

High Performance Work System (HPWS) and Organizational Performance: The Mediating Role of Employee Attitude

Zaidatul Nadiah Abu Yazid¹, Wan Kalthom Yahya², Maisarah Ishak¹ & *Nur'Ain Achim⁴

¹Faculty of Business Management, Universiti Teknologi MARA Cawangan Pahang, Pahang

²Faculty of Business Management, Universiti Teknologi MARA Cawangan Melaka, Melaka

⁴Faculty of Business Management, Universiti Teknologi MARA, Cawangan Selangor.

Abstract: High Performance Work System (HPWS) becomes highly important as a source of competitive advantage in today's business environment. Researches have indicated that HPWS able to enhance the organization and employee performance. This research extends the literature to identify the relationship between HPWS and organization performance with the mediating role of employee attitude. The mediating elements are employee empowerment and organizational commitment. The focus of the research is on the human resource practices as the components of the HPWS towards departmental performance among the public universities in Malaysia. The data collection method utilized self-administered questionnaires based upon the fundamental constructs proposed in the conceptual model. Data for this study was collected through a survey distributed randomly among the lecturers of the Business School from two Research Universities in Malaysia. Findings demonstrate that employee involvement and organizational learning inspire employees to have a positive empowerment and organizational commitment. Thus, this concluded that the mediating roles of employee empowerment and organizational commitment influence HPWS to boost organizational performance.

Keywords: high performance work system (HPWS), employee attitude, organizational performance

High Performance Work Systems (HPWS) is a system that is being implemented in an organization to enhance the employees' performance and productivity (Bashir et. al., 2012). HPWS have been defined as 'a group of separate but interconnected human resource practices designed to enhance employees' skills and effort' (Takeuchi, Lepak, Wang, & Takeuchi, 2007). New practices and new ways of work are vital for organization to achieve competitiveness as the traditional HRM practices could not meet the employees' need and irrelevant in the current globalized market anymore (Bashir et. al., 2012).

Organization competitive advantage derives from organization's tangible and intangible resources that comprise of many elements such as human resources, information, financial and technologies. Most importantly, these resources must be unique, rare, inimitable and non-substitutable (Barney, 1991, Penrose, 1959, and Wernerfelt, 1984) as to create the organization competitive advantage. Many studies have studied HPWS with variety of variables. For example,

Messersmith et. al. (2011) identify employee attitude influences HPWS towards departmental performance where the underlying connections of individual-level attitudinal factors have the potential influence towards the organizational performance. Recently, however, there is a research conducted to study the mediating role of work attitudes between HPWS and organizational performance. The study argues that HRM practices (as HPWS is the component in HRM) contribute to increased work attitudes and are positively related to organizational performance (Ko & Smith-Walter, 2013). The components of work attitudes used in the study are organizational commitment, organizational citizenship and job involvement.

Furthermore, empirical evidence to date points to mixed and inconclusive results for the associations between organizational performance, employee attitudes and HRM practices. Most of the HPWS-performance research has examined the direct relationships between HPWS and organizational performance, while neglecting how HR

outcomes (e.g. employee attitudes) mediate between HPWS practices and organization performance and the possibility of a reverse causal order and reciprocal effects. There is limited evidence for the associations between organizational performance, attitudes and HPWS. Thus, the aim of this study is to further the work of Massersmith et. al. (2011) by looking at employee attitudes as the mediator in the different component of HPWS towards the organizational performance.

LITERATURE REVIEW

High Performance Work System (HPWS)

Human capital is an important source of competitive advantage for organizations. This requires the organization attracting and retaining the right people and managing them effectively. Many researchers have examined specific organizational practices that offer competitive advantage included High-Performance Work System (McShane & Glinow, 2015; Takeuchi et al., 2007). Although there is different perspective of several authors in describing features and management practices in HPWS, the main idea of HPWS is to create an effective organization based on employee involvement, commitment and empowerment (Tomer, 2001).

Kirkman et al., (1999) identifies the components of HPWS includes self-managing work teams, employee involvement, organizational learning, integrated production technologies and total quality management. However, this study adopted only two components (employee involvement and organizational learning) as the independent variables. This is because, there are already too many research have been conducted in total quality management and self-managing work team. As for the integrated production technologies, is not the concern of this study.

Employee Involvement (EI)

Employee involvement is a vital aspect in improving organization effectiveness. It is a system that encourages the employee to use their experience and expertise and giving suggestion and information relating to the problems of their work area (McShane and Glinow, 2015). This is supported by Huang et. al (2017) who found that employees with high

feelings of satisfaction will highly involve in organization activities. They tend to share ideas and experience and they believed that each employee is involved in helping the organization meets its objectives.

Organizational Learning (OL)

McShane and Glinow (2015), sense that organizational learning is to the capability of the organization to acquire, share, use and store the knowledge to improve organization effectiveness. This process requires systematic integration of new knowledge for change and improvement in an organization. Concurrently, Starbuck (2017) views organizational learning as a process involved people that continually expand their capacity in completing their task through developing patterns of thinking. Through this development process, employees applying the knowledge for a purpose of learning and improve performance.

Employee Attitudes (EA)

Although many scholars have examined the direct relationship between HPWS and organization performance, current research provides no insight into the impacts of this relationship mediating with employee attitude. As such, there is very little evidence concerning the effects of employees' attitude toward organizational performance. Thus, it is the aim of this paper to evaluating the relationship between HPWS and organization performance mediate with employees' attitude included employee empowerment and organization.

Employee Empowerment (EE)

Employee empowerment is one of the effective strategies that lead to increase productivity in employee through fully utilizing their abilities to achieve organizational objectives (Ganji Nia, 2013). Elnaga and Imran (2014), recognize employee empowerment is a concept of giving certain responsibility in decision making related to their specific tasks. Essentially, employee empowerment will lead to more employee commitment because they feel valued and motivated to utilize their skills and competencies by accepting accountability for their work.

Sahoo and Das (2011) conclude empowerment will not only give positive impact to motivation and performance of the employees but also reduce conflict between employees and supervisor. This is due to the empowerment that usually associated with higher trust in management. Thus, employees and managers can focus on working together to create specific goals and expectations that will lead to a healthy organizational culture.

Organizational Commitment (OC)

Organizational commitment is important for organization success. Many researchers agreed that there are two main types of organizational commitment included affective and continuance commitment. Affective commitment refers to the attachment and positive feelings employees experience toward their organization that leads them to contribute and committed to their organization (Messersmith et. al, 2011). It reflects employees' identification with and feelings of loyalty towards the organization.

This is supported by McShane and Glinow (2015) who define affective commitment as an individual emotional attachment to an organization that can be measured through employees' behaviour and attitudes. On the other hand, continuance commitment is a calculative attachment to the organization that driven by the organizational culture. This occurs when individual base their commitment towards organization on things they received in return of their contribution and when leaving the company would be a financial sacrifice (Messersmith, 2011; McShane and Glinow, 2015; and Lau, 2011)

Organizational Performance

Maktabi and Khazaei (2014) define organization performance as an indicator that measures the ability of the organization in achieving their objectives. It is also referring to the efficiency and effectiveness of goal attainment that comprises the increment in profitability of the organization (Cooper-Thomas and Anderson, 2006). Subsequently, Oyemomi (2016) conclude organization performance as the ability of the organization to achieve challenging goals and a measurement of productivity through the

contribution of knowledge among organization employees.

To elaborate, performance of the organization is defined as their capability to lead to the creation of employment and wealth by business start-up, survival and sustainability (Moorty et. al, 2012). Meanwhile, Gavrea et. al (2011) highlight that the important factors in measuring organization performance is the quality and quantity of individual and group work achievement.

Relationship between HPWS and EA

McShane and Glinow (2015) define HPWS as organizational effectiveness in implementing practices as to enhance employees' capabilities such as employee involvement, job autonomy, competency development and reward for performance. However, Simmons (2011), signifies HPWS as a group of interrelated human resource practices included selectively, training, performance appraisal, and compensation that designed to increase employee performance. Through this system, employees should have better skills, high motivation and more opportunities to perform.

This is significant with Messersmith et all. (2011) study that examined the direct effect of HPWS on departmental performance among the employees and managers in service departments of local governments in Wales whereby the departmental performance is influenced by employee attitudes. The result of the study concluded that HPWS has a positive effect on departmental performance and employee attitudes that included job satisfaction, organizational commitment, and empowerment.

Relationship Between EA and OP

Historically, numerous studies in the organizational psychology performance literatures have examined the link between employee attitudes and individual-level performance (Judge et al., 2001). More recent research, however, has focused on performance outcomes at the organizational level, shifting from individual-level performance. There is robust evidence that employees' attitudes aggregated at the firm level have a positive relationship with the performance of the firm

(Harter et al., 2002; Koys, 2001; Schneider et al., 2003, Massersmith et. al., 2011).

The rationale for a link between employee attitudes and organizational-level performance is that employees with positive attitudes such as high commitment and empowerment, can impact on firm performance in two possible ways: firstly, employees with positive attitudes are more likely to work for the benefit of their firms. Secondly, their positive attitudes would lead to customer satisfaction and customer loyalty, which in turn have a positive effect on firms' profitability (Koys, 2001; Park et al., 2003).

Mediating Effect of EA between HPWS and OP

Nishii et. al., (2008) study provides support for the potential role of attitudes as a mediator in the HPWS–performance relationship. Park et al. (2003) study purports that the HRM–performance relationships are mediated by employee skills, attitudes and motivation. Therefore, employee attitudes play an important role as mediating factor to explain the relationship between HPWS and organization performance. Fundamentally, this study adopted two components of employee attitudes acting as mediating effects; organizational commitment, and employee empowerment as to investigate the mediate effect relationship between HPWS and organizational performance. Thus, based on the discussion, the study hypothesizes that:

H₁: There is a significant and positive relationship between dimensions of HPWS and dimensions of EA

H₂: There is a significant and positive relationship between dimensions of EA and OP

H₃: Dimensions EA mediates the relationship between dimensions HPWS and OP

Theory Underpinning

Resource-based view (RBV) argues that firm-level resources are heterogenous and that the difference in combinations of resources over time will lead to sustainable competitive advantage (Eisenhardt & Martin, 2000). Based on the behavioural perspective, HR systems influence firm performance by affecting the

role behaviours of human resources (Jackson, Schuler & Rivero, 1989). HR systems that are more performance oriented like HPWS are likely to be associated discretionary behaviours that proved to be beneficial for unit and organizational results (Lado & Wilson, 1994).

Likewise, social exchange theory suggests that when employees perceive their organization is providing them via a system, they are more likely to be committed to the organization and willing to exert extrarole behaviours (Massersmith et al., 2011; Masterson et al., 2000; Rupp & Cropanzano, 2002). Takeuchi et al. (2007) find that HPWS were positively related to the degree of social exchange, which in turn was related to establishment of performance. Thus, based on the discussion above, this research anticipated that components identified to be HPWS elements will have a positive relationship towards organizational performance mediated by the employee attitudes. The theoretical framework of this research is as follows.

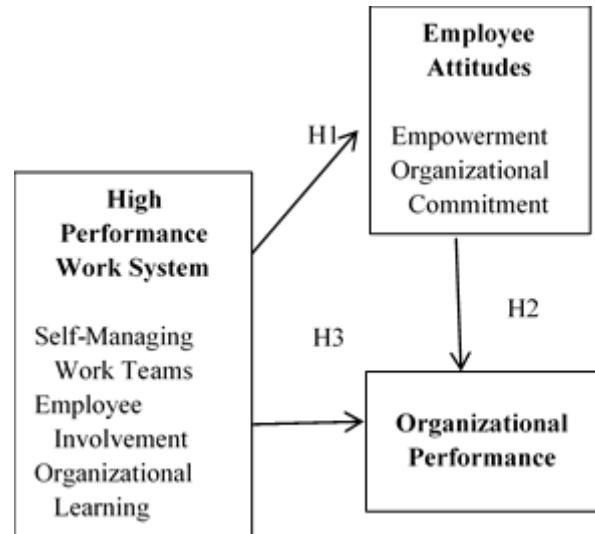


Figure 1: Proposed Theoretical Framework

RESEARCH METHODOLOGY

The data collection method utilized self-administered questionnaires based upon the fundamental constructs proposed in the conceptual model. The questionnaire was composed of three main sections. The first section consisted of two parts to examine the HPWS (EI and OL) used by Li-Yun et. al (2007) and Watkins and Marsick (1996). The HPWS dimensions consisted of EI with 4 items and OL with 18 items. The second section of

the questionnaire also comprised of two parts to examine the Employees Attitude (EE and OC) applied by Mowday et al (1979) with 15 items as well as employee empowerment with 12 items by Sprietzer (1995). All the items were developed using a seven-point Likert-scale with the descriptive phrases for the scales ranged from (7) "Strongly Agree" to (1) "Strongly Disagree". In the third section of the survey, data gathered on the respondents' demographic characteristics, including gender, age, race, marital status, academic qualification, nature of tenure, designation, job tenure and income level.

Data for this study was collected through a survey distributed randomly among the lecturers of the Business School from two Research Universities in Malaysia. From a total of 65 questionnaires distributed, 29 were returned producing a response of 44.6 % which is considered sufficiently large for statistical reliability and generalizability (Tabachnick and Fidell 1996). Procedures used to analyse the data include the Kaiser-Mayer-Olkin test (KMO), the Barlett's Test, frequency, correlations, factor analysis, and a multiple linear regression.

RESULT

The demographic profile of the respondent is represented by gender, age, race, marital status, academic qualification, nature of tenure, designation, job tenure and income level. In terms of race, the samples represent the Malay with 79.3%, Chinese with 10.3% and Indian with also 10.3%. The female respondents represent 55.2 percent of the total respondents, while male respondents represented 44.8 percent of the total population. Majority of the lecturers were from the age group of 31 – 40 years old, and 19 with Doctorate qualification.53.3 percent of the respondents had monthly incomes between RM 8,000 to RM 10,000. Majority of the respondents were married and has been a lecturer for the past 6 to 10 years.

Factor Analysis

Factor analysis, under the extraction method of principle component analysis using the varimax rotation with Kaiser Normalization was conducted to analyse the items. The exploratory factor analysis (EFA) shows that

two-factor for both of HPWS (OL with 12 items and EI with 9 items) and Employee Attitude (EE with 11 items and OC with 11 items). Only items with loadings higher than 0.50 on one factor are retained for further analysis. Thus, 6 items were deleted from 49 items all together. The entire new factors were checked for reliability: organizational learning (.951), employee involvement (.850), organizational commitment (.713) and employee empowerment (.850). In addition, Pearson correlation was employed and the result permitted the factor analysis to be analysed further and the Bartlett's Test of Sphericity was all significant at 0.00 levels, which specified inter-correlations among the variables.

Hypotheses Testing

To test all hypotheses, regression analysis was employed. The first hypothesis describes the relationship between employee involvement (EI) with employee empowerment (EE). The result indicates significantly positive relationship between: EI and EE ($\beta = .54$, t-statistic = 3.28, $p < 0.001$); OL and EE ($\beta = .28$, t-statistic = 2.66, $p < 0.01$); EI and OC ($\beta = .77$, t-statistic = 4.95, $p < .001$); and finally, OL and OC ($\beta = .54$, t-statistic = 6.24, $p < .001$). Thus, H_1 is supported. In the H_2 , the study proposed that EE might be related to OP ($\beta = .63$, t-statistic = 3.0, $p < .01$) and postulated the influence of OC on OP ($\beta = .89$, t-statistic = 6.92, $p < .001$). Hence, based on the results H_2 is supported.

In hypothesis 3, the study hypothesizes that the dimensions EA mediates the relationship between dimensions HPWS and OP. Using Baron and Kenny's (1986) procedure, the Sobel test (Sobel, 1982) was conducted to measure the indirect effect's significant level. The outcomes indicated the test statistic for $EI \rightarrow EE \rightarrow OP$ ($z = -.82$, $p = .422$) indicates a non-mediator influence but for $EI \rightarrow OC \rightarrow OP$ ($z = 2.29$, $p = .02$), $OL \rightarrow EE \rightarrow OP$ ($z = 1.22$, $p = .422$) and $OL \rightarrow OC \rightarrow OP$ ($z = 2.11$, $p = .03$) signify a mediator influence for all the three hypotheses (Table 1)

DISCUSSION

The study exemplified that employee involvement and organizational learning inspire employees to have a positive

empowerment and organizational commitment. The current study posited and found that the mediating roles of employee empowerment and organizational commitment influence of HPWS to boost organizational performance except of employee empowerment influence employee interaction on organizational performance. These findings have similarity with research conducted by Mohsin et al. (2012) suggest that there is a strong and positive relationship between HPWS and organizational commitment. However, Messersmith et al. (2011) found that there is a positive relationship between HPWS and employee empowerment. Thus, this research finding does not support the findings from Massersmith et al. (2011).

Table 1. Mediating Effects of HPWS through Employee Attitudes on Organisational Performance

Hypotheses 3a- 3d	z value	p-value	Support
Employee Interaction through			
EE to OP	-.82	.411	Not supported
OC to OP	2.29**	.02	Supported
Organizational Learning through			
EE to OP	1.22**	.22	Supported
OC to OP	2.11**	.03	Supported

IMPLICATION AND CONCLUSION

One of the major limitations of this research is the small sample size thus the findings are not generalizable. To overcome this limitation, future research should add more population as the sample of the research. Future research should include more universities and not only focusing of Research University. They could include also universities and colleges in private sectors as this institution focus highly on the high-performance work system in their organization to survive in these challenging sectors. This study demonstrated a significant effect linking the HPWS and the overall organizations performance. Also, this study proves that the employee attitudes (organizational commitment and employee empowerment) do influence HPWS to boost the performance of the organizations. Furthermore, future researchers might include different mediating variables such as environment, culture organizational

infrastructure and strategy that may influence organizational performance (Rody and Stearns, 2013). Therefore, it may not be possible to completely generalize the findings of this study.

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