



World Conference on Technology, Innovation and Entrepreneurship

# Innovation Culture and Strategic Human Resource Management in Public and Private Sector within The Framework Of Employee Ownership

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## Abstract

Innovation culture describes the new eco-system in the business fields and production philosophy. The differences between the countries and regions in terms of management, science, engineering, technology and labor quality have become the factors that explain the complexity dynamics of the 21st century. Hence; increasing the international competitive power of the local firms in the framework of regional development politics, improving entrepreneurship and innovation capacity in local area are highly important in this century. In this process strategic human resource management (SHRM) is a critical activity for companies. Some vehicles are required to realize these activities as regulating the environment and for development. In this study, the effects of SHRM are discussed with the mediator roles of innovation culture and employee ownership. This research develops a framework for the investigation of job satisfaction through employee ownership, in the light of recent developments in innovation culture. The aim is to identify the mediating effect of innovation culture on the job satisfaction between strategic human resource management and employee ownership. To test the propositions, a field survey using questionnaires was conducted. 479 printed questionnaires were collected from Marmara Region. Especially in private sector, SHRM is directly effective on employee behaviors. The findings indicate that employee ownership as a critical psychological factor creates a step between the organizational factors and job satisfaction.

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Peer-review under responsibility of Istanbul Univeristy.

*Keywords:* strategic human resource management, innovation culture, employee ownership, job satisfaction

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## 1. Introduction

Institutionalization and human resource management, besides organizational outcomes, have direct positive effects on employees. Moreover, strategic human resource management and tools have important tasks such as improving the effectiveness of social interaction and communication between employees. With top-down and bottom-up management of organizational communication, it is also aimed that both the organizational and individual creativity are improved. However, in terms of results that stage and compare the way the corporate applications and strategic human resource management influence the employees as individuals, there is lacking information in the literature.

Through the corporate applications and information systems, the employees, who have been adequately informed of the institution's human resource activities, feel stronger and reach their individual and organizational objectives. Sharing information and increasing cooperation, employees with more authority and autonomy, mutual communication opportunities, eased down organizational learning processes, increasing quality of work life and the balance of work-private life with the employees switching to their own autonomy, the destruction of traditional walls, and the formation of the sharing, cooperation and innovation culture have positive impacts on the employees. The most important and critical resource of organizations in a rapidly changing environment of business, competition and entrepreneurship is the qualified, knowledgeable and competent man force (Drucker, 1986). Hence, organizations aim to strengthen their employees with a positive approach by infusing them with concepts such as autonomy, creativity, and flexibility and supporting them. Empowered employees are emotionally committed to their organizations through employee ownership and are satisfied with their jobs (Uslu, 2014: 7).

Approaches such as innovation, learning organizations and excellence in the system increase the importance of employees of the organization. Sigler and Pearson (2000), in their study, determined that an organizational climate that strengthens its employees has a significant effect on individual performance. Institutional support and positive interventions associated with the business appear to have improved performance (Cameron et al, 2004). For this reason, institutional applications as mentioned can be assumed to be effective on the employees who work directly and indirectly. Innovation approach increases psychological ownership of employees and therefore has positive effect on the job satisfaction through emotional commitment to organization (Uslu, 2014: 314).

Innovation is very important to achieve successful performance results in the companies. Even there is a common view about the effects of the environment to increase creativity; there are limited studies about the organizations how to use their strategic human resource management (HRM) for this purpose. Strategic HRM, as planned human resource (HR) practices to achieve organizational targets, have the power to direct employees' attitudes and behaviors to create influences about the environment. So the studies about the influences on the employees' creativity of the strategic or non-strategic HRM should be done. High commitment work systems (HCWS) are the systems that create employee commitment and includes the HRM practices like employee participation, inside promotion, team rewarding, profit sharing, training and gain and job security (Chang et al., 2014: 666). When the tasks are non-routine and complex and the organizations highly invest in HCWS; creativity of the employees will increase as they will have job motivation to produce competencies about their works, creative competencies and new ideas while solving difficult problems (Chang et al., 2014: 670).

When the predecessors in the literature are examined, it is seen that strategic human resource management applications appears to affect the perceptions of employee performance and creativity. However, there are limited number of studies conducted in Turkey and in the literature regarding the individual effects of corporate applications and human resource management tools. The aim of this research is to determine how the corporate applications and strategic human resource management tools to improve the organization first, then the reflection of the behaviors of employees. The theoretical framework of this study is that the strategic human resource management tools will be effective on corporate processes and later on the employees.

## 2. Literature Review

Lean approach has been applied in order to enhance the optimization and processes in production management for a long time. Lean start-up is opposed to the traditional models as focusing on the individuals, which establishes a process model from the customer to the source (Ries, 2011). Lean start-up is defined as depending on the information gathered from the customers with a humanitarian view, the methodology of developing effective new business processes, goods and services with minimum resources simply and fastly (Ries, 2011). This methodology consists of three steps which are establishment, measurement and learning. The difference between entrepreneurship and lean start-up is the customer focus in the second one. Because lean start-up is based on the customers' views about the development of the business processes. A lot of studies mentioned about the comparison between start-ups and big companies in business innovation literature. In parallel with resources large companies are expected to be more innovative; whereas a lot of new products and services are created by start-ups.

In a study conducted by the Sijde et al. (2013), the perception of the conditions in the organization and intrapreneurial behavior are measured. Results highlight that firm size is related with intrapreneurship; large companies tend to have more relative to smaller companies. If organizational conditions support intrapreneurship more, people feel more positive and score more about organizational conditions and intrapreneurship behavior questions. In the companies entrepreneurial spirit dimensions are passion, internal eco-systems, organizational climate, internal cooperation, organizational support, management support, strategic human resources and availability of rewards and resources (Aned O and Alya O, 2013).

In another study (Goris et al., 2000) the effects of communication direction on employee-work adaptation and job satisfaction has been examined. Job satisfaction is a result of need for personal development and adaptation to work features. How the employees perceive the institutional management are a determining factor for job satisfaction (Zhui et al., 2004). They emphasized that valid and reliable information provided to the employee does not always positively impact job satisfaction. Job satisfaction could only be improved if the information provided was adequately designed and suitable with the objectives.

Employees develop the feeling of ownership in situations where they understand that they are appreciated by managers and organizations (Eisenberger et al., 1990) and they try to contribute to the organization based on the Social Exchange Theory. Empowered employees are emotionally committed to their organizations through psychological ownership and are satisfied with their jobs (Uslu, 2014: 7). Pierce et al. (2009) reviewed the job characteristics model and associated job characteristics to psychological ownership and linked to outputs through this variable. Job satisfactions of employees who are identified with their organization are higher (Carmeli et al., 2007). It was shown that there is a positive relation between psychological ownership, emotional commitment to organization and job satisfaction, while psychological ownership serves as a partial intermediary role between autonomy and job satisfaction (Mayhem et al., 2007). Innovation directly ensures job ownership and job satisfaction of employees (Uslu, 2014: 309). It is observed that mental work ownership with respect to employees who developed a positive psychological condition is affective in organizational commitment and employees reach satisfaction in their work through this emotional bond (Uslu, 2014: 312). Innovation approach increases psychological ownership of employees and therefore has positive effect on the job satisfaction through emotional commitment to organization (Uslu, 2014: 314).

This research develops a framework for the investigation of job satisfaction through employee ownership, in the light of recent developments in innovation culture. The author of this article proposes strategic human resource management that may predict psychological ownership and satisfaction of employees by the mediating effect of innovation culture.

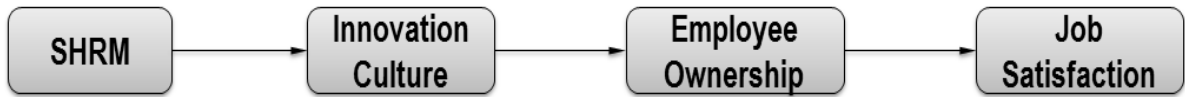


Fig. 1. Model of the research.

More specifically, the present study is designed to assess the effects of SHRM on job satisfaction through the mediation of employee ownership (Fig. 1). The following hypotheses are given to test the research model.

*H1.* According to strategic human resource management, innovation culture, employee ownership and job satisfaction, there are significant differences between public and private sector.

*H2.* In public sector, innovation culture will function as a mediating variable between SHRM and employee ownership.

*H3.* In public sector, innovation culture support will function as a mediating variable between SHRM and job satisfaction.

*H4.* In public sector, employee ownership will function as a mediating variable between organizational factors and job satisfaction.

*H5.* In public sector, innovation culture will function as a mediating variable between SHRM and employee ownership.

*H6.* In public sector, innovation culture support will function as a mediating variable between SHRM and job satisfaction.

*H7.* In public sector, employee ownership will function as a mediating variable between organizational factors and job satisfaction.

### 3. Methodology

#### 3.1. Research Goal

In this study, the researcher aims to identify the mediating effect of employee ownership on the relationship between organizational factors (strategic human resource management and innovation culture) with job satisfaction. To test the propositions, a field survey using questionnaires was conducted. The questionnaire is administered to participants who were currently employed.

#### 3.2. Sample and Data Collection

Public and private sector employees make up the main mass of our samples. A printed questionnaire was created to collect data associated with the variables in the research. These forms were handed to the employees who were selected using the convenience sampling method and were actively involved in the working life. In this way, a total of 479 questionnaires were collected from Marmara Region. A 5-item scale was presented to the respondents that would allow them to conduct evaluations regarding each entry. (1 = never, 5 = all the time). Demographic analysis for the findings, factor and reliability tests and regression analyzes were performed with SPSS statistical software package.

Strategic Human Resource Management (SHRM) scale is adopted from Devanna et al. (1982). This scale had an Cronbach's Alpha coefficient of 0,91. Items from Hurley and Hult (1998) are used to measure innovation culture. This scale had an Cronbach's Alpha coefficient of 0,88. The items of employee ownership scale are created by the researcher. Job satisfaction items are taken from Brayfield and Rothe (1951). The Cronbach's Alpha values for each factors exceeds 0.80, which indicates the reliability of scales used in that survey.

Factor structure of the scales and reliabilities were assessed, demographic analyses, difference tests, linear and hierarchical regression analyses were carried out using SPSS 18. Data obtained from 479 participants were analyzed through the statistical packet program and proposed relations were tested through regression analyses. Mediation models were tested using the methodology proposed by Baron and Kenny (1986).

### 3.3. Analyses and Results

Demographic characteristics of the sample used in this study are as follows: 51% of female respondents and 49% of males and the mean age was 37,65. Of 87% bachelor's degree and the remaining 13% portion of the participants were the elementary, middle school and high school graduates. The average working time in this workplace among the participants was approximately 7 years, and they have been in working life for an average of 14,5 years. 12% of participants is in managerial position.

Factor and reliability tests were performed with statistical software package. Cronbach's alpha reliability coefficients of the scales were 0.80 and higher, therefore the scales were found to be reliable. The scale of employee ownership items with weights can be seen on the Table 1.

Table 1. Reliability Analysis of the Employee Ownership.

Employee Ownership	Item Weight
I feel love for my organization.	,928
I think it is proud to be an employee of this institution.	,914
My sense of ownership of this institution is quite high.	,910
I feel emotionally attached to my work.	,901
I feel a strong sense of belonging to my organization.	,890
The future of my organization is important to me.	,869
I feel myself like "a part of the family" in the organization.	,849
I feel the issues of this organization like my own affairs.	,848
Spending the rest of my work life in this organization makes me very happy.	,835
I embrace the objectives of this organization.	,833
N	479
% of Variance Explained:	81,385
Cronbach's Alpha	,974
KMO Value:	,948
Bartlett's Test:	,000
Approx. Chi-Square:	2519,265

First hypothesis is supported with the difference analyses statistically significant between public and private sector (Fig. 2). SHRM ( $t=-4,674$ ;  $p=0.000$ ), innovation culture ( $t=-6,174$ ;  $p=0.000$ ), employee ownership ( $t=-2,727$ ;  $p=0.007$ ) and job satisfaction ( $t=-2,223$ ;  $p=0.027$ ) are in different perception levels for public and private sector.

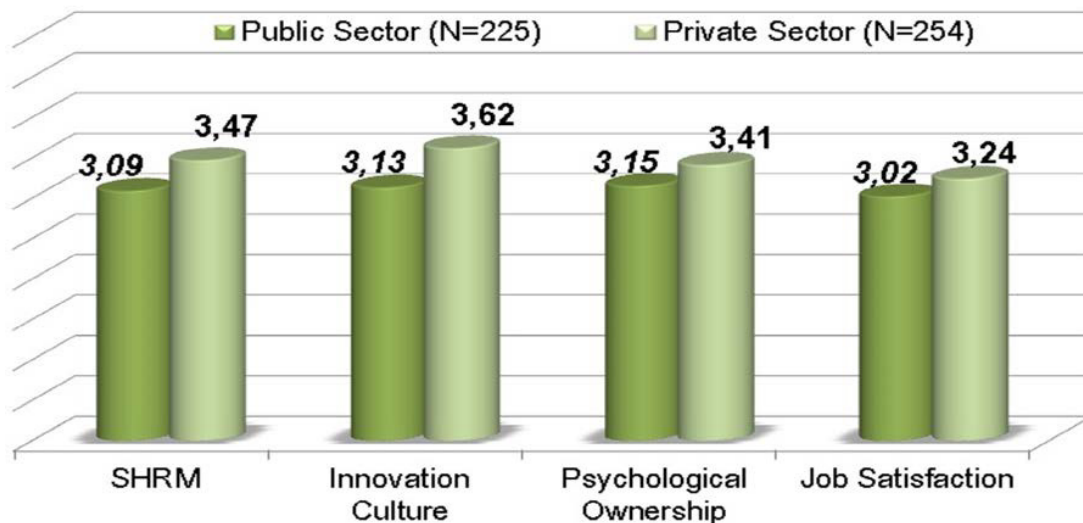


Fig. 2. The Difference between public and private sector.

For the purpose of determining the intermediation roles of the intermediary variables, three-step method proposed by Baron and Kenny (1986) was adapted to our research. The models were compared by conducting a separate regression analysis for each model. Progressive intermediary variable tests towards the team performance are performed with verification of different models with SPSS (Table 1). In public sector, SHRM increase the innovation culture (model 1), employee ownership (model 2) and job satisfaction (model 4). But innovation culture is more effective on employee ownership (model 3) and job satisfaction (model 5). Second and third hypotheses were fully supported. Employee ownership has the biggest positive effect on job satisfaction (model 6), it is mediating between organizational factors and job satisfaction, fourth hypothesis was supported (Table 2).

Table 2. Impact of SHRM, Innovation Culture and Psychological Ownership on Job Satisfaction in Public Sector

	Dependent Variables					
	Innovation Culture Model 1	Employee Ownership Model 2    Model 3		Job Satisfaction Model 4    Model 5    Model 6		
SHRM	.859*** (.022)	.854*** (.047)	.197 (.127)	.800*** (.056)	.113 (.153)	-.043 (.114)
Innovation Culture			.773*** (.139)		.806*** (.168)	.176 (.134)
Psychological Ownership						.809*** (.064)
Adjusted R <sup>2</sup>	.882	.628	.677	.511	.361	.761
F	1525,705***	334,206***	207,810***	204,037***	125,021***	207,419***

\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.1$  significant value, standard errors in parentheses

In private sector, SHRM increase the innovation culture (model 7), employee ownership (model 8) and job satisfaction (model 10). But innovation culture is also effective on employee ownership (model 9) and job satisfaction (model 11). fifth and sixth hypotheses were partially supported. Employee ownership has the biggest positive effect on job satisfaction (model 12), it is mediating between organizational factors and job satisfaction, seventh hypothesis was fully supported (Table 3).

Table 3. Impact of SHRM, Innovation Culture and Psychological Ownership on Job Satisfaction in Private Sector

	Dependent Variables					
	Innovation Culture Model 7	Employee Ownership Model 8      Model 9		Job Satisfaction Model 10      Model 11      Model 12		
SHRM	.836*** (.028)	.980*** (.051)	.455*** (.104)	.840*** (.066)	.249* (.139)	-.115 (.116)
Innovation Culture			.639*** (.113)		.721*** (.150)	.211 (.129)
Psychological Ownership						.797*** (.072)
<i>Adjusted R</i> <sup>2</sup>	.794	.627	.674	.420	.473	.662
<i>F</i>	885,662***	369,808***	227,061***	159,767***	99,444***	143,698***

\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.1$  significant value, standard errors in parentheses

#### 4. Conclusion

The results of the study indicate the effect of organizational factors on job satisfaction through the mediation of employee ownership. It is apparent that an innovative workplace directly supports employee ownership. Moreover, satisfied workers in workplaces are attached employees who can activate new ideas, techniques and methods in the companies in order to increase the organizational performance. Especially in private sector, human resource management is directly effective on employee behaviors. As a result of this approach, human resource applications in private sector must be motivator for new ideas and innovations of the employees and engage in efforts to restructure workplace for employee satisfaction.

The findings indicate that employee ownership as a critical psychological factor creates a step between the organizational factors and job satisfaction. The results suggest that psychological ownership positively influences job satisfaction of employee, and is in turn positively influenced by strategic human resource management and innovation culture of companies. Employee ownership is found to be a key variable between organizational factors and individual attitudes.

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