



## Influence of Organizational Culture on Human Resource Management Practices in Nepalese Commercial Banks

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### ABSTRACT

*This study examines the relationship between organizational culture and human resource management in Nepalese commercial banks. This study aims to analyze the impact of specific factors on Nepalese commercial banks' human resource management practices. To estimate the relationship between human resource management, and the organizational cultural dimensions, the study used a descriptive and causal-comparative research design. The study relies on primary data derived from a self-administered questionnaire. In total, 24 commercial banks were chosen for the study, 410 questionnaires were distributed and 390 questionnaires were collected for the analysis. To achieve the study's goal, a structured questionnaire was constructed. The findings show there was a significant positive-relationship between power distance (PD), collectivism (CO), masculinity (MA), uncertainty avoidance (UA), and long-term orientation (LTO) with human resource management (HRM). The result further revealed that Power distance (PD), collectivism (CO), masculinity (MA), and uncertainty avoidance (UA) have a significant positive impact on human resource management (HRM), and long-term orientation (LTO) do not have any influence on human resource management (HRM). The findings of this study can be implemented for better management of the human resources of Nepalese commercial banks.*

## 1. INTRODUCTION

Many studies on international HRM reveal that depending on the environment, different methods are used to examine how culture affects HRM practices (Al-Tamony et al., 2016). Moreover, human resource management methods are perhaps the most sensitive to cultural variation because they are created by culture carriers (Shannak et al., 2012). Also, Reiche et al. (2018) communicated how national cultures' interpretations of variances in

HRM are influenced by cultural values and norms and how this affects administrative decisions. Yousef (2000) found that employees who believe their managers exhibit consultative or participative leadership behavior are happier in their positions. Organizational culture plays a significant role in determining a company's policies and procedures, particularly in the field of human resource management. A solid and encouraging business culture can increase employee loyalty, satisfaction, and performance. This has been confirmed by a large number of worldwide research, including one by Cameron and Quinn (2011) who discovered that organizational culture can be a source of competitive advantage, enhancing organizational success. This study's goal was to discover how organizational culture influences how human resource management is carried out in Nepalese commercial banks. The goal of the study is to determine the extent to which organizational culture affects several areas of human resource management, such as recruitment and selection, training and development, performance assessment, and employee relations. The paper will also look at the challenges faced by Nepali commercial banks in aligning their organizational culture with human resource management techniques. An organization can direct the conduct of its employees by incorporating ethical principles into its culture. Organizational excellence can differ, though, because cultural characteristics can be a source of competitive advantage through unintentional ambiguity. To better serve contemporary enterprises, human resource management refers to a distinct philosophy for carrying out organizational tasks focused on people. Any business can benefit from strategic management since it gives it a clear direction through things like strategic plans, mission statements, vision statements, objectives, and goals (Hajir et al., 2015).

Organizational culture is regarded as one of the most important core competencies of a company. The cultural influence of a country on organizational culture can be expressed as the constraints imposed on organizations by various environments as well as the mentality and habits of the organization's members (Abbasi et al., 2022). Culture has an impact on service and quality, organizational productivity, and financial outcomes. The foundation of strategies is established by organizational culture. Culture encompasses an individual's and an organization's shared values, norms, and belief systems. Strategy implementation must be aligned with the organizational culture for success. According to the cultural perspective, there is a link between a strong culture and employee satisfaction. Employee job satisfaction is affected by organizational culture, as are their behaviors and attitudes. The strategic and operational administration of tasks in an organization that centers on its human resources is known as human resource management (HRM). In a contemporary market economy, the emergence of global competitiveness, customer focus, and adaptability have posed difficulties for all kinds of firms. At these times of increasing difficulties and possibilities in the external world, it is critical to respect and use an organization's human resources, whether it is manufacturing or service-oriented. The key resource is human resources. Sustainable competitive advantage is the term used to describe the unique and non-imitable qualities that an effective HRM system and its practices offer for a particular organization. Strategic management gives a clear direction for the organization's future using tools including strategic plans, missions, visions, objectives, and goals (Reiche et al., 2018). However, only culturally relevant recruitment techniques and procedures are likely to be successful because culture affects many parts of the hiring process (Milikic, 2009). Also, despite differences in elaborateness, method, and process, hiring and selection, training, and development practices indicate the little distinction between Malaysian and Japanese-owned businesses. Moreover, seniority and positive interpersonal relationships with higher management are favorably correlated with power distance or uncertainty avoidance, two factors that are crucial for managing compensation and rewards. Miah and Bird (2007) investigated the impact of national and organizational culture on managers working in various companies. Similarly, HRM techniques that are extremely effective in industrialized

civilizations, especially Western societies, typically fall short in non-Western societies because they were unquestioningly accepted without consideration for their applicability in non-Western cultures. It is therefore crucial to take into account the cultural features of the context that are pertinent to corporate HRM practices (Wangithi & Muceke, 2012).

Adhikari and Gautam (2011) investigated the degree of compliance and commitment situation in Nepalese workplaces. The findings indicated a poor state of hard and soft HR practice implementation. Nepalese commercial banks described the impact of organizational culture on employee satisfaction. The findings revealed a positive and statistically significant relationship between employee job satisfaction and organizational culture. The findings also revealed that a supportive culture is one of the most important determinants of employee satisfaction. In Nepal, Raut (2011) discovered a positive relationship between organizational culture and privatization. Majumder and Bhattacharya (2021) investigated the connection between collectivism and strategic human resource management. Collectivism has the potential to amplify the positive impact of altruistic motivation on organizational identity. Dimba and Obonyo (2015) studied the diversity of organizational cultures and their impact on employee behavior inspiring a lot of hope for new perspectives on culture and human resource management practices. A growing body of research reveals differences in how organizations around the world make decisions, allocate resources, negotiate, manage-motivate, and train-develop employees. These studies demonstrate that culture is a significant determinant of many aspects of organizational behavior.

In 2019, Travaglino and Abrams looked into the connection between human resource management and power distance. The level to which a person expects and accepts inequality and power disparities in their society is referred to as power. This study found a strong and advantageous link between human resource management and power distance. Understanding cultures and implicit leadership theories around the world: an introduction to Project GLOBE was studied by House et al. in 2002. The objective of the study was to provide an experimentally supported theory to define, comprehend, and forecast the effects of particular cultural factors on leadership and organizational processes, as well as the efficacy of those processes. Ruiz and Garcia (2019) researched the avoidance of uncertainty and strategic human resource management. Two of the eight hypotheses derived from cultural theories obtained empirical support when uncertainty avoidance was taken into account as a continuous moderator variable and the results showed that only the differences discovered in the workplace and leadership were due to this variable.

Shafiq and Hamza (2017) investigated the impact of training and development on uncertainty avoidance in a Malaysian private company. The purpose of this study was to look into the impact of training and development on employee performance. The questionnaire was developed using empirical literature. The respondents for this study were chosen using the convenience sampling method. The independent factors employed in this study include job enrichment, job rotation, on-the-job training, and off-the-job training. Employee performance was used as the dependent variable in this study. Alhileen & Mahdawi, (2021) identified long-term orientation and human resource management. In Long Term Orientation Societies, the past is seen to be significant. It enables individuals to understand how tackling difficulties while keeping an eye on present and upcoming encounters is possible. This aspect is centered on outlining what the community must do to keep ties to its past while addressing present issues and resolving them quickly, giving local communities with diverse aspirations priority.

Dority et al. (2019) investigated the link between masculinity and human resource management. The authors find that the masculinity factor of culture has a considerable detrimental effect on obtaining private financing. The distinction between middle-income and high-income nations also has an impact on this outcome. Interestingly, the authors find that the power distance dimension has a considerable negative impact; however, they also

find that this conclusion depends on whether a country is high- or middle-income. The authors' claims that masculinity may be capturing traditionally defined gender roles, that masculinity (as defined by the authors) differs from what power distance captures, and that the influence of masculinity is influenced by a country's economic stage are all supported by the findings in their entirety. Hong (2016) examined how the cultural rise of "big data" in recent years has pushed several occupations to shift their epistemology toward data-driven science. Despite being presented as a professional move, this article contends that the push includes gendered assumptions that disadvantage women.

The purpose of this research aims to investigate whether power distance (PD), collectivism (CO), masculinity (MA), uncertainty avoidance (UA), and long-term orientation (LTO) have significant impacts on the human resource management (HRM) of some commercial banking employees. Anitha and Nagabhushanam (2018) explained that power distance culture plays a significant role in determining human resource management practices in India. Collectivism and strategic human resource management have a good relationship. According to Jackson et al. (2019), HRM should be used in businesses that use this strategy to give employees a sense of security and promote a long-term outlook. According to Aycan et al. (2020), cultures with high power distance and fatalistic beliefs have lower performance-reward contingencies. The economic aspects of capital markets and performance measurement systems were studied by Marginson and Mcaulay (2018). To broaden the discussion, Laverty (2021) has argued for the inclusion of individual and organizational dimensions. HRM should be used in firms pursuing this strategy to provide employees with a sense of security and to encourage a long-term orientation, according to Jackson and Mathis (2019). For the study, the following hypotheses have been developed.

*H1: There is a significant impact of power distance on human resource management.*

*H2: There is a significant impact of collectivism on human resource management.*

*H3: There is a significant impact of masculinity on human resource management.*

*H4: There is a significant impact of uncertainty avoidance on human resource management.*

*H5: There is a significant impact of long-term orientation on human resource management.*

## **2. RESEARCH METHODS**

This study used descriptive and causal-comparative research designs to investigate the impact of organizational culture on human resource management in Nepalese commercial banks. By using these two research designs, the researchers were able to get a comprehensive understanding of this relationship from the casual comparative research design and descriptive research design helps to identify any trends or patterns. Thus, the study is based on 390 observations from 410 questionnaire-distributed respondents and for the sampling, a convenience sampling technique was used. The research is based on primary data. The primary data was collected via a questionnaire from 390 respondents from 24 commercial banks. The responses were collected through structured questionnaires on Hofstede's five cultural dimensions and their impact on human resource management practices in Nepalese commercial banks. The questionnaire was distributed to ascertain the employee's perception of the relationship between organizational culture and human resource management in their respective banks. This study's target population was bankers working in Nepal's commercial banks. The purpose of this study is to learn about respondents' perspectives on the relationship between organizational culture and its impact on human resource management in Nepalese commercial banks. The information was gathered from employees of 24 Nepalese commercial banks. A structured questionnaire was distributed to each sampled person online via Google Forms as well as via paper from physical meetings. People were politely asked to provide their level of agreement and disagreement in five-point Likert scale questions ranging from 1 to 5 (1 - strongly disagree to

5 - strongly agree). Many follow-ups were performed within a week of the initial delivery. The study's questionnaire is included in the appendix.

All data were collected using a questionnaire first, and then it was organized. After collecting all completed questionnaires from respondents, the data were analyzed and interpreted using the Statistical Package for Social Science (SPSS) computer software and Microsoft Excel. Total respondent responses were arranged and tabulated in the SPSS worksheet. The scheduling was done according to standard procedures, depending on the complexity of the issue, such as the Likert scale. The interpretations and findings were presented following the analysis. Thus, Cronbach's alpha is used to check the reliability of the research study.

### 3. RESULTS AND DISCUSSION

The relationship between organizational culture influence and human resource management practices in Nepalese commercial banks is investigated. Another section of the analysis attempts to assess the impact of organizational culture influence on human resource management practices in Nepalese commercial banks through regression analysis, with the dependent variable of human resource management practices and independent variables of power distance, collectivism, masculinity, uncertainty avoidance, and long-term orientation.

**Table 1**

*Results of Reliability Test (Cronbach's Alpha Coefficient)*

Variables	No. of Items	Cronbach's Alpha	Remarks
Power Distance	4	0.770	Reliable
Collectivism	4	0.747	Reliable
Masculinity	4	0.721	Reliable
Uncertainty Avoidance	4	0.716	Reliable
Long term orientation	4	0.715	Reliable
Human Resource Management	5	0.755	Reliable

Table 1 shows the Cronbach's alpha coefficient of the questionnaire asked respondents, which is above 0.7 which means the reliability of the instrument used is acceptable for further statistical analysis. These show that all constructs have acceptable internal consistency because all are above 0.7.

**Table 2**

*Correlation Coefficients*

	PD	CO	MA	UA	LTO	HRM
PD	1					
CO	0.292**	1				
MA	0.775**	0.604**	1			
UA	0.871**	0.383**	0.842**	1		
LTO	0.875**	0.455**	0.807**	0.875**	1	
HRM	0.787**	0.519**	0.852**	0.836**	0.809**	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

Table 2 shows that power distance and human resource management have a correlation coefficient of 0.787, indicating a significant and high degree of a positive relationship between these two variables. Similarly, the correlation coefficient between collectivism and human resource management is 0.519, indicating a significant and moderate degree of a positive relationship between these two variables. In the same way, the correlation coefficient between masculinity and human resource management is 0.852, indicating a significant and high degree of a positive relationship between these two variables. Likewise, the correlation coefficient between uncertainty avoidance and human

resource management is 0.836, indicating a significant and high degree of a positive relationship between these two variables. At last, long-term orientation and human resource management have a correlation coefficient of 0.809, indicating a significant and high degree of a positive relationship between these two variables. This shows that there is a direct relationship between the dependent variable human resources management practices and independent variables power distance, collectivism, masculinity, uncertainty avoidance, and long-term orientation.

**Table 3***Regression Results*

Variables	Beta	T	P value	VIF
(Constant)	0.192	1.188	0.236	
Power Distance	0.158	2.10	0.040	5.980
Collectivism	0.109	2.364	0.019	5.968
Masculinity	0.358	4.695	0.000	5.391
Uncertainty Avoidance	0.273	3.199	0.002	6.726
Long-term Orientation	0.094	1.141	0.255	6.282
R square	0.790			
F value	146.387			
P value	0.000			

Table 3 shows the R-square is 0.790 percent indicating that the independent variables such as power distance, collectivism, masculinity, uncertainty avoidance, and long-term orientation explain 79 percent of the variation in human resource management. Other factors that influence the dependent variable are F-value and P-value, which are 146.387 and 0.000, respectively, indicating that the overall model is fit. The value of VIF indicates that there is no multi-collinearity between the variables.

The regression analysis shows the impact of various independent variables such as power distance, collectivism, masculinity, uncertainty avoidance, and long-term orientation on the dependent variable human resources management. The power distance has significantly contributed to human resource management at (Beta = 0.158, t = 2.10, p = 0.040). Similarly, collectivism has also significantly influenced human resource management at (Beta = 0.109, t = 2.364, p = 0.019). In the same way, masculinity has significantly impacted human resource management at (Beta = 0.358, t = 4.695, p = 0.000). Furthermore, uncertainty avoidance has also affected human resource management at ((Beta = 0.273, t = 3.199, p = 0.002). However, long-term orientation has not influenced human resource management at (Beta = 0.094, t = 1.141, p = 0.255). The regression coefficients of independent variables such as power distance (PD), collectivism (CO), masculinity (MA), and uncertainty avoidance (UA) indicate the same direction change in human resource management (HRM), and long-term orientation does not affect human resource management.

According to research by Adhikari and Gautam (2011) and Shafiq and Hamza (2017), which focused on how cultural factors, including power distance, influence HRM practices, the conclusion that power distance has a significant impact on HRM is consistent with this finding. The study of Dimba and Obonyo (2015) and Travaglino and Abrams (2019), which covered the significance of taking cultural differences, like collectivism, into account in HRM practices across countries, also supports the significant impact of collectivism on HRM. The findings imply that masculinity significantly affects HRM. This is in line with the findings of Jackson and Mathis (2019), who highlighted how cultural aspects of gender, such as masculinity, influence HRM practices. The research by Dority et al. (2019), which focused on the significance of taking cultural differences, such as uncertainty avoidance, into account in HRM practices across countries, also supports uncertainty avoidance's significant impact on HRM.

#### 4. CONCLUSION AND IMPLICATIONS

The study's findings are discussed in a separate section followed by some conclusions and implications about organizational culture and its impact on human resource management in Nepalese commercial banks. The study also discovered that organizational culture influences the relationship between leadership behavior and job satisfaction. The research can be viewed as a first step in understanding organizational culture and its impact on human resource management in Nepalese commercial banks. The study concludes that long-term orientation has a detrimental effect on human resource management. As a result, banks that want to expand their employee retention programs and meet relational employment needs must adopt a long-term perspective. The study found that masculinity has a favorable effect on human resource management. Banks must concentrate on fostering a collaborative work environment, providing opportunities for professional advancement, and creating a trusted environment if they want to maintain flexible benefit plans, less structured interview processes, and uniform professionalism. According to the study, power distance has a favorable effect on human resource management. The banks with strict hierarchies and centralized decision-making must concentrate on effective communication, an open-door policy, and appropriate authority delegation. The study demonstrated the beneficial effects of collectivism on human resource management. This might be due to how highly Nepalese workers value group accomplishments. Trust should be fostered, and a system of group rewards should be used.

Implementation of some human resource management strategies and practices from the outside environment. The implication of this study to the management executives for the ability to conduct analyses during the hiring and selection of banking employees. The HR department analyzes employees and decides what needs to be done to increase their value to the company's bank. Commercial banks evaluate their HR capabilities after analyzing all of this research. The application of a few human resource management techniques drawn from external environments and their customs. This study only includes commercial bank respondents. The study does not include development banks, finance companies, or insurance companies. As a result, future studies can include development banks, finance companies, and insurance companies.

#### Conflict of Interest

The authors declare that there is no conflict of interest to disclose.

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