Impact of High Performance Work Systems on Organizational Performance: A Case of Banking Sector of Pakistan

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ABSTRACT

Today's business organizations require increased effectiveness and competitive advantage that can be achieved through High Performance Work Systems (HPWS). This study is proved the same effect in commercial banking sector of Pakistan through a quantitative research design using random sampling technique. A valid and reliable questionnaire tool was used to analyse the data through various statistical techniques. Employees' attitude concerning organizational performance influenced via various practiced HPWS measured in organizational commitment, job satisfaction, and employee turnover intention. The study revealed that reward system and selective staff are not aligned to employee attitude. Overall the study depicts that conventional banks are incapable to adopt HPWS practices in adequate, satisfactory, worthwhile, dynamic, and advantageous way. Additionally, short courses on career planning and development could spur colossal organizational growth among conventional banks in Faisalabad, Pakistan.

KEYWORDS

Conventional Bank, Employee Attitude and Reward System, High Performance Work Systems, Organizational Commitment

1. INTRODUCTION

Over the centuries ago, human resource has been key player in organizational performance (Buckingham & Goodall, 2015; Jackson, Schuler, & Jiang, 2014). Current developments in business studies have focused the effectiveness of high performance work systems (HPWS) in organizational growth and development via putting workforce efforts with its adequate involvement, restraints and obligations (Boxall & Macky, 2009; Macky & Boxall, 2007; Posthuma, Campion, Masimova, & Campion, 2013; Takeuchi, Lepak, Wang, & Takeuchi, 2007; Way, 2002). During past three decades, many researches have documented the profound role of HPWS in organizational performance, globally. However, benefits originated from adoption of HPWS highly exogenous to firm context and yield may different outcome varying among firms (Huselid & Becker, 2017; Katzenbach & Smith, 2015). Therefore, several contingent factors influencing human resource (HR) effectiveness have been identified as; firms size, firm reputation, industrial scale, business strategy and strategies concerning

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labour deployment (Scott & Davis, 2015; Slavich, Cappetta, & Giangreco, 2014; Stirpe, Bonache, & Revilla, 2014; Takeuchi, Chen, & Lepak, 2009).

Although, explaining essence of HRM, researchers have stressed on strategic management and its impact on HRM commitment, quality and flexibility which leads to mammoth contributions to soar organizational performance (Flin & O'Connor, 2017; Legge, 1995; Sayles, 2017). Recent studies reveal HRM as an important factor in organizational performance in banking sector (Masum, Azad, & Beh, 2015; Sykes, Venkatesh, & Johnson, 2014). However, over last many decades researchers did not paid colossal attention to employees' role and its association to organizational performance in banking sector (Goleman, 2017; Purcell & Kinnie, 2007). Likewise, to pursue the adoption of HPWS and its due role in improving HRM capabilities and seeking colossal advantages in banking sector should be focused alike (Shin & Konrad, 2017).

Rather, researchers have hardly tried to connect HRM practices in individual, bundle, or system form to its performance empirically (Chang, Jia, Takeuchi, & Cai, 2014; Delery & Doty, 1996; Hammer, 2015; Huselid, 1995; Kulkarni & Ramamoorthy, 2005; Lepak, Takeuchi, & Snell, 2003). In addition, linkage between employee's role and its significance in HRM outcomes has been studied (Guest, 1997; Helmreich & Merritt, 2017), however the importance of employees role being studied for efficient human resource management deployment (Meijerink, Bandarouk, & Lepak, 2016). Therefore, there is need to further explore the linkage of 'black box' of HRM outcomes (Boselie, Dietz, & Boon, 2005; Helmreich & Merritt, 2017), in spite several studies have been conducted regarding this issue (Ahmad & Schroeder, 2003; Berg, 1999; Landy & Conte, 2016; Park, Mitsuhashi, Fey, & Björkman, 2003; Rogg, Schmidt, Shull, & Schmitt, 2001). Moreover, researchers have theoretically revised and presented various conceptual models for HRM performance (Dyer & Reeves, 1995; Nishii & Wright, 2007; Paauwe & Richardson, 1997; Purcell & Kinnie, 2007), whereas a variety of work highlights the intervention and mediating role of various factors concerning employee's performance (Chuang, Jackson, & Jiang, 2016; Pfeffer, 2014; Rothwell, Hohne, & King, 2018).

Nowadays, HPWS has replaced the role of old HRM practices by their supplementary factors as; insightfulness, clarity, and precision in describing organizational performance more rigorously (Armstrong & Taylor, 2014; Boxall & Macky, 2009; Mayne, 2017). Due to ease in understanding about the peculiar role of various HRM practices, researchers have sub-divided HRM practices into enhancement in; motivation (career development and compensation), opportunity (job and work design, and team management), and ability enhancement (skill development, trainings, recruitment and selection processes) in HR practices (Boxall & Macky, 2014; Gardner, Wright, & Moynihan, 2011; Jiang, Lepak, Hu, & Baer, 2012; Takeuchi et al., 2007). However, it is evident from empirical work of various scholars that in an organization utilization of employees' via deployment of HR practices yields to soar growth in organizational outcomes (Parmenter, 2015; Qiao, Khilji, & Wang, 2009; Van Dooren & Van de Walle, 2016).

Reviewing the literature, HPWS investigated as an instrumental tool for boosting employees' skills and aligning them into their best use (Albrecht, Bakker, Gruman, Macey, & Saks, 2015; Datta, Guthrie, & Wright, 2005). Therefore, long term sustainable organizational growth calls for identification of employees' particular skill, experience, and knowledge posed to their work (Judge, Bono, Ilies, & Gerhardt, 2002; Zohar & Polachek, 2014), thereby these skills overtime can be enhanced via adoption of various human resource development tools (Chan, Shaffer, & Snape, 2004). However, adoption of various underlying HPWS factors (selective staff, comprehensive training, reward system, performance appraisal, career planning and development, performance based pay, organizational commitment and employment security etc.) have significant relation to boost organizational performance by making the use of existing resources in productive, rational, adequate, efficient and specialized way (Chou, Chang, Cheng, & Tsai, 2007; Datta et al., 2005; Geiger & Cashen, 2007; Rayton, 2006; Rutherford, Kuratko, & Holt, 2008; Way, 2002). Hence, to fill the literature gap in use of HPWS in banking sector this study tends to explore the role of various HPWS practices and their outcomes in organizational performance among commercial (conventional) sector banks in Faisalabad, Pakistan.

In view of prior theoretical and empirical studies following hypotheses were designed to answer the proposed objectives.

- H₁: OC is positively related to SS, CT, RS, ES, PA, CP & D and PBP.
- H₂: JS is positively related to SS, CT, RS, ES, PA, CP & D and PBP.
- H₃: TOI is positively related to SS, CT, RS, ES, PA, CP & D and PBP.
- H₄: HR flexibility significantly mediates relationship between employee's attitude (EA) concerning organizational performance (OP) and HPWS.

2. THEORETICAL FRAMEWORK

Theoretical framework for this study was developed in review of several studies (Desombre, Kelliher, Macfarlane, & Ozbilgin, 2006; Ericksen & Dyer, 2005; Parker, Axtell, & Turner, 2001; Youndt & Snell, 2004).

Figure 1 and Figure 2 illustrate the research frameworks/models developed for this study.

3. RESEARCH METHODOLOGY

3.1. Research Design, Sampling and Data Collection

Quantitative research design using a five point Likert scale (Delery & Doty, 1996) was used for this study. A well-structured questionnaire was used for data collection from 100 employees² of commercial (conventional) sector banks in Faisalabad, Pakistan. Pre-testing on 20 respondents were carried out, changes incorporated to make research tool more insightful and concerned to proposed objectives. Data were collected using simple random sampling technique by distributing questionnaires among employees through visiting them at banks.

3.2. Data Analysis

For analysis of raw information into results, this study used various appropriate statistical measures. Reliability test, correlation analysis, regression analysis, multicollinearity and autocorrelation test and mediation (Sobel test) tests were used.

Figure 1. Research Framework showing HPWS impacting Employees attitude

Figure 2. Research Framework for mediating role of HR flexibility

3.2.1. Cronbach's Alpha Was Used to Examine the Validity of Data Tool Items

$$\alpha = \left(\frac{k}{k} - 1 \right) \left(1 - \sum_{i=1}^k \left(\sigma_{yi}^2 \right) / \sigma_x^2 \right)$$

Where:

k refers the number of items scale

σ_{yi}^2 refers variance associated to i^{th} item in scale

σ_x^2 refers variance associated to total observed score

3.2.2. Sobel Test Was Used to Test Mediation

Where:

Figure 3. Sobel Test

‘a’ is unstandardized coefficient between the mediator and predictor

‘Sa’ is standard error of ‘a’

‘b’ is unstandardized coefficient between the mediator and dependent variable

‘Sb’ is standard error of ‘b’

3.2.3. Regression Analysis Were Used to Test 1st Three Hypotheses

1. $OC = \beta_0 + RS_1X_1 + PA_2X_2 + ES_3X_3 + PBS_4X_4 + SS_5X_5 + CT_6X_6 + CP\&D_7X_7 + \mu_i$
2. $JS = \beta_0 + RS_1X_1 + PA_2X_2 + ES_3X_3 + PBS_4X_4 + SS_5X_5 + CT_6X_6 + CP\&D_7X_7 + \mu_i$
3. $TOI = \beta_0 + RS_1X_1 + PA_2X_2 + ES_3X_3 + PBS_4X_4 + SS_5X_5 + CT_6X_6 + CP\&D_7X_7 + \mu_i$

4. RESULTS AND DISCUSSIONS

4.1. Reliability Test

Cronbach’s Alpha was used to test the reliability of data set items (Table 1). Test value (overall) reveals that data tool items are reliable (0.811, greater than 0.750) to proceed for further statistics approaches to formulate and interpret unbiased results.

Cronbach’s Alpha was used to test the reliability of data items for individual variables (Table 2).

Table 1. Reliability Statistic (Overall)

Cronbach’s Alpha	N of Items
0.811	10

Test value reveals that all of the data tool items are reliable (greater than 0.750) for further statistical approaches and testing proposed hypotheses.

Correlation analysis was used to measure the association between study variables (Table 3). Describing the result in detail, comprehensive trainings in HPWS highly associated to selective staff. It

Table 2. Reliability Statistic (individual variables)

Sr. No.	Variables	Cronbach’s Alpha after Item Deletion
1	Selective staffing (SS)	0.828
2	Comprehensive training CT	0.810
3	Reward system (RS)	0.815
4	Employment security (ES)	0.807
5	Performance appraisal (PA)	0.791
6	Career planning and Development (CP & D)	0.775
7	Performance based pay (PBP)	0.767
8	Job security (JS)	0.774
9	Organizational commitment (OC)	0.777
10	Employee turnover intention (TOI)	0.784

depicts that a unit change result 0.787 unit change in other and vice versa. Inclusion of reward system shows its significant (positive) association to selective staff and comprehensive trainings in HPWS. It exhibits that a unit change in reward system produces 0.537 and 0.671 unit changes in selective staff, and comprehensive trainings in HPWS and vice versa, respectively. Employment security shows its correlations to selective staff, comprehensive trainings, and reward system in HPWS. A unit change in employment security causes 0.308, 0.409, and 0.423 unit changes in selective staff, comprehensive trainings, reward system and vice versa, respectively. Performance appraisal narrates its significant association to comprehensive trainings, reward system, and employment security in HPWS. It portrays a unit change in performance appraisal leads to 0.251, 0.283, and 0.388 unit changes in a comprehensive trainings, reward system, and employment security and vice versa, respectively. Career planning and development reveal its association to employment security, and performance appraisal. It explains that a unit change in career planning and development results 0.223, and 0.561 unit changes in employment security, performance appraisal and vice versa, respectively. Performance based pay shows its correlations to employment security, performance appraisal, and career planning and development. A unit change in performance-based pay yields 0.233, 0.410, and 0.663 unit changes in employment security, performance appraisal, career planning and development and vice versa, respectively. However, result shows that all of the significant associations depict their positive strong correlation between variables.

Durban Watson test was used to test the collinearity among study variables (Table 4). Variance Inflation Factor (VIF) show that there is no collinearity among study variables and data set is free (all VIF values<10) from this problem.

Regression analysis measures the dependence of organizational commitment among various HPWS practices (Table 5). Result depicts that comprehensive trainings, career planning and development, and performance-based pay as positively (significantly) related to organizational commitment. A unit change in comprehensive trainings, career planning and development, and

Table 3. Correlation analysis

Items	SS	CT	RS	ES	PA	CP & D	PBP
SS	1						
CT	0.787**	1					
RS	0.537**	0.671**	1				
ES	0.308**	0.409**	0.423**	1			
PA	0.180	0.251*	0.283**	0.388**	1		
CP & D	-0.016	0.069	0.050	0.223*	0.561**	1	
PBP	-0.160	0.014	0.090	0.233*	0.410**	0.663**	1

* **correlation are statistically significant at 1 and 5 percent probability level, respectively.

Table 4. Collinearity statistics (Durban Watson)

Variable	Tolerance	VIF	Variable	Tolerance	VIF
SS	0.345	2.900	PA	0.586	1.707
CT	0.282	3.546	CP & D	0.445	2.246
RS	0.505	1.981	PBP	0.497	2.010
ES	0.710	1.408	-	-	-

performance-based pay produces 0.446, 0.206, and 0.635 unit change (increase) in organizational commitment, respectively (Camisón & Villar-López, 2014; Friedman, 2017). In contrast, reward system shows its negative relation to organizational commitment. It reveals that each unit increase in reward system yields 0.456 unit decrease in organizational commitment. Hence, inclusion of reward system is not working adequately to enhance organizational commitment (organizational performance) in conventional banks in Pakistan.

Job satisfaction reveals its relationship (erogeneity) among various HPWS factors (Table 6). Describing results; comprehensive trainings, career planning and development, and performance-based pay are positively related to job satisfaction. A unit change in comprehensive trainings, career planning and development, and performance-based pay produces 0.480, 0.245, and 0.628 unit increases in job satisfaction, respectively (Laudon & Laudon, 2016). Contrary, selective staff, and reward system depicts their negative relation to job satisfaction. It depicts with each unit increase in selective staff, and reward system causes 0.341, and 0.345 unit decreases in job satisfaction, respectively (Love &

Table 5. Regression analysis (OC as exogenous)

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	SE	Beta		
Constant	1.570	0.505	-	3.109	0.003*
SS	-0.216	0.163	-0.153	-1.324	0.189 ^{NS}
CT	0.446	0.186	0.307	2.402	0.018*
RS	-0.456	0.157	-0.277	-2.906	0.005*
ES	-0.098	0.106	-0.074	-0.925	0.357 ^{NS}
PA	-0.050	0.098	-0.046	-0.514	0.608 ^{NS}
CP & D	0.206	0.111	0.188	1.852	0.057**
PBP	0.635	0.100	0.609	6.339	0.000*

*. **Statistically significant at 1 and 5 percent probability level, respectively.

NS stands for non-significant: R²=0.578*

Table 6. Regression analysis (JS as exogenous)

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	SE	Beta		
Constant	1.501	0.432	-	3.478	0.001
SS	-0.341	0.139	-0.252	-2.449	0.016*
CT	0.480	0.159	0.344	3.023	0.003*
RS	-0.345	0.134	-0.219	-2.572	0.012*
ES	-0.070	0.091	-0.055	-0.774	0.441 ^{NS}
PA	-0.097	0.084	-0.092	-1.160	0.249 ^{NS}
CP & D	0.245	0.095	0.233	2.579	0.011*
PBP	0.628	0.086	0.628	7.340	0.000*

*, **, and ***Statistically significant at and 5 percent probability level, respectively.

NS stands for non-significant: R²=0.665*

Table 7. Regression analysis (TOI as exogenous)

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	SE	Beta		
Constant	1.100	0.574	-	1.914	0.059
SS	-0.264	0.186	-0.185	-1.424	0.108***
CT	0.495	0.211	0.337	2.344	0.021**
RS	-0.370	0.179	-0.222	-2.070	0.041**
ES	-0.023	0.121	-0.018	-0.193	0.847 ^{NS}
PA	-0.012	0.112	-0.011	-0.109	0.913 ^{NS}
CP & D	0.090	0.126	0.081	0.710	0.479 ^{NS}
PBP	0.616	0.114	0.585	5.405	0.000*

***Statistically significant at 1 and 5 percent probability level, respectively.

NS stands for non-significant: $R^2=0.464^*$

Roper, 2015). Hence, introduction of selective staff, and reward system are not relatively related to job satisfaction (organizational performance) in conventional banks in Pakistan.

Employee's turnover intension reveals its relationship (dependency) among various HPWS factors (Table 7). Explaining results in detail; comprehensive trainings, and performance-based pay are positively related to employee's turnover intension. A unit change in comprehensive trainings and performance-based pay produces 0.495, and 0.616 unit increases in employee's turnover intension, respectively (Coad, Daunfeldt, Hölzl, Johansson, & Nightingale, 2014). Antagonistically, selective staff, and reward system represents their negative relation to employee's turnover intension. It describes with each unit increase in selective staff, and reward system causes 0.264, and 0.012 unit decreases in job satisfaction, respectively (Chadwick, Super, & Kwon, 2015). Therefore, introduction of selective staff, and reward system are not relatively related to job satisfaction (organizational performance) in conventional banks in Pakistan.

Sobel test represents (Figure 3) the results for mediator variable (HR flexibility) between various underlying HPWS practices and employees' attitude (Table 8). It describes that HR flexibility is significantly influencing employee's attitudes in organizational performance.

5. CONCLUSION

Result of the study suggests that most of the HPWS practices being used in conventional banks in Faisalabad, Pakistan are highly correlated (positively) to each other. Employees' attitude concerning organizational performance and its consequences in HPWS practices examined in organizational commitment, job satisfaction, and employees' turnover intension. However, describing results among employees' attitudinal factors as; comprehensive trainings, career planning and development and

Table 8. Mediation model

Items	Coefficients	SD	Sig.
A	0.300	0.146(Sa)	0.045*
B	0.243	0.117(Sb)	0.038*
Sobel test statistics	1.461		0.072**

*Statistically significant at 5 and 10 percent probability level.

performance-based pay represent their significant (positive) relationship to increase in employee's attitude toward work. In contrast, reward system and selective staff not significant to employees' attitude (organizational performance). Therefore, it depicts that conventional banks are incapable to adopt HPWS practices in adequate, satisfactory, worthwhile, dynamic, and advantageous way as the world is using HPWS as a key player to boost organizational performance. Besides, there is enormous room for banking sector to grow, flourish, retain and accomplish sustainable development via adoption of HPWS practices vigorously by fitting them to organizational environment and take it as key agenda by understanding, adoption, applying its prospects and working accordingly to HPWS practices could bridge rapid positive change. Further, the study recommends comprehensive trainings, short courses on career planning and development, and provision of incentives on performance as immediate solution that can spur colossal organizational growth among conventional banks in Faisalabad, Pakistan. Besides, study suggests further studies to deeply delve the role of HPWS at banking sector in Pakistan.

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ENDNOTES

- ¹ An organizational climate management strategy via introducing a mediator variable between underlying human resources management (HRM) practices and linking organizational outcomes (Ramsay, Scholarios, & Harley, 2000).
- ² The sitting of respondents included among HBL, UBL, Bank Alfalah, ABL, and MCB banks by taking 20 respondents (employees) working on various posts (cashier, public relationship officer, MTO’s, credit officer, and managers etc.) in banks presently.