The Role of Organizational Culture in the Influence of HR Practices, Knowledge Management, and Talent Management on Organizational Performance

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Abstract
The objective of this research is to analyze the effect of human resource management practices, knowledge management, and talent management on organizational performance by mediating organizational culture in the mining industry. The design used in this research is hypothesis testing using structural equation modeling. The population of respondents in this study were employees at the management level of mining companies in East Kalimantan Province. The sample collection of respondents is carried out proportionally to company employees based on production capacity per year with purposive sampling method, where the number of samples that meet the criteria for analysis is from 127 employees of coal mining companies taken from 10 existing companies. From the research results, there are three direct relationship hypotheses that are accepted and four hypotheses are rejected. Organizational culture as a full mediation of the relationship between HRM practice and talent management on organizational performance, while only as a partial mediation on the relationship between knowledge management and organizational performance. Future research can focus on social and environmental issues in the mining industry in Indonesia or other countries.

Keywords:
HRM Practice; Knowledge Management; Talent Management; Organizational Culture; Organizational Performance.

Peran Budaya Organisasi dalam Pengaruh Praktik SDM, Manajemen Pengetahuan, dan Manajemen Talenta terhadap Kinerja Organisasi

Abstrak

JEL Classification: M3, M31
INTRODUCTION

Competition with a global dimension is a serious and fundamental challenge for all countries in the current era of globalization, where global competition requires the availability of qualified and superior-minded human resources. According to The Global Talent Competitiveness Index report 2020, Indonesia is ranked 65 out of 132 countries and lags behind 4 (four) neighboring countries that are members of ASEAN countries (Singapore (3), Malaysia (26), Brunei (38), and Philippine (46). The Global Talent Competitiveness Index measures how a country's growth, efforts to attract and retain talent, and provides resources to develop strategies to increase the competitiveness of their talents. In the 2017 Bank Indonesia economic report, Indonesia's economic recovery in 2017 continues gradually, driven by improvements in exports and investment. The dynamics of economic growth show that the national economy has passed its lowest point of economic growth, namely 4.74% which occurred in mid-2015. Development shows that economic growth continues to improve slowly so that the Gross Domestic Product (GDP) in 2017 recorded a growth of 5.07%, an increase when compared to with the previous year's economic growth of 5.03%. The mining industry is one of the industries that contributes quite high to Indonesia's GDP with a percentage of 8.03% but the increase is quite low, namely only 1.22% compared to the previous year (BPS, 2018). This is a challenge for the mining industry in Indonesia in improving organizational performance. Of several mining areas in Indonesia, the province of East Kalimantan is one of the provinces whose mining industry contribution is quite high with coal mining being the prima donna, contributing 45.93% of the total Gross Regional Domestic Income (PDRB) of East Kalimantan Province (BPS Kaltim, 2018). The mining industry, including coal mining, is one of the industries that is able to absorb a large workforce so that human resource management strategies are very important in improving company performance because it is closely related to business strategies (Gautam, 2015).


From previous studies, there have been many studies that discuss the effect of the application of human resource management and organizational culture on organizational performance but there is no research that jointly discusses the mediating effect of talent management and knowledge management in bridging the inconsistencies of previous research. Besides that, there is no research that examines together the application of human resource management, organizational culture, talent management, knowledge management, and organizational performance in one research model.

Hypothesis Development

The relationship human resource management practice (HRMP) to organizational culture (OC)

Organisational culture (OC), the unique internal nature of an organisation, is essential to how members of an organisation interact with each other and the organisation. Lawler (2003, p. 35) argued that 'the organisational design ele-
ments of people, structure, rewards, and processes lead to corporate culture, which influences how HRMPs are designed and implemented (Chan et al., 2004). Well-designed HRMP such as reward systems, performance appraisals and promotion practices can also create unique values supportive of the organisation's objectives and indicative of their expectations. The relationship between OCBs and HRMP is important and not fully explored, although they are considered beneficial, if not essential, for an organizational despite difficulties of identifying and rewarding them (Mitchell et al., 2013). The previous research related to HRMP to OC conducted by Lockhart et al. (2019) and Rodriguez and Stewart (2017).

Based on the explanation above, a hypothesis will be generated:

H1: The application of human resource management has a positive effect on organizational culture

The relationship knowledge management (KM) and organizational culture (OC)

Research of Heaidari et al. (2011) highlighted that the organizational culture mission is to support the implementation of the knowledge management process. Authors like Davenport & Prusak (1998), De Long & Fahey (2000) and Gupta & Govindarajan (2000) had emphasized the significance of involving organizational cultural factors to sustainable implementation of the knowledge management process. Knowledge management practitioners and various researchers such as Chong (2006a, b), Wong (2005), Chong & Choi (2005) have opined that under a knowledge-friendly culture, implementation of knowledge management practice is more effective and efficient.

From the literature, it has been identified that a majority of the studies related to Knowledge management practices and organizational culture studies are implemented in other commercial sectors like information technology industries. Only a few studies were available on educational institutions, especially in technical education institutions.

Based on the explanation above, a hypothesis will be generated:

H2: The application of knowledge management has a positive effect on organizational culture

The relationship talent management (TM) and organizational culture (OC)

The impact of culture on TM is quite intriguing. Studies on TM suggest that a local culture highly influences the TM strategy of multinational companies (Al Ariss et al., 2013). It is not yet known whether organizational culture (OC) has any effect on TM within an organization. Some competing values framework (CVF) was initially based on research to identify indicators of organizational effectiveness (Quinn & Rohrbaugh, 1983). Two-dimensional framework forms four quadrants, each standing for a distinct set of indicators of organizational effectiveness. In accordance with Cameron, researchers provide relevant insights. TM not only requires the identification, codification, retention and development of talented employees but also the establishment of an OC that supports their development (Bartlett & Ghoshal, 1992). The integration of leadership development and succession planning practices through managerial engagement requires a supporting OC (Groves, 2007). Yet, few studies on this basis explore the relationship between OC and TM, especially for Chinese enterprises with China

H3: The application of Talent Management has a positive effect on organizational culture

The relationship human resource management practice (HRMP) to organizational performance (OP)

One of the main objectives of implementing human resource management is to improve organizational performance (Paauwe et al., 2013) because the strategy for implementing human resource management is very important in the mining industry, especially coal (Dickie & Dwyer, 2011). Several studies have shown the positive influence of the application of human resource management in relation to organizational perfor-
mance, such as affecting employee performance (Kooij et al., 2013; Al-Abbadi, 2018) and its impact on employee performance, operational performance and direct financial performance and indirectly (Vermeeren et al., 2014) and Paauwe et al., (2013) who also concluded that there was a positive relationship between the application of human resource management and various kinds of performance measurements.

Based on the explanation above, a hypothesis will be generated:

**H4:** The application of human resource management practice has a positive effect on organizational performance

**The relationship knowledge management (KM) to organizational performance (OP)**

Knowledge management (KM) will represent a proper procedure, which ensures the competent and concurrent use of work process, technology and knowledge, by the employees at the same time. It also represents the transfer of knowledge at the right time and to the right individual, Duffy (2001). KM will also enable organizations to detect and remove barriers to knowledge flow, thereby fostering better organizational performance. Elements of KM will include four key parameters: people, processes, tools and organizations. Organizational culture (OC) is the workplace culture, which controls employee behaviour within the organization and outside the organization; every organization has an exclusive working style, which significantly contributes to the OC, Alvesson (2012).

Based on the explanation above, a hypothesis will be generated:

**H6:** The application of Knowledge Management has a positive effect on organizational performance

**The relationship talent management (TM) and organizational performance (OP)**

The substantial volume of research on the link between HRM and organizational performance over nearly two decades generally finds a positive relationship between the extent of HR practices used and organizational performance (see, Boselie et al., 2005 for a survey). Despite debate about which HR practices to include in the analysis of the relationship between HR and performance, a common practice that is found in almost all such studies, is training and development. This reflects, in part, the consistent importance given to training and development in the human capital and RBV theories. It is perhaps common sense that there would be substantial expected utility associated with MD for organizations and employees. Since managers are considered to be such a key resource for firms, the successful development of this resource – the presence of “good” managers in organizations – is likely to be associated with positive performance. Investment in MD by organizations is also likely to be viewed as a commitment by employees that may help to strengthen the mediating influences of affective commitment, discretionary effort, job satisfaction and turnover intentions of employees, all of which can have positive effects on organizational performance (Kuvas & Dysvik, 2010).

Based on the explanation above, a hypothesis will be generated:

**H6:** The application of Talent Management has a positive effect on organizational performance

**The relationship organizational culture (OC) and organizational performance (OP)**

While no uniform definition of organizational culture exists, the description provided by Schein (2001) as a pattern of basic beliefs and assumptions learned and shared by a group that is taught to new members as the accepted way to perceive, think, and feel when interacting with other members of the group is representative of many definitions. Culture is a shared experience by individuals creating a system with meaning, values, and beliefs that influences and shapes individual and group behaviors. Unseen and intangible, organizational culture may be the most influential factor in influencing the effectiveness of KM initiatives (Davenport & Prusak, 1998; Lee & Choi, 2003). Behavioral manifestations of organizational culture can, and do, present barriers...
to social interactions limiting the effectiveness of even the most sophisticated knowledge processes. Barriers identified by Hansen & Nohria (2004) include resistance to seek input and learn from the experience of others, unwillingness to assist other members, and resistance to working together and sharing knowledge.

Surveys of organizational culture conducted by the Great Place to Work Institute (GPTW) of thousands of organizations in over 40 countries provide a baseline from which to evaluate relative levels of elements of organizational culture. The GPTW survey accumulates perceived levels of elements of organizational culture into five dimensions. The five dimensions are respect, fairness, credibility, pride and camaraderie with respect, fairness and credibility collectively identified as the Trust Index (Great Place to Work Institute, 2011). Other research conducted by Herbert A. Nold III (2012) shown OC has significant effect to OP.

H7: The application of organizational culture has a positive effect on organizational performance

The Organizational culture (OC) as mediating

The cultural uniqueness of an organization constitutes an inimitable organization capability to create its competitive advantage over its rivals (Hall, 1993). Therefore, in the current turbulent and constantly changing global business environment, the preeminent leaders know how to shape the organizational culture (OC) of their organizations to achieve short as well as long-term objectives (Kuratko & Welsch, 2004). The comprehensive review of the (KM) literature, found that the conducted empirical studies exploring the (KM) and (OP) relationship revealed that the findings are inconsistent, should be deeply investigated and examined in the future research work. However, it has been widely reported in the literature that (OC) is among the variables that can influence and better explain the relationship between organization strategies and long-term (OP). Zoubi et al., (2015); Rashid & Yeop, (2020) found has positive impact knowledge management to organizational performance mediated by organizational culture.

Based on the explanation above, a hypothesis will be generated:
H8: The application of human resource management practice has a positive effect on organizational performance is mediated by organizational culture
H9: The application of knowledge management has a positive effect on organizational performance is mediated by organizational culture
H10: The application of Talent Management has a positive effect on organizational performance is mediated by organizational culture.

Research Framework

Based on the above explanation, a theoretical framework can be derived that describes the causal relationship between HR practices, knowledge management, and talent management through the mediation of organizational culture as shown in Figure 1.

Figure 1. Research Framework
METHOD

This research type is a correlational study that uses hypotheses to test the relationship between variables based on previous studies (Sekaran & Bougie, 2016). This study was intended to determine the effect of exogenous latent variables on their endogenous latent variables and how the relationship occurred. In the context of this study, as an exogenous latent variable is knowledge management with the dimensions of the creation process, transfer process, the integration process, and the implementation process, talent management with the dimensions of identifying important positions, talent recruitment, managing talent, and retention management, and organizational performance with the dimensions of financial performance, employee performance, and operational performance, while the endogenous latent variable is organizational culture with the dimensions of the development culture, team culture, rational culture, and hierarchical culture.

The respondent population of this study are assistant manager upwards in various divisions of mining company in East Kalimantan Province. The size of the sample is very sensitive to the results of statistical testing, where Sekaran & Bougie (2016) say that the size of the sample that is considered sufficient (appropriate) in most studies ranges from 30 to 500 respondents, in addition to multivariate studies (including multiple regression research), the sample size should be 10 times larger than the number of variables in the study. To anticipate a sample that cannot be used, the number of respondents determined are 190 respondents. This study uses two data sources, namely primary data and secondary data. Primary data according to Sekaran & Bougie (2016) is data that refers to information obtained directly from the first hand, while secondary data is data that refers to information collected from sources that already exist. Primary data is needed as the main material in this study while secondary data as a complement. Primary data source in the form of giving questionnaires to the level of manager or leader of the same level (assistant manager, manager, senior manager, general manager, director) at coal mining companies in East Kalimantan Province which is given directly or via mail or google form proportionally based on annual production capacity obtained from various sources such as duniatambang.co.id in 2019, while secondary data sources are from Bank Indonesia Report data, the Central Statistics Agency, and the Ministry of Energy and Mineral Resources. This study uses a sample of respondents by selecting samples using a purposive sampling method, which is a sampling method that is based on certain criteria or considerations, where the researcher determines sampling by determining specific characteristics that fit the purpose of the study so that it is expected to answer the research problem (Sekaran & Bougie, 2016). Of the 135 questionnaires that were filled out, 8 questionnaires could not be used because the filling of the questionnaire was incomplete and inconsistent so that only 127 questionnaires were processed in data processing.

The data analysis result of perceptions from respondents for all variables where knowledge management variable was adopted from Wu & Chen (2014) through 12 questions, talent management variable was adopted from Mensah (2015) through 15 questions, organizational culture variable was adopted from Cao et al. (2015) through 14 questions and organizational performance was adopted from Tseng (2016) to measure financial performance through 4 questions, Jyoti & Rani (2017) to measure employee performance through 4 questions, and Wang et al., (2016) to measure operational performance through 4 questions. The researcher used the SPSS and Smart PLS programs to examine the effect of the independent variable on the dependent variable through the mediating variable.

RESULT AND DISCUSSION

Measurement model

Validity testing aims to show the validity of the indicator variables and the validity of each latent variable. The indicator will suffi-
cient when a value loading 0.5 to 0.6 (Ghozali, 2014). Based on the result test, found 6 indicators not valid from 66 indicators due to the value below 0.5.

When validity testing completed, reliability test conducted to measure the instrument’s internal consistency. Cronbach’s alpha and Composite Reliability are used for two reliability test parameters. Cronbach’s alpha measures the lower limit of reliability while Composite Reliability measures the true value of construct reliability (Ghozali, 2011).

This study uses both methods of reliability, although Composite Reliability is better in estimating the internal consistency of the construct (Werts et al., 1974). The rule of thumb value of alpha Composite Reliability should be above 0.7, although the value of 0.6 is still acceptable (Chin, 1998 dan Hair et al., 2011). All constructs in this study are reliable based on table 1.

The hypothesis testing is performed using the bootstrapping method to obtain path coefficients and to know the result on all hypothesis. Hair et al., (2011) stated when T-statistics above 1.96 or P-values below 0.05 will be concluded significant.

Based on the result at table 4 found the relationship variables in the study are as follows: (H1) HRM P has a positive effect on OC due to T statistic 2.5799 and P value 0.0102 and this result his research is relevant with the previous research (Rao, 2013; Marouf, 2015; Lockhart et al., 2019). (H2) KM has a negative effect on OC due to T statistic 1,6603 and P value 0.0975 and this result his research is contradictive with the previous research (Marouf, 2015; Nanjundeswaraswamy T.S & Swamy D.R,2020). (H3) TM has a positive effect on OC due to T statistic 6.7030 and P value 0,0000 and this result his research is relevant with the previous research (Ahmed Deif & Ma-

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Management Practices (HRMP)</td>
<td>.897</td>
<td>.913</td>
<td>Reliable</td>
</tr>
<tr>
<td>Knowledge Management (KM)</td>
<td>.769</td>
<td>.825</td>
<td>Reliable</td>
</tr>
<tr>
<td>Talent Management (TM)</td>
<td>.935</td>
<td>.944</td>
<td>Reliable</td>
</tr>
<tr>
<td>Organizational Culture (OC)</td>
<td>.917</td>
<td>.929</td>
<td>Reliable</td>
</tr>
<tr>
<td>Organizational Performance (OP)</td>
<td>.867</td>
<td>.891</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Table 1. Composite Reliability and Cronbach’s Alpha Testing

The coefficient of determination test is one part of the results of hypothesis testing, and the results of the coefficient of determination can be seen in the information in table 3 below. The results of the Adjusted R2 test below explained HRM P, KM and TM influence OC 65.19% while other variable has 34.81% which not discussed in this research. OP has 51.85% influenced by HRM P, KM, TM and OC and other variable factor has 48.15% which not discussed in this research.

<table>
<thead>
<tr>
<th>Variable</th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Culture (OC)</td>
<td>.6602</td>
<td>.6519</td>
</tr>
<tr>
<td>Organizational Performance (OP)</td>
<td>.5338</td>
<td>.5185</td>
</tr>
</tbody>
</table>

Table 2. Coefficient of Determination result (R2)
research (Chew & Sharma, 2005; Bhatti et al., 2020). (H5) KM has a negative effect on OP due to T statistic 1.3065 and P value 0.1920 and this result his research is contradictive with the previous research (Najmi et al., 2017; Sivathanu & Pillai, 2019). (H6) TM has a negative effect on OP due to T statistic 0.2887 and P value 0.7729 and this result his research is contradictive with the previous research (Sheehan, 2011; Arif & Uddin, 2016). (H7) OC has a positive effect on OP due to T statistic 5.2109 and P value 0.0000 and this result his research is relevant with the previous research (Herbert A Nold, 2012; Rashid & Yeop, 2020).

The result of hypothesis OC as mediating are (H8) HRMP has a positive effect on OP due to T statistic 2.4090 and P value 0.0164 and this result his research is relevant with the previous research (Al-bahussin & El-garaihy, 2013; Trehan & Setia, 2014), the OC in this result as full mediating. (H9) KM has a negative effect on OP due to T statistic 1.4715 and P value 0.1418and this result his research is contradictive with the previous research (Rashid & Yeop, 2020; Zoubi et al., 2020), the OC in this result as partial mediating. (H10) TM has a positive effect on OP due to T statistic 3.9778 and P value 0.0001 and this result his research is relevant with the previous research (Cao et al., 2015; Tan, B.S 2019), the OC in this result as full mediating.

Table 3. Hypothesis Testing

<table>
<thead>
<tr>
<th>Variable</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRM Practices -&gt; Organizational Culture</td>
<td>2.5799</td>
<td>0.0102</td>
<td>Accepted</td>
</tr>
<tr>
<td>Knowledge Management -&gt; Organizational Culture</td>
<td>1.6603</td>
<td>0.0975</td>
<td>Rejected</td>
</tr>
<tr>
<td>Talent Management -&gt; Organizational Culture</td>
<td>6.7030</td>
<td>.0000</td>
<td>Accepted</td>
</tr>
<tr>
<td>HRM Practices -&gt; Organizational Performance</td>
<td>1.3065</td>
<td>.1920</td>
<td>Rejected</td>
</tr>
<tr>
<td>Knowledge Management -&gt; Organizational Performance</td>
<td>.1405</td>
<td>.8883</td>
<td>Rejected</td>
</tr>
<tr>
<td>Talent Management -&gt; Organizational Performance</td>
<td>.2887</td>
<td>.7729</td>
<td>Rejected</td>
</tr>
<tr>
<td>Organizational Culture -&gt; Organizational Performance</td>
<td>5.2109</td>
<td>.0000</td>
<td>Accepted</td>
</tr>
<tr>
<td>HRM Practices -&gt; Organizational Culture -&gt; Organizational Performance</td>
<td>2.4090</td>
<td>.0164</td>
<td>Accepted</td>
</tr>
<tr>
<td>Knowledge Management -&gt; Organizational Culture -&gt; Organizational Performance</td>
<td>1.4715</td>
<td>.1418</td>
<td>Rejected</td>
</tr>
<tr>
<td>Talent Management -&gt; Organizational Culture -&gt; Organizational Performance</td>
<td>3.9778</td>
<td>.0001</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

CONCLUSION AND RECOMMENDATION

In terms of direct relationships, in this study there are three accepted hypotheses, namely HRM practice on organizational culture, talent management on organizational culture, and organizational culture on organizational performance. While the four hypotheses that were rejected were knowledge management on organizational culture, HRM practice on organizational performance, knowledge management on organizational performance, and talent management on organizational performance. Refer to the indirect relationships, there are two accepted hypotheses, namely the relationship between HRM practice and organizational performance mediated by organizational culture and the relationship between talent management and organizational performance mediated by organizational culture, while the relationship between knowledge management and organizational performance that mediated by organizational culture is rejected. The practical implementation of this research as a guidance for all decision makers at mining coal industry to manage human resource management practice, knowledge, talent, and culture in their organization as well to improve organizational performance. Theoretical implications of this research will be useful for mining coal industry that are able to descri-
be all factors affect the performance of mining coal industries, so that clarity of ways to compete such as adaptation to the business environment turbulence and selection of characteristics of selected organizations can be obtained. For the future research may focus on social and environmental issues in the coal mining industry in Indonesia and/or other countries.

REFERENCES


