

# Human Resource Management Practices and Employee Well-being in New Ventures: An Empirical Study Based on Organizational Justice and Supervisor-Subordinate Guanxi

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## ABSTRACT

With the development of positive psychology, more and more attention has been paid to the subjective feelings of employees in new ventures, and employee well-being has also been widely concerned by scholars. This study investigated the influence of human resource management practice on employee well-being in new ventures and verified the moderating effect of supervisor-subordinate guanxi and the mediating effect of organizational justice. With a sample of 376 employees, results from regression analysis indicate that (1) Human resource management practices in new ventures are positively correlated with employee well-being. (2) Human resource management practices in new enterprises are positively correlated with organizational justice. Organizational justice is positively correlated with employee well-being. Organizational justice has a mediating effect between human resource management practices of new ventures and employee well-being. (3) Supervisor-subordinate guanxi plays a moderating role between human resource management practices and organizational justice. And then theoretical implications and practical implications were discussed.

**Keywords:** human resource management practice; employee well-being; organizational justice;

supervisor-subordinate guanxi

## 1. INTRODUCTION

New ventures mainly refer to the entities with legal personality created by entrepreneurs through the integration of resources. Generally, new ventures are enterprises established within 3 years. In recent years, China's enthusiasm for innovation is increasing, and entrepreneurial activities are rich and diverse, and the innovation and entrepreneurship economy is booming. The quality of entrepreneurial activities in China has been greatly improved, but there are also many new ventures failing.

Different from mature enterprises, new ventures have obvious characteristics such as limited resources and high dynamic (Li et al., 2020) [1], which makes the human resource management system of mature enterprises may not be suitable for new ventures. Therefore, it is urgent to explore human resource management suitable for the context of new ventures to provide support for high-quality development of new ventures.

In recent years, due to the rise of positive psychology, the study of employee well-being has received widespread attention. From the perspective of management practice, employees with a strong sense of happiness will have better performance and lower turnover intention (Wright & Cropanzano, 2004) [2]. Employee well-being can reduce

burnout, improve work efficiency, and has an important impact on the survival and development of the organization (Spreitzer & Porath, 2012) [3]. Therefore, it is of great theoretical value and practical significance to analyze how to improve the well-being of employees in new ventures from the perspective of human resource management.

Therefore, this paper starts from the perspective of human resources management to explore its impact on employees' well-being and discusses the mediating effect of organizational justice as well as the moderating role of Supervisor-Subordinate Guanxi through empirical research. Finally, this study provides some suggestions for employee management in new ventures.

## 2. THEORY AND HYPOTHESES

### 2.1. Human Resource Management practices in New Ventures and Employee Well-being

Human resource management practices are a series of independent and collaborative human resource management activities implemented within the organization, including recruitment and selection, incentive compensation, performance management,

extensive training, employee participation, job design, employment security, etc. Human resource management practices can help the organization to improve its performance by improving the ability, attitude and motivation of employees, and ultimately contribute to the realization of organizational strategy.

The purpose of this study is to explore the impact of human resource management practices on employee well-being in new ventures. Most of the previous empirical studies have proved that human resource management practice has a positive effect on employee well-being (Cao et al., 2019; Miao et al., 2020) [4] [5].

The reasons why human resource management practices in start-ups can contribute to employee well-being can be categorized into three areas. Firstly, job design, recruitment and assessment in human resources management can better promote the people-positions fit, so that employees feel the value of their own, improve the sense of accomplishment of employees, thereby improving their sense of well-being. Secondly, extensive training and other human resource management practices can promote employee skill enhancement, help individuals better adapt to their surroundings and their own work, achieve high levels of goals, and thus enhance their experience of well-being. Finally, incentive compensation, employment security, extensive training, internal promotion and other practices send the signal to employees that the organization invests in employee development and cares about employee welfare. This allows employees to experience positive work events, and ultimately has a positive impact on employee well-being. Therefore, it was predicted that:

H1: Human resource management practices in new ventures are positively correlated with employee well-being.

## ***2.2. The Moderating Role of Organizational Justice***

Organizational Justice mainly refers to the level of fairness that employees perceive in the workplace. There are three different types of organizational justice: distributive justice, procedural justice and interactional justice (Colquitt, 2001) [6]. Distributive justice, which is related to the result of resource allocation, refers to how the employees evaluate the fairness of the distribution results. Procedural justice is related to programs and processes for resource allocation. Interactive fairness is defined as the degree of fairness perceived by people in the process of interpersonal communication in an organization.

Human resource management practices in new ventures have a significant impact on employees' perception of organizational justice. Human resource management practices are essentially the allocation of organizational resources. Compensation and benefits, training, internal promotion and mobility, and employment security are the resources held by the organization, which can be effectively and purposefully distributed through human resource management. The organization uses these

resources in return for employee behavior and performance. Standardized and reasonable human resource management practices can effectively improve the organizational justice of employees. Therefore, it was predicted that:

H2: Human resource management practices in new enterprises are positively correlated with organizational justice.

Organizational Justice is an inseparable concept in the current research of employee well-being. Organizational Justice can improve employee's well-being. When employees feel a high level of organizational justice, it means that employees get more resources, trust and respect (Cropanzano et al., 2002) [7]. These experiences will make employees feel their importance in the organization, which will improve their positive psychological and emotional perception to a certain extent, and improve their well-being. On the contrary, when the perceived organizational justice of employees is low, it means that employees get fewer resources, trust and respect. Employees will feel that they have lost their dignity and sense of belonging, thus reducing their sense of happiness. Therefore, it was predicted that:

H3: Organizational justice is positively correlated with employee well-being.

As mentioned above, human resource management practices play a key role in creating the perception of organizational justice. Furthermore, when employees feel high-level organizational justice, it will stimulate their sense of organizational belonging, make them feel self-worth and improve their well-being. It can be concluded that the human resource management practice of new ventures is the source of employees' organizational justice, and employee well-being is the result of organizational justice. Therefore, it was predicted that:

H4: Organizational justice has a mediating effect between human resource management practices of new ventures and employee well-being.

## ***2.3. The Moderating Role of Supervisor-Subordinate Guanxi***

Supervisor-Subordinate Guanxi (SSG) is defined as the interest-based, emotional and status-based connection between the leader and the subordinate at a certain time, which determines the behavior expectation and psychological motivation of the two parties in the next communication (Guo & Fan, 2018) [8].

High-intensity human resource management practices are conducive to shaping high-quality superior-subordinate Guanxi. As a form of social support, superior-subordinate Guanxi can enhance the impact of human resource management practices on organizational justice.

On the one hand, high-quality superior-subordinate Guanxi can promote trust and effective communication between leaders and subordinates, so employees are more inclined to form positive attribution of human resource management, resulting in high-level organizational justice.

On the other hand, high-quality superior-subordinate Guanxi helps employees get more resources and opportunities from the practice of human resource management. Because managers often establish different allocation rules according to the degree of affinity with subordinates, the subordinates who are close to each other get more organizational resources and form high-level organizational justice. Therefore, we can conclude that the superior-subordinate Guanxi can enhance the impact of human resource management practices on organizational justice. Therefore, it was predicted that:

H5: Supervisor-Subordinate Guanxi plays a moderating role between human resource management practices and organizational justice.

### 3. METHODS

#### 3.1. Sample

An electronic questionnaire was sent out in this study. The whole process takes the anonymous form, guarantees the privacy of the person under investigation. A total of 412 questionnaires were collected, of which 376 were valid.

The sample's gender, age, education, work experience, and job grade characteristics are as follows. The proportion of male (49.5%) and female (50.5%) in the survey sample is relatively balanced. In terms of age, the respondents are mainly under 35 years old (75.2%), which is in line with the age characteristics of new venture employees. From the perspective of education level, most of them have bachelor's degree, accounting for 58.7%. In terms of working experience, 1-3 years are the majority (37.0%). From the perspective of job grade, 283 ordinary employees, accounting for 75.3%, are the main respondents. On the whole, the sample distribution is relatively balanced, in line with the characteristics of staff structure of new ventures, which can be used in this study.

#### 3.2. Measures

Human resource management practices in new ventures. It was measured by the scale including 10 items from Den

Hartog et al. (2013) [9]. The items are such as "My work and tasks give me the opportunity to learn new things." and "I have an opportunity to make decisions on work-related issues.". Cronbach's  $\alpha$  was 0.883.

Supervisor-Subordinate Guanxi (SSG). It was measured by the scale including 14 items from Guo & Fan (2018) [8]. The SSG scale is composed of four dimensions: obligation, affectiveness, favor exchange and formal exchange. Items are such as "When my boss and I have different ideas, I usually listen to him or her" and "In order to get closer to my boss, I have invited him/her to dinner or take part in leisure activities after work". Cronbach's  $\alpha$  was 0.958.

Organizational Justice. This variable was assessed by scale from Cropanzano et al. (2002) [7]. The scale consists of 15 items, which are composed of three dimensions: distributive justice, procedural justice and interactional justice. The reliability and validity of this scale have been verified by many researches in insurance, education, catering, medicine, finance and so on. Cronbach's  $\alpha$  of distributive justice, procedural justice and interactional justice were 0.901, 0.884, 0.858 in this study.

Employee Well-being. In this study, we used the 18-item scale developed by Zheng et al. (2015) [10] to measure employee well-being. The scale was developed in the Chinese context and has good reliability and validity, and the scale has been used many times in the study of employee well-being. The scale includes three dimensions: life well-being, work well-being and psychological well-being. Cronbach's  $\alpha$  was 0.941 in this study.

### 4. RESULTS

#### 4.1. Validity Analysis

In order to verify the construct validity of each variable, this study used AMOS to construct the measurement model of each variable, and tested the validity of each variable by fit index. The confirmatory factor analysis (CFA) results of each variable are shown in Table 1. Overall, the construct validity of each variable in this study was good.

**Table 1.** Result of CFA (N=376)

Variable	RMSEA	GFI	AGFI	CFI	IFI	NFI	TLI
HRM practices	0.095	0.931	0.891	0.919	0.919	0.897	0.895
SSG	0.147	0.759	0.672	0.863	0.864	0.849	0.838
distributive justice	0.076	0.975	0.942	0.984	0.984	0.977	0.974
procedural justice	0.041	0.991	0.974	0.997	0.997	0.991	0.993
interactional justice	0.05	0.995	0.974	0.997	0.997	0.994	0.991
well-being	0.078	0.888	0.858	0.912	0.913	0.88	0.901

**4.2. Correlation Analysis**

The correlation coefficients are detailed in Table 2. Human resource management practices in new ventures and employee well-being were positively correlated ( $r=0.228$ ,  $p<0.001$ ). Human resource management practices in new

ventures and organizational justice had positively correlation ( $r=0.273$ ,  $p<0.001$ ). Organizational justice showed a significant correlation with employee well-being ( $r=0.214$ ,  $p<0.001$ ). Hypothesis H1, H2, H3 are verified.

**Table 2.** Correlations (N=376)

	hrm practices	SSG	organizational justice
hrm practices	1		
SSG	.183**	1	
organizational justice	.273***	.245**	1
employee well-being	.228***	.216**	.214***

Notes: \* $p<0.05$ , \*\* $p<0.01$ , \*\*\* $p<0.001$ .

**4.3. Mediating Effect Test**

In order to test the mediating effect of organizational justice in the relationship between human resource management practice and employee well-being, a mediating test model was established. The test results are shown in Table 3. According to the principle of Baron and Kenny's test of the mediating effect, a four-step test was conducted. The first step test shows that the human resource management practice of new ventures can significantly predict employees' well-being ( $\beta=0.228$ ,  $p<0.001$ ). The second step test shows that human resource

management practice of new ventures can significantly predict organizational justice ( $\beta = 0.273$ ,  $P < 0.001$ ). The third step test shows that organizational justice can significantly predict employee well-being ( $\beta= 0.214$ ,  $P < 0.001$ ). In the fourth step, after adding the effect of organizational justice, the human resource management practice of new ventures can still significantly predict employee well-being ( $\beta= 0.184$ ,  $P < 0.001$ ), but the coefficient is lower. In this model, the mediating effect of organizational justice in the impact of human resource management practice on employee well-being is established, so H4 is supported.

**Table 3.** The mediating effect of organizational justice

	Dependent variable	Independent variable	$\beta$	F	$R^2$
M1	employee well-being	hrm practices	0.228***	20.580***	0.050
M2	organizational justice	hrm practices	0.273***	30.024***	0.072
M3	employee well-being	organizational justice	0.214***	18.036***	0.043
M4	employee well-being	organizational justice	0.164***	15.601***	0.072
		hrm practices	0.184***		

shown in Table 4. Hierarchical regression analysis showed that the interaction between human resource management practice and superior-subordinate guanxi significantly predicted organizational justice ( $\beta= 0.144$ ,  $P < 0.01$ ). The moderating effect of superior-subordinate guanxi in the impact of human resource management practice on organizational justice is established, so hypothesis H5 is verified.

**4.4. Moderating Effect Test**

First, the data are centralized by subtracting the average of the superior-subordinate guanxi, the human resource management practice of the new venture, and the interaction of the superior-subordinate guanxi and the human resource management practice of the new venture. The results of the hierarchical regression analysis are

**Table 4.** Hierarchical regression results of the moderating effect of superior-subordinate guanxi

	Independent variable	$\beta$	F	$R^2$
Model 1	Hrm practices	0.273***	30.024***	0.072
Model 2	SSG	0.202***	23.912***	0.049
Model 3	HRMP		24.853***	0.109
	SSG			
	HRMP * SSG	0.144**		

## 5. CONCLUSION AND DISCUSSION

### 5.1. Theoretical Implications

The effects of human resource management practice in new ventures on employee well-being. This study found that human resource management practices in new ventures have significant positive impact on employee well-being. H1 is supported. In new ventures, the higher the quality of human resource management practices, the greater the employee well-being. The relationship between human resource management practice and employee well-being has been the focus of domestic and foreign scholars, and the positive relationship between the two variables has been confirmed many times (Cao et al., 2019; Miao et al., 2020) [4] [5]. The conclusions in this study are consistent with those of previous studies. This study further confirms the positive correlation between human resource management practices and employee well-being, and enriches the empirical evidence.

The mediating role of organizational justice. This study finds that human resource management practices in start-ups have a positive impact on employee organizational justice (H2), and there is a positive correlation between organizational justice and employee well-being (H3). This study supports the mediating effects of organizational justice between human resource management practices and employee well-being (H4). In new ventures, human resource management practice can be used as a favorable condition in the company's competition, which can enhance employee well-being through strengthening employees' perception of organizational justice. This study expands the mechanism of the impact of human resource management practice on employee well-being, and identifies the mediating role of organizational justice.

The moderating role of supervisor-subordinate guanxi (SSG). The results support the moderating effects of the supervisor-subordinate guanxi between human resource management practices in start-ups and organizational justice. H5 was verified. When the quality of SSG is high, the impact of human resource management practice on organizational justice is stronger. SSG represents the exchange relationship between employees and superiors, while human resource management Practices reflect the exchange relationship between employees and enterprises. This study integrates the two most important exchange relationships in organizations, which is helpful to understand the formation mechanism of organizational justice.

### 5.2. Practical Implications

This study explores the impact mechanism of human resource management practices in start-ups on employee well-being, and verifies the mediating role of organizational justice and the moderating role of

supervisor-subordinate guanxi. The conclusion of this study provides effective suggestions for human resource management of new ventures.

First of all, new ventures should strengthen the design and implementation of human resource management practices. The human resource management practice can optimize the internal resources of enterprises, effectively integrate employees, improve organizational justice and employee well-being, thus contributing to the well-being of enterprises and employees. New ventures should be aware of the importance of human resource management, so as to design the content of human resource management practice pertinently, and effectively implement the practice of human resource management. Only by integrating the contents of recruitment, training, performance and incentive compensation, and using diversified management methods, can we promote the sustainable growth of new ventures.

Secondly, new ventures should pay attention to the interests of employees and strive to improve employee well-being. Enterprise managers should pay attention to the humanistic care of employees, not only to do superficial work, but to implement it to every employee, so as to improve employee well-being. Managers can improve employees' perception of organizational justice and employee well-being through tangible investment in human resource management practice, so as to make enterprises develop better.

Thirdly, new ventures should strive to improve employees' organizational justice and create a fair organizational atmosphere. As an immature organization just started, new ventures should try their best to improve the internal rules and regulations to achieve resource allocation with evidence to rely on, rather than relying on the leaders' personal subjective judgment. When the organization establishes a clear promotion mechanism, reward and punishment mechanism, and interpersonal interaction harmony, the employees will feel a high level of organizational justice, the positive energy atmosphere of the enterprise will be more intense, the happiness of employees can be significantly improved, and the employees will be more engaged in their work.

Finally, new ventures should pay attention to the guidance and construction of the relationship between the superior and the subordinate. As an important exchange relationship within an organization, supervisor-subordinate guanxi has a significant impact on the function of human resource management practices. In new ventures, due to the short time they get along with each other, there is often a lack of full understanding and communication between employees and managers. Therefore, new ventures should focus on optimizing the harmonious relationship between the superior and the subordinate. We should encourage employees to communicate with managers in work and emotion, encourage managers to give more care to employees, and understand employees' inner feelings in time. This is conducive to the construction of high-quality supervisor-subordinate guanxi, so as to enhance organizational justice and employee well-being, and promote the rapid development of new ventures.

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