

Human Resource Management and Employee Performance in New Ventures

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Abstract: Drawing on social exchange theory, this study investigated the influence of human resource management on in-role behaviour and organizational citizenship behaviour in new ventures, and verified the moderating effect of leader-member exchange and the mediating effect of employee satisfaction. With a sample of 526 employees, results from regression analysis indicated that: (1) HRM had a significant positive impact on employee performance. (2) Employee satisfaction had a mediating effect between HRM and employee performance. (3) LMX strengthened the positive influence of HRM on employee performance. And then theoretical implications and practical implications were discussed.

1. Introduction

According to the Global Entrepreneurship Monitor (GEM) report, new ventures refer to businesses that have been established for less than 42 months. In the context of mass entrepreneurship and innovation, the quality of entrepreneurial activities in China has been greatly improved, but there are also many new ventures failing. How to effectively motivate and manage employees' performance in new ventures has become an important issue affecting the development of new ventures.

At present, the research on human resource management is abundant, but the research on human resource management of new ventures is still relatively immature. Therefore, the research in this area needs to be enriched urgently. How human resource management affects employees' performance in new ventures remains to be explored.

Therefore, this paper tests the relationship between human resource management in new ventures and employee performance, and discusses the mediating effect of employee satisfaction as well as the moderating role of leader-member exchange through empirical research. Finally, this study provides some suggestions for the employee management in new ventures.

2. Theory and Hypotheses

2.1. Human Resource Management in New Ventures and Employee Performance

Employee performance was divided into two factors in this paper: in-role behavior and organizational citizenship behavior (OCB). Human resource management in new ventures (HRM in NVs) could stimulate and strengthen employee attitudes and behavior, and further support the achievement of enterprise performance. According to social exchange theory, when employees receive organization support, trust, feedback, resources, opportunities and other tangible or intangible benefits from the HRM, they would have the sense of obligation to return, and therefore be motivated and encouraged to improve their performance. Many researchers had investigated the relationship between HRM and employee performance. For instance, Yan & Chen [1] proved that

HRM had significantly positive influences on OCB, with psychological empowerment partially mediating the relationships. Li & Yu [2] found that HRM brought a significantly positive impact on OCB. Miao et al. [3] found that HRM was positively related to followers' performance, and followers' perceived organizational support and leader-member exchange partially mediate the relationships between HRM and performance.

Therefore, it was predicted that:

Hypothesis 1-1: HRM will positively associate with employee in-role behavior.

Hypothesis 1-2: HRM will positively associate with organizational citizenship behavior.

2.2. The Mediating Effect of Employee Satisfaction

Employee satisfaction is often related to work environment, compensation, training, corporate culture and promotion opportunity. Through effective human resources management, employees can be provided with a fair and competitive salary system. At the same time, it also provides employees with knowledge and skills training, promotion channels and so on, which can meet the staff's spiritual and material needs, so as to improve employee satisfaction. Heffernan & Dundon [4] demonstrated that HRM could increase employee satisfaction, and employee perceptions of the fairness had the mediating influence. Huang et al. [5] showed that HRM are positively related to employees' positive mood and job satisfaction, and that job satisfaction and positive mood lead to high employee engagement. Therefore, the following Hypothesis is put forward.

H2: Human resource management of start-up enterprises has a significant positive impact on employee satisfaction.

Human Resource Management in New Ventures will affect employee satisfaction and further has influence on employee performance, which reflects the logic of stimulus-attitude-behavior. When the organization implements high-quality human resource management, the employee satisfaction is high, and it is easy to produce high-level employee performance. Chen et al. [6] found that the intensity of human resource management could positively and significantly affect the level of job performance, and organizational commitment and job satisfaction played a mediating role in the above relationships. Therefore, it was predicted that:

H3-1: employee satisfaction had a mediating effect between HRM and in-role behavior.

H3-2: employee satisfaction had a mediating effect between HRM and OCB

2.3. The Moderating Role of Leader-member Exchange

Exchange between the employee and his or her leader (supervisor) are referred to as leader-member exchange (LMX). The relationship is based on social exchange. According to Leader-member exchange theory, leaders develop different quality relationships with followers in their team. The higher the value of the exchange, the better the quality of the relationship between employee and leader [7]. The quality of LMX can influence the attitude and behavior of employees and leaders. When leaders and employees establish good LMX, there is a kind of trust between employees and leaders. Employees are more convinced of their leaders and more motivated by human resource management activities, so as to improve their performance a lot [8]. Therefore, it was predicted that:

H4-1: LMX plays a moderating role between human resource management and in-role behavior.

H4-2: LMX will moderate the relationship between human resource management and OCB.

3. Methods

3.1. Sample

The staff in new ventures were investigated, and they were asked to fill in an electronic questionnaire. Finally, 526 valid questionnaires were collected. 150 respondents were male, accounting for 28.5%, others were female, accounting for 71.5%. 6.8% had a master's degree, 54.8% had a bachelor's degree. 63.5% were younger than 30 years old. 54.4% were common staff, the others were managers. 22.8% were first-line managers, 18.3% were middle managers, 4.6%

were top managers.

3.2. Measures

Back translation was used to translate the scale items in order to ensure the validity of the questionnaire. The common method variance was controlled through the design of questionnaire, such as hiding investigation purpose of items, arranging items randomly, and using reverse item.

Human resource management (HRM) in New Ventures. It was measured through 23 items developed by Delery & Doty [9], including internal career opportunities, training, results-oriented appraisals, employment security, participation, job descriptions, profit sharing. The items are such as “Individuals in this job receive bonuses based on the profit of the organization” and “Individuals in this job have clear career paths within the organization”. Cronbach’s α was 0.941.

Employee performance. Employee performance was divided into two factors: in-role behavior and organizational citizenship behavior (OCB). They were both measured by the scales form Cote & Miners [10]. The in-role behavior was measured through 5 items scale, and OCB was measured through 16 items. Cronbach’s α were 0.853 for in-role behavior and 0.952 for OCB.

Employee Satisfaction. This variable was assessed by Minnesota Satisfaction Questionnaire (MSQ) [11], which had twenty items scale. Items are such as “I am satisfied with the way the leader treats his subordinates”. In this study, coefficient alpha was 0.860.

Leader-member exchange (LMX). It was measured through 16 items developed by Wang, Niu & Law [12]. Items are such as “I feel very happy in my contacts with leaders” and “The ability of my superior leaders has been widely recognized by everyone”. Cronbach’s α was 0.786.

4. Results

4.1. CMV and Discriminant Validity

Harman’s one-factor test was carried out to examine whether a biasing effect emerged in the CMV. All items were put together for factor analysis without rotation. The percentage of variance explained by the first factor was 42.438%, which was less than 50% of total variance. The result indicated that CMV did not pose a significant threat to the validity of results and conclusions.

To examine discriminant validity, the paper ran the CFA through software AMOS17.0. Fit indices are presented in Table 1. Compared to the other models, the proposed five-factor model fit much better ($\chi^2/df=2.135$, CFI=0.906, GFI=0.934, NFI=0.957, IFI=0.943, RMSEA=0.049). The results implied an acceptable construct distinctiveness.

Table 1 Result of CFA (N=526)

Model	χ^2/df	GFI	NFI	IFI	CFI	RMSEA
five-factor model	2.135	0.934	0.957	0.943	0.906	0.049
four-factor model	2.508	0.837	0.926	0.894	0.887	0.068
three-factor model	2.391	0.716	0.781	0.733	0.725	0.123
two-factor model	2.696	0.604	0.693	0.675	0.697	0.167
one-factor model	2.742	0.596	0.582	0.643	0.640	0.371

Notes: five-factor model (HRM, OCB, IRP, ES, LMX), four-factor model (HRM, OCB+IRP, ES, LMX), three-factor model (HRM, OCB+IRP+ES, LMX), two-factor model (HRM, OCB+IRP+ES+LMX), one-factor model (HRM+OCB+IRP+ES+LMX).

4.2. Descriptive Statistics

Table 2 shows the means, standard deviations, and correlations among the key variables in this study. HRM in New Ventures and organizational citizenship behavior were positively correlated ($r=0.642$, $p<0.01$). HRM in New Ventures showed a significant correlation with in-role behavior($r=0.677$, $p<0.01$). In addition, HRM in New Ventures and employee satisfaction had positively correlation ($r=0.626$, $p<0.01$).

Table 2 Means, standard deviations and correlations (N=526)

Variables	Mean	SD	1	2	3	4
1. HRM in New Ventures	3.73	.660				
2. In-role behavior	3.83	.706	0.677**			
3. Organizational citizenship behavior	3.84	.656	0.642**	0.717**		
4. Employee satisfaction	3.74	.736	0.626**	0.531**	0.641**	
5. Leader-member exchange	3.71	.745	0.417**	0.371**	0.448**	0.395**

Notes: **p<0.01.

4.3. Hypothesis Testing

Main effects of Human Resource Management in New Ventures (HRM) on employee performance (Hypothesis 1-1 and 1-2). In these Hypotheses, it was predicted that HRM would positively associate with in-role behavior and organizational citizenship behavior. According to the Model 2 in Table 3, the coefficients of HRM and in-role behavior is significant and positive ($\beta=0.681$, $p<0.01$). Thus, Hypotheses 1-1 is supported. According to the Model 5 in Table 3, the coefficients of HRM is significant and positive ($\beta=0.635$, $p<0.01$). Thus, Hypotheses 1-2 is supported too.

Human Resource Management (HRM) on employee satisfaction (Hypothesis 2). In Hypotheses 2, it was predicted that HRM would positively associate with employee satisfaction. According to the Model 1 in Table 3, the coefficients of HRM on employee satisfaction is significant and positive ($\beta=0.602$, $p<0.01$). Thus, Hypotheses 2 is supported.

The mediating effect of employee satisfaction. In Hypotheses 3-1 and 3-2, it was predicted that employee satisfaction would had mediating effect between HRM and employee performance. Model 3 and Model 5 are used to test these hypotheses. According to the Model 3, the coefficients of HRM on in-role behavior is 0.561 ($p<0.01$), which is smaller than that in model 2. At the same time, the coefficients of employee satisfaction on in-role behavior is 0.198 ($p<0.01$). Thus, Hypotheses 3-1 is supported. According to the Model 5, the coefficients of HRM on OCB is 0.356 ($p<0.01$), which is smaller than that in model 4 ($\beta=0.635$, $p<0.01$). At the same time, the coefficients of employee satisfaction on OCB is 0.465 ($p<0.01$). Hypotheses 3-2 is supported.

Table 3 HRM, employee satisfaction and employee performance (N=526)

Variable	Employee Satisfaction	In-role behavior		Organizational citizenship behavior	
	Model 1	Model 2	Model 3	Model 4	Model 5
HRM	0.602**	0.681**	0.561**	0.635**	0.356**
Employee Satisfaction			0.198**		0.465**
R2	0.368	0.471	0.513	0.419	0.571
$\Delta R2$			0.042		0.152
F	17.973**	26.900**		22.003**	

Notes: *p<0.05; **p<0.01.

Moderating effects of leader-member exchange (LMX) (Hypothesis 4-1 and Hypothesis 4-2). To test Hypotheses 4, the two-way interaction between HRM and LMX was entered into the regression analyses (see Model 7 and model 9 in table 4). According to model 7, the beta coefficient for the interaction term is statistically significant ($\beta=0.063$, $p<0.05$). It shows a significant moderating effect of LMX on the relationship between HRM and in-role behavior. Hypotheses 4-1 is supported. Meanwhile, LMX shows a significant moderating effect on the relationship between HRM and OCB. Specifically, the coefficient for the interaction term was statistically significant ($\beta=0.145$, $p<0.05$). The results provides support for Hypothesis 4-2.

Table 4 HRM, LMX and employee performance (N=526)

Variable	In-role behavior			Organizational citizenship behavior		
	Model 2	Model 6	Model 7	Model 4	Model 8	Model 9
HRM	0.681**	0.598**	0.553*	0.635**	0.403**	0.200*
leader-member exchange (LMX)		0.150**	0.124*		0.424**	0.084*
Interactions (HRM×LMX)			0.063*			0.145*
R2	0.471	0.503	0.527	0.419	0.554	0.556
ΔR2		0.032	0.024		0.135	0.002
F	26.900**	25.535**	23.123**	22.003*	31.266*	28.583*
				*	*	*

Notes: *p<0.05; **p<0.01.

5. Discussion

5.1. Theoretical Implications

The effects of Human Resource Management (HRM) in new ventures on employee performance. This study confirms the positive relationship between HRM and in-role behavior and organizational citizenship behavior (OCB). H1-1 and H1-2 are supported. The better human resource management activities are, the higher the performance level of employees are. The conclusions of HRM in this study are consistent with those of previous studies. This study validates the value of human resource management in new ventures, and enriches the relevant research on human resource management of new ventures

The mediating role of employee satisfaction. This study confirms the positive relationship between HRM and employee satisfaction (H2), and support the mediating effects of the employee satisfaction between HRM and in-role behavior, organizational citizenship behavior (H3-1 and H3-2). When a new enterprise provides tangible or intangible incentives such as salary, training, development and participation for its employees through human resources management activities, employees face and accept these incentives, they will first feel satisfied. As a result, employees will show high level of performance as a rewarding exchange behavior. This study enriches the relevant research evidence of employee satisfaction.

The moderating role of leader-member exchange (LMX). The results support the moderating effects of the LMX between HRM and in-role behavior, organizational citizenship behavior. LMX reflects the work exchange relationship between employees and superiors. When LMX is better, employees have a higher degree of trust in their superiors. They are more willing to make positive attribution judgments for human resource management activities, and to make positive exchange and reciprocity behavior. The results of regression analysis confirmed the hypothesis 4, for employees who have better LMX, human resource management has a greater impact on employee performance.

5.2. Practical Implications

This study is carried out from the perspective of new ventures. The conclusions of this study have some suggestions for new ventures.

Initially, new ventures should pay more attention to human resource management and effectively organize human resource management practice. Specifically, new ventures should provide more training, internal mobility and promotion opportunities, provide necessary occupational safety, timely and complete job description, improve employee participation opportunities, set up performance-oriented performance evaluation and incentive compensation. The combination of all these human resource management practices can effectively improve employees' in-role behavior

and organizational citizenship behavior.

Besides that, this study shows that employee satisfaction plays a mediating role in human resource management and employee performance. The higher employee satisfaction, the better employee performance quality. Therefore, new ventures should pay more attention to the level of employee satisfaction and take effective measures to improve employee satisfaction. Enterprises should provide a fair and competitive compensation system. Leaders provide the management of both kindness and authority for employees. Enterprises try their best to create a good working environment for employees and provide promotion and training mechanism. All of these help to improve employee satisfaction.

Finally, the relationship between employees and leaders is particularly important in new ventures. LMX affects the relationship between human resource management and employee performance. Leaders should treat employees equally in their work so as to convince people. In the aspect of life, leaders can communicate with employees, so as to close the relationship with employees. Through these behaviors, high quality LMX can be established, which should enhance employee loyalty and organizational commitment, improve employee performance level, and ultimately contribute to corporate effectiveness.

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