen & Ostroff, 2004, Sanders, Shipton, & Gomes, 2014).

When the HRM system is strong, employees perceive the HRM messages in a similar way, and they all have a common understanding of what is expected of them, and how they should behave (Ribeiro, Coelho, & Gomes, 2011; Sanders, Dorenboch, de Reuver, 2008, Li, Frenkel, & Sanders, 2011). But, when the HRM system is weak there is ambiguity about the HRM messages, and thus the organization cannot achieve its strategic goals (Bowen & Ostroff, 2004; Sanders et al., 2008).

**HR practices, HR strength and Innovation**

Innovation is a major differentiator for organizations and a critical factor for organizational growth and competitive advantage (Cunha, & Cunha, 2004). Innovation contributes positively to business performance (e.g. Jiménez-Jiménez & Sanz-Valle, 2011).

Scholars researched the effect of HR strength on the relationship between HR practices and innovative behavior (Bednall, Sanders, & Runhaar, 2014, Bednall & Sanders, 2014, Sanders & Yang, 2015), and found that HR practices are more effective in terms of employees’ innovative behavior when employees can make sense of HRM (high HR strength).

Cunha and Cunha (2004) in their study containing organizational information on the strategic human resource management of companies in 28 countries, mostly European (not including Romania), have shown the impact of the strength of HRM on general organizational performance and innovation performance.
Hurmelinna-Laukkanen and Gomes (2012) claimed that HR-Strength factors (Distinctiveness, consistency, and consensus) refer to the communication process through which HRM sends its messages to people and shapes their views of what is wanted from them. This can be highly relevant when the aim is to improve a company’s innovative performance. HRM system can contribute to the process of engagement in fostering and nurturing a climate that really supports knowledge sharing and innovativeness. HRM strength (when strong) leads to HR messages (communicated throughout HR department and line managers) that are perceived as clear, consistent and unambiguous about which behavior is expected and rewarded.

A strong HRM strength can enhance knowledge creation, sharing knowledge and professional collaboration as critical factors for improving innovation. For example, if the criterions for performance appraisal includes innovative behaviors, workers encouraged to learn the newest working tools or working methods and the compensation and benefit systems reward innovative behaviors by giving incentives, the HRM system will be perceived as strong and the organizational goal of being on the technological cutting edge will come a reality.

Hurmelinna-Laukkanen and Gomes (2012) found that HRM Strength was correlated to finance performance but did not found significant correlations between HRM Strength and innovation performance (although there were significant positive correlations between certain sub dimensions of HRM Strength and innovativeness).

**The role of HR strength as a moderator**

Scholars in the area of HRM argue that employees’ expectations of HRM moderate the relationship between implemented and perceived HR practices (Piening, Baluch, & Ridder, 2014). That is compatible with the process approach of HRM which means that the way that the
content of HRM practices is perceived by employees is also important in explaining the link between HRM and employee attitudes and behaviors (Bowen & Ostroff, 2004). The majority of studies about the relationship between HRM practices and innovation (although innovative behaviors of employees and not organizational innovation) found HR strength as a moderator between HR practices and employees' innovative behavior (Sanders et al, working paper; Sanders & Yang, 2015). When HR strength perceived higher, the relationship between HR practices and organization innovation become stronger.

Sanders and Colleagues (working paper) analyzed the interaction of HR strength for the four HR practices (training, internal mobility, participation, and performance based rewards). Only the performance based reward dimension showed a significant interaction with HR strength.

In the current research, first we hypothesize that HR strength will be a moderator between HR practices (training and education, career management (internal mobility), participation in decision making and performance appraisal and reward) and organizational innovation.

The research hypotheses for moderation effect of HR strength are shown below:

**Hypothesis 1:** HR Strength will moderate the relationship between HRM Practices and innovation.

**Hypothesis 1a:** HR Strength will moderate the relationship between Training and Education and innovation.

**Hypothesis 1b:** HR Strength will moderate the relationship between Career Management and innovation.

**Hypothesis 1c:** HR Strength will moderate the relationship between participation in Decision Making and innovation.
**Hypothesis 1d:** HR Strength will moderate the relationship between Performance Appraisal and reward and innovation.

**The role of HR strength as a mediator**

HR strength can serve as a mediating mechanism through which HRM make a difference in organizational outcomes. Few studies have considered the important role of employees’ perceptions of HR practice as mediating in the HR practice–performance relationship (Kehoe, & Wright, 2013). We propose that HR practices can be viewed as a signaling function by sending messages that lead to employee perceptions. For example, an organization that use best HR practices (well-known by everybody as valid and efficient practices), applied consistently across departments over time, may make sense of HRM (high HR strength) to the employees and produces a perception of the importance of HR in that organization. If HR strength will be higher, the contribution of employees to the organizational innovation will increase. Those signaling functions when are distinctive and consistent, supported by managerial consensus, will yield to the required employee perception and behavior. Logically, we can argue that HR strength play a role of a mediator between HR practices and innovation.

The research hypotheses for mediating effect of HR strength are shown below:

**Hypothesis 2:** HR Strength will mediate the relationship between HRM Practices and innovation.

**Hypothesis 2a:** HR Strength will mediate the relationship between Training and Education and innovation.

**Hypothesis 2b:** HR Strength will mediate the relationship between Career Management and innovation.
**Hypothesis 2c:** HR Strength will mediate the relationship between participation in Decision Making and innovation.

**Hypothesis 2d:** HR Strength will mediate the relationship between Performance Appraisal and innovation.

**Method**

**Participants**

Data were collected from 323 employees of a different industrial company in Romania. 54.8% of the participants were males and 45.2% females, between the ages of 19 and 64 ($M = 38.01, SD = 10.22$) with tenure ranging between 1 and 40 years ($M = 9.11, SD = 7.22$). 33.2% of the participants are singles and 66.8% are Married or cohabiting. 98.8% were born in Romania. In terms of education, 13.2% had completed high school, or had some academic training, and 86.6% held a university degree. 14.5% of the participants worked at the public sector or government, 73.5% worked at a profit organizations, 3.4% worked at Non-profit organizations, 8.6% were self-employed. Only 16.6% of the employee argue about unionized. 17.8% report on annual income (£) less than 20 thousand, 23.7% between 20-30, 22.8% between 30-40, 14.5% between 40-50, 8.3% between 50-60, 3.1% between 60-70, 9.8% 70 or more. 46.5% hold interim management jobs and 53.5% are positioned in top managerial jobs. 35.4 worked in small organizations with less than 25 employee, 29.2% worked in a medium organizations with 26-100 employee, 34.4% worked in a large organizations, more than 100 employee.

**Procedure and measures.** The participants of this study were asked to fill out a paper-and-pencil questionnaire regarding "employees' attitudes towards work". The participants were expected to give honest answers. After completing the measures, all participants were debriefed.

**HRM practices**

A 15-item scale used to High commitment Human Resource Management was adapted from Sanders and colleagues (2008), who reported a Cronbach’s alpha of .80 for this scale. The items were measured on a 6-point rating ranging from 1 (strongly disagree) to 6 (strongly agree). This measure represents a ‘bundle’ of various high commitment HRM practices.
Four items measured HRM practices related to *training and education*: for example, “I have had sufficient job-related training”. In the current study, there reliability of training and education fitted well ($\alpha = .85, M = 4.71, SD = 0.90$).

Three items measured HRM practices related to *career management*: for example, “This organization promotes from within”, ($\alpha = .87, M = 4.64, SD = 1.01$).

Four items measured the *Participation in decision making*: for example, “I am often asked to participate in decisions”. ($\alpha = .79, M = 5.09, SD = 0.71$).

Four items measured the *Performance appraisal and reward*: for example, “There is a strong link between how well I perform in my job and the likelihood of receiving recognition and praise”. ($\alpha = .84, M = 4.62, SD = 0.93$).

**HRM strength (HRS)**

There are limited scales in the literature to measure HRS, because it is a relatively new construct in HRM research. The most recently developed HRS scale identified in the literature was developed by Coelho, et al., (2012). A revised and shorter version (15 items) was used in this study to measure HRS (Gomes et al., 2012).

The shortened scale had maximized intra-dimension correlations, and the most reliable items were taken from each subscale to best measure the concepts.

Reliability coefficients for the nine subscales of HRS ranged from $.70 < r < .92$, and hence were all above the recommended point of $.70$ (Hair et al., 2009). Items were rated on a 6-point scale, from 1 (strongly disagree) to 6 (strongly agree). Three subscales measure the distinctiveness ($\alpha = .86$), consistency ($\alpha = .92$) and consensus ($\alpha = .81$) of the HRS variable.

**Distinctiveness**: Four items measure the visibility, understandability, relevance and legitimacy of authority of the HRM practices. An example item is: “HR practices are well known by everybody in my organization” which measures the understandability of the HR practices. ($\alpha = .86, M = 4.48, SD = 0.92$).

**Consistency**: Seven items measure if the HRM system communicates regular and consistent messages over time (instrumentality, validity and consistency of the HR messages). Of these, two items measure the instrumentality of the HRM messages: for example, “HR practices in my organization contribute to having highly skilled employees”. Two other items assess the validity of the HRM messages: for example, “In my organization skills and competencies acquired
through training are applied to the work we do”. The remaining three items on the subscale measure the consistency of the HR messages. \((\alpha = .92, M = 4.66, SD = 0.83)\).

**Consensus:** Four items measure the agreement among decision makers and the fairness of the HRM practices. Two items assess the agreement among decision makers, “Managers in my organization agree on how to follow HR guidelines”. The other two items measure the fairness of the practices “Supervisors make an effort to treat staff fairly”. \((\alpha = .81, M = 4.67, SD = 0.84)\).

All three subscales measure were highly correlated \((0.72 - 0.84)\), therefore, all three subscales were unified to one measure, HR-Strength.

In the present study, there was adequate reliability of the total measure of HR strength. \((\alpha = .95, M = 4.62, SD = 0.80)\).

**Innovation**

Four items were taken from the questionnaire of Anderson and West (1996) climate for innovation measure. For example, "We are more innovative than our competitors in initiating new procedures or systems".

Respondents were asked to indicate the extent to which each statement was the true of their organization on a 6-point scale ranging from l=strongly disagree to 6=strongly agree. In the present study, there was adequate reliability of the total measure of Organizational Innovation. \((\alpha = .91, M = 4.62, SD = 0.85)\).

**RESULTS:**

<table>
<thead>
<tr>
<th>TABLE 1</th>
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<tbody>
<tr>
<td>Means, Standard Deviations, Correlations, and Reliabilities (N=323)</td>
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<tbody>
<tr>
<td>1. Training and Education</td>
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<tr>
<td>2. Career Management</td>
<td>.35**</td>
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<td>3. Participation in decision making</td>
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<td>.39**</td>
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<td>4. Performance Appraisal</td>
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<td>.44**</td>
<td>.60**</td>
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<td>5. HR Strength</td>
<td>.63**</td>
<td>.38**</td>
<td>.45**</td>
<td>.61**</td>
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**RESULTS:**
TABLE 2

Results of Moderated Hierarchical Linear Modeling for Predicting Innovation

<table>
<thead>
<tr>
<th>STEP 1</th>
<th>Beta</th>
<th>t</th>
<th>(\Delta R^2)</th>
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<tbody>
<tr>
<td>TE</td>
<td>.180</td>
<td>3.19**</td>
<td>.277**</td>
</tr>
<tr>
<td>CM</td>
<td>.226</td>
<td>4.13**</td>
<td></td>
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<tr>
<td>DM</td>
<td>.465</td>
<td>2.67**</td>
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<tr>
<td>PA</td>
<td>.123</td>
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<table>
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<th>Beta</th>
<th>t</th>
<th>(\Delta R^2)</th>
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<td>TE</td>
<td>.042</td>
<td>0.69</td>
<td>.049**</td>
</tr>
<tr>
<td>CM</td>
<td>.209</td>
<td>3.95**</td>
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<tr>
<td>DM</td>
<td>.134</td>
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<td>PA</td>
<td>.014</td>
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<tr>
<td>HRS</td>
<td>.327</td>
<td>4.79**</td>
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<th>STEP 3</th>
<th>Beta</th>
<th>t</th>
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<tr>
<td>TE</td>
<td>.089</td>
<td>1.42</td>
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<td>HRS</td>
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<td>TE\times HRS</td>
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<tr>
<td>CM\times HRS</td>
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<tr>
<td>PA\times HRS</td>
<td>-.121</td>
<td>-1.81</td>
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* Coefficient is significant at the .05 level, ** Coefficient is significant at the .01 level (2-tailed), Total \(R^2\) .36.

Results and Conclusions (Model 1)

The results on table 2 show a significant interaction between Training and Education and HR Strength (\(\beta = .214, t=3.35, p<.01\)), suggesting that there is a moderation effect of HR Strength on the relationship between Training and Education and innovation, therefore, hypothesis H1a was confirmed.

All other three interaction are not significant, therefore, hypotheses (H1b,c,d) have been rejected.
The interaction between Training and Education and HR strength is depicted graphically in Figure 3, which indicated that only for high level HR Strength, the relationship between Training and Education and innovation is positive and significant ($\beta = .325$, $t=3.53$, $p < .01$), while for low or average HR Strength, this relationship is not statistically significant ($\beta = .062$, $t=0.63$, $p > .05$; $\beta = .143$, $t=1.48$, $p > .05$) respectively.

**FIGURE 3**
Moderating Effect of HR Strength on the Training and Education - Innovation Relationship

Results and Conclusions (Model 2)

We performed a two-step multiple hierarchical regression analysis in order to test the model. As shown in figure 4, the first HR practice, training and education is positively predicted HR strength ($\beta = .419$, $p < .01$) and innovation ($\beta = .180$, $p < .01$). HR strength is positively predicted innovation ($\beta = .327$, $p < .01$). Additionally, the direct effect (after including HR strength as the mediator) between training and innovation is not significant ($\beta = .042$, $p > .05$) therefore, HR strength is a full mediator between training and innovation (H2a was confirmed).

Second HR practice, career management has no significant relationship with HR strength ($\beta = .051$, $p > .05$), therefore, there is no effect of HR strength as mediator between career management and innovation (hypothesis H2b was rejected).
As we can see in figure 4, career management is positively predicted organizational innovation ($\beta=0.226$, p<.01).

Also, third HR practice, participation in decision making has no significant relationship with HR strength ($\beta=0.093$, p>.05), therefore, there is no effect of HR strength as mediator between participation in decision making and innovation (hypothesis H2c was rejected).

The fourth and last HR practice, performance appraisal is positively predicted HR strength ($\beta=0.334$, p<.01), but has no significant relationship with innovation ($\beta=0.123$, p>.05), therefore, there is no effect of HR strength as mediator between participation in decision making and innovation (hypothesis H2d was rejected).

**FIGURE 4**
Results of Mediation Effect Using Multiple Regression Path Analysis

![Diagram](image)

Note: The standardized regression coefficients are depicted on the paths of figure 4. The direct effects are depicted in parenthesis. *p<.05, **p<.001

**Discussion**

In the present study, we sought to explore the role of HR strength as a moderator or mediator in the relationship between HR practices and organizational innovation. Those two roles can be justified by the literature although HR strength role as a moderator in this relationship is much
more profound (e.g. Sanders et al, working paper). The study was held on managers in Romania-a country that is building currently its HRM after years under the communist regime.

Our findings indicate that HR strength play double role: as a moderator and as a mediator between training and education (TE) and innovation. There is no moderate or mediate effect of HR strength between other HR practices: Career Management (CM), Participation in decision making (DM) and performance appraisal and reward (AP) and organizational innovation. Sanders and colleagues (working paper) analyzed the interaction of HR strength for similar HR practices (training, internal mobility, participation, and performance based rewards) and discovered that only the performance based reward dimension showed a significant interaction with HR strength. However, she researched innovation behaviors and not organizational innovation. Also, the effect of HR strength on the relationship between bundles of HR practices and employees’ outcomes, vary between countries (Li, et al., 2011; Sanders, et al., 2008).

Hence, we can see that HR strength plays an important role regarding increasing innovation although there is lack of clarity about the specific process or way it acts. However there is a consensus in the literature that when employees perceive HRM within their organization as distinctive, consistent and consensual, they have a better understanding of what kinds of innovative behaviors management expects, supports and rewards (Bednall, et al, 2014; Bednall & Sanders, 2014; Sanders & Yang, 2015) and the perception of organizational innovation increases.

HR practices influences employee behavior in the desired direction (Paauwe & Boselie, 2005). However, the effects of employees' attribution are not always effective in the same way for all HR practices (sanders et al, working paper). Accordingly, ongoing training is tangible - employee exposes to it in the initial stages of his\her membership in the organization and afterwards he\she exposed to training regularly (their or their colleagues). The training signals
were probably clear and profound also under the communist regime. Yet, especially in Romania, Career management (that is the confidence of promotion from within the organization) is less strong practice because it might be weaken from the fact that in recruitment, professional and transparent criteria considered to be less than political criteria and cronyism (Gallagher, 2005). Nevertheless, in Romania there were no performance appraisals because it contradicted socialist egalitarianism (Dalton & Druker, 2012) and bonuses were more likely to be awarded according to loyalty, than according performance of individuals or groups (Maruyama, 1993). So we tend to believe that the new performance appraisals procedure is not "powerful" in promoting perceptions of or innovative behaviors. It is important to note that the Romanian leadership leans towards the autocratic style (55 percent of the leaders in Romania are authoritarian and 45 percent are democratic). Romanian leaders are less involving their subordinates and frequently retain the final decision (Aioanei, 2006). Therefore, participation in decision making might not predict HR strength significantly.

In our study, HR strength was positively related to innovation. Innovative performance of a company naturally depends on various factors. However, acquiring, sharing, and utilizing knowledge are highlighted in many studies (Huber, 1991; Zahra and George, 2002). HRM strength (when strong) can lead to HR messages that are perceived as clear and consistent about the importance of knowledge creation, sharing knowledge and professional collaboration (critical factors for improving innovation) and the expected behaviors to achieve other organizational goals. Of course, training and education are critical for at least acquiring knowledge.

Both moderation and mediation results reinforces the notion of HR process- namely, the psychological processes through which employees give meaning to HRM (in contrast to HR content of HRM practices)- in explaining the relationship between HRM and innovation. In other
words, the managers in the current study perceive HRM in their organization in a similar way (HRM strength is 4.62 of 6) which leads them to see their organization as more innovative than the competitors.

The current finding is even more interesting when taking into account the Romanian culture. Regarding a culture where HR was considered in a low status (Amaria, 2008; Dalton & Druker, 2012), we can see the winds of change. The average score of all HRM practices in the questionnaire is above average (over 3). Moreover, HR strength is quite solid (4.62 from 6). Probably, the understanding that traditional Human Resource Management approaches no longer work (Poor & Plesoianu, 2010) and the transfer of westernized HR ideas to Romania through the medium of multinational enterprises (Dalton & Druker, 2012) have its effects on the HR systems. However we must take into account that when there is a cultural diversity between modern HR values (e.g., liberalism, flexibility, participation) and historical cultural values (e.g. autocratic), HR practices are really "labels or slogans which belie the activities carried out in their name" (Dalton & Druker, 2012, p. 599). So there is a possibility that the managers report on HR practices, but in practice they are not carried out.

**Limitations and recommendations for future research**

First, all of the study variables were examined concurrently. We recommend on long-term investigation (longitudinal study), in order to meet the changes occurring in the perception of HRM in Romania.

Second, we used the global score of HR strength and did not research its three sub- dimensions. Unfortunately, all three subscales measure were highly correlated (0.72 -0.84), so we could not use them separately. However, in order to be more accurate, we recommend using this sub scales in future research.
Third, our study included only managers. We recommend conducting the same research on non-managerial employees too. It will be interesting to learn whether the changing perceptions of managers regarding HRM as reported in the current study also expressed in non-managerial employees. Researching employees from different hierarchical stages will help to grasp whether the reporting the changes in the perception of HRM is truly deep change or only mouth statement stressed.

Fourth, we measured organizational innovation (organizational level) as the dependent variable and not innovative behaviors (individual level). We recommend replicate the preliminary mediating model of HR strength on the organizational level but also on the individual level of innovation.

REFERENCES


