

Article

Analyzing the Leading Role of High-Performance Work System towards Strategic Business Performance

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Abstract: HPWS is currently perceived as potential source of the competitive skills, capabilities and knowledge of human resources. This study aim to illustrate how high-performance work systems (HPWS) offer the foundation for strategic business performance (SBP) through the mediating function of organizational flexibility and contextualizing manufacturing firms of developing countries by providing an empirically tested framework for analyzing SBP. The current study is based on a quantitative research design. Data were gathered from manufacturing firms from the top, middle and operational management firms. SEM was used to analyze our 589 samples. Findings revealed that HPWS is the only component aiding manufacturing firms' growth. The results illustrate that HPWS will take a long time to achieve SBP if organisational flexibility does not mediate the relationship between HPWS and SBP. Utilizing actual data, this study reveals practical strategies for enhancing the mechanism of business development performance among manufacturing organizations. Furthermore, this research helps to understand the relationship between HPWS and organizational flexibility in attaining SBP.

Keywords: strategic business performance; organizational flexibility; high performance work system; manufacturing organizations



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1. Introduction

Recently, it is acknowledged that human resources are a significant potential source to improve a firm's sustainable competitiveness. This need forces an organization to develop a system proficient in facilitating the best development of its employees, and boost its competitive benefits to make linkage between HRM and strategic performance. A high-performance work system (HPWS) is a promising tool addressing the majestic challenge of a firm's success [1] and is exceptionally popular around the globe for improving competitiveness [2]. The term "flexible work practices", which describes how HPWS may help an organization become more adaptable to change, has been coined to describe the new paradigm of performance excellence that HPWS represents [3]. However, human resource literature does not elaborate on how HPWS provides the groundwork for adaptability in big organizations. The components of HPWS, selective staffing, training, employee commitment and participation, timely performance appraisal and clear job description are crucial for improving the overall organization's performance [4,5]. These components of HPWS still need to deepen understanding of how larger enterprises can perform strategically.

There is a considerable amount of literature linking HPWS to higher performance [1], productivity [6], organizational ambidexterity [7], workforce productivity [8], employee attitudes [9], organizational effectiveness, social capital [10], occupational safety [11], employees' competencies [9], employees' discretionary behavior [12], etc. However, beyond these outcomes of HPWS, detailed research is still required to show how HPWS fosters organizational flexibility to achieve strategic business performance (SBP) contextualizing larger organizations. This research provides a deeper understanding of HPWS by concentrating on the role of organizational flexibility as a mediator in the relationship between HPWS and SBP.

More incredible organizational flexibility results from HPWS deployment in larger organizations [10]. When a company is under pressure from competitors, it may be flexible and react to change by reorganizing its resources to meet market demands [12]. HPWS deployment enables such organizational flexibility [3]. Organizational flexibility encourages an enterprise's development and success and plays a significant part in elucidating SBP [13].

Organizational flexibility sets a strategic action to achieve the organization's objectives and cater the reliable basis for SBP [14]. SBP enables organizations to gain a foothold in the industry by maximizing higher market share and profitability, achieving marketing strategies and accomplishing overall strategic objectives [15]. There is hardly any evidence in the existing literature showing that organizational flexibility drives HPWS to SBP. This study closes this gap by exploring how HPWS influences organizational flexibility to foster SBP.

The research aims to develop a theoretical model showing the impact of HPWS on SBP in the presence of organizational flexibility (See Figure 1). The paper is arranged as follows. Firstly, HPWS, organizational flexibility and SBP are explored in the light of relevant literature and hypotheses development. Secondly, methods and research design are discussed. Third, the analysis and results are presented. Fourth, discussion and conclusions and theoretical and practical implications are presented. Finally, limitations and future research directions are given.

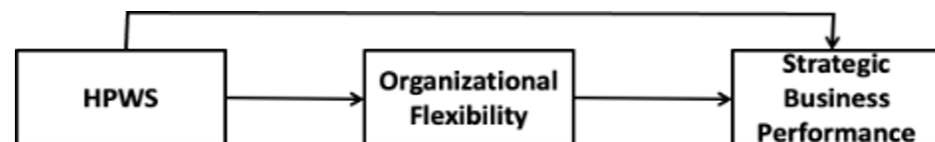


Figure 1. Theoretical Framework.

2. Research Context

2.1. High-Performance Work System (HPWS) and Strategic Business Performance (SBP)

SBP is an imperative consequence of explorative and exploitative learning, initiated with HPWS in terms of selective staffing, training, participation, performance appraisal and clear job description [16]. Selective staffing refers to finding appropriate workers with job-related knowledge, experience and expertise [1]. This process helps identify those who are well matched with the organization and have values similar to what other employees hold [17]. HPWS create knowledge, improves employee discretionary efforts through motivating and empowering them and operates in accordance with organizational structures to confirm SBP [13]. Such new experienced individuals foster heterogeneous but employee's related knowledge, skills and specialties required for enhancing long-term prosperity or sustainability in performance [18].

HPWS practices are integrated and coherent for achieving desired organizational performance through positive employee responses [13]. The study employs the concise framework of [4] a summary of five leading HPWS practices, i.e., selective staffing, training, participation, performance appraisal and clear job description. Training is improving one's knowledge and cognitive abilities through implementing improvements in practical pedagogy by studying sciences and technology [19]. A high-performance work system

has recently emerged [1] and is labelled as high-involvement practices [2] and high commitment practices [18]. It creates a higher involvement and higher commitment of the organization's organizational system by creating such HR practices, which enables a high level of strategic performance [20]. SBP performance measures how well a company performs and how it stacks up against its main rivals in critical aspects, including entering a new market, building up its reputation and brand recognition, and responding to threats posed by competitors [21]. HPWS motivates workers to complete their tasks strategically; empowered employees can focus on their tasks and sense greater self-competence during decision-making, influencing SBP [22]. Larger enterprises which implement HPWS make their organizations more meaningful and may perform strategically by searching talented pool of human capital, offering career developments via training, putting forward their participation for improved skills, encouraging employees via timely appraisals and controlling operational mechanisms through offering clear job description [5,23]. SBP may be achievable if firms have robust merchandising, distribution and marketing strategies [16].

Furthermore, there is a difference between performance and SBP as strategic performance measures using modern indicators, methods, and concepts, and the idea of SBP is beyond average performance [24]. Organizations following such standardized HR practices (HPWS) can achieve the targets of SBP [14]. Therefore, it is argued that each component of HPWS determines the basis for larger enterprises to perform strategically. Our discussion leads to the following hypothesis:

H1: *The high-performance work system is positively associated with strategic business performance.*

2.2. High-Performance Work System (HPWS) and Organizational Flexibility

HPWS, in term of selective staffing, introduces new knowledge and experience into the organization, which shape a flexible infrastructure in both organization's strategies and structures [3]. The capability to manage and modify internal operations is called organizational flexibility [5]. As the newcomers share their experiences and success stories with existing employees and remove all the hurdles of organizational rigidity for establishing organizational flexibility [25]. Organizational flexibility is a powerful ability to modify, respond and adjust more incredible job strategies as necessary [13]. Training, a significant component of HPWS, is crucial to organizational flexibility because it initiates novelty and advancement in existing techniques [20]. These improved procedures and processes help determine the basis of an organization's flexibility [26]. In addition, flexible organizations have fewer restrictions on how they might seek support for their HR practices. HPWS, in terms of participation and employees' involvement in the decision-making process, encourages flexible strategies and removes hurdles of strict procedures [3]. Decentralization allows employees to participate in decisions and other operational mechanisms, which set directions for organizational flexibility. In the case of more prominent companies, we argue that HPWS significantly impacts organizational flexibility [25]. Another primary dimension of HPWS is performance appraisal, essential in developing flexible organizations because performance appraisals promote deserving employees and encourage flexible organizational structures [17]. Based on these arguments, we propose that all the dimensions of HPWS, i.e., selective staffing, training, participation and performance appraisal, positively influence organizational flexibility, and developed the following hypothesis:

H2: *A high-performance work system is positively associated with organizational flexibility.*

2.3. Organizational Adaptability and Strategical Business Outcomes

Flexible structures and strategies provide a tactical orientation for a method to bring about a change for the better [27]. This modification enables the company to meet its long-term goals and guarantee SBP [28]. Organizational flexibility boosts business competitiveness into a cutting-edge paradigm, which results in superior strategic performance [29]. To achieve SBP, flexible operations are more critical than inflexible operational mecha-

nisms [30]. When reacting to large rivals, organizational flexibility brings about significant changes, which aid an organization in carrying out tactical activities for forming SBP [5].

Moreover, organizational adaptability allows for the necessary modifications to advance knowledge and skill to accomplish strategic goals [25,31]. Additionally, businesses with a flexible character can handle uncertainty and function strategically [31]. We contend that more organizational flexibility may help more significant enterprises run more effectively and efficiently to achieve SBP [3]. As a result, we suggest the following:

H3: *Strategic business effectiveness is positively related to an organization's adaptability.*

2.4. Organizational Adaptability Has a Mediating Function between HPWS-SBP

HPWS shapes organizational flexibility, a mechanism to transform strategies and structures for achieving sustainability in overall performance [10]. Even though several academics have acknowledged the positive relationship between organizational flexibility and effectiveness [25], the literature scarcely has any data demonstrating how adaptability plays a mediating role in the influence of HPWS on SBP. HPWS, in terms of selective staffing, enhances organizational flexibility through particular practices for increasing strategic business performance, e.g., [32] acknowledging that the involvement of existing team members in the selection process allows them to choose their future colleagues to enhance a flexible and collaborative infrastructure for achieving SBP. Larger enterprises focus on HPWS to set strategic directions through their adaptable aptitude [22].

Furthermore, implementing HPWS in larger organizations enhances an organization's ability to engage and empower employees to focus on less hierarchical structures by generating flexibility [14]. Such organizational flexibility helps to develop and maintain competitiveness by capturing key opportunities for achieving SBP [13]. The relationship between HPWS (selective staffing, training, participation, performance appraisal, clear job description) and SBP is mediated by organizational flexibility.

The selective staffing process introduces newcomers with advanced knowledge, capabilities and experience in related jobs with different personalities or interpersonal skills. Such a mix-up of newly individual staff and older ones leads an organization toward strategic business performance and flexibility [31].

Training emphasizes employees' mindset to motivate them to perform their tasks more flexibly (i.e., extra hours of work, teamwork etc.), which initiates overall organizational flexibility for superior strategic performance [32]. Training educates and fosters employees' experiences and career development by improving existing potential and skills, which enhances overall organizational flexibility for achieving SBP [33].

The participation process allows employees to participate in decision-making, which is crucial to organizational flexibility for improved strategic business performance [34]. Therefore, HPWS, in terms of participation, fosters organizational flexibility through synergies and results in high SBP [3].

Performance appraisal counterbalances the employees' working attitude by appreciating their efforts and highlighting their mistakes [35]. Such checks and balances on employees' performance creates a flexible environment by offering a strategic option for their career planning [25]. Thus, HPWS, in term of performance appraisals, encourages organizational flexibility and ensures SBP [28].

A clear job description improves employees' performance by understanding their work requirements and provides the basis for a flexible attitude [36]. Such clarity about their organizational work makes them more adaptable to serving strategically [27]. Based on the above mentioned literature, we proposed that HPWS, in terms of selective staffing, training, participation, performance appraisal and clear job description, positively influences organizational flexibility, which turns into strategic business performance. Organizational flexibility works as a bridge between HPWS and SBP. Hence, we formulated the following hypothesis.

H4: *The mediation between HPWS and SBP can be seen through the lens of organizational adaptability.*

3. Methodology

3.1. Data and Empirical Analysis

This study used a quantitative research design and random sampling technique. Data were collected through questionnaires as a survey tool within time-lagged (multiple rounds, 90 days spaced) from 583 managers at 76 Pakistani enterprises in the industrial and service sectors. Among the companies listed on the Pakistan Stock Exchange, 80 were chosen randomly. In 76 businesses, access was controlled by connections on a personal and professional level. These firms belonged to different industries, such as marketing, textile manufacturing, insurance, banking, health and electronics. Initially, 2000 senior managers—human resource managers (general manager human resources), the heads of different divisions and other senior managers involved in strategic decisions of the respective firms—were identified and contacted. A total of 1362 senior managers consented to participate in the three data collection rounds. They were given sealed return envelopes containing the confidentiality pledge, the survey questions and an information page outlining the main concepts and study goals.

Before distributing the questionnaire, this study questionnaire was checked by five experts, researchers and three members of academia to measure the reliability and validity of constructs. In the first phase, information was gathered on HPWS about age, sexuality, employment history and level of education. In the third and final phase, we gathered information regarding the mediator (organizational flexibility) and the result (strategic business performance). Within the 1st, 2nd and 3rd waves of data collection, we obtained 732, 669 and 621 replies, respectively. After eliminating invalid and missing values, we were left with 589 viable responses to employ in our tests of the predicted correlations. SPSS 25.0 and AMOS 25.0 were used for statistical analysis, namely structural equation modelling (SEM).

The sample had 408 men (70%) and 175 females (30%). When asked about their level of education, we found that 88% of respondents had a master's degree and 12% held a bachelor's degree. Respondents had an average age and employment history of 51.93 and 19.65 years, respectively. Participants came from a wide variety of backgrounds and occupations. The generalization of our results was improved by collecting data from a wide range of participants [37].

Further, a time-lagged design was used to lessen the variability in commonly used methods [11]. Herman's one-factor analysis was also computed to check the data for systematic variation [33]. A single component explained 23.24% of the total variation. (A number that is far below the threshold of 50%; hence, we can conclude that common technique bias is not a potential issue in our data.)

3.2. Variables and Measures

All factors were scored using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

3.2.1. HPWS

To quantify HPWS, we used a 16-item scale based on research by [6]. CFI = 0.95, IFI = 0.95, RMSEA = 0.05, TLI = 0.94, GFI = 0.93 and $\chi^2(99) = 260.97$ indicated a good match.

3.2.2. Organizational Flexibility

Organizational adaptability was assessed using a scale of eight items from [37]. We obtained the following values for the fit indices: RMSEA = 0.05, CFI = 0.95, IFI = 0.95, TLI = 0.96, GFI = 0.95, and $\chi^2(121) = 313.32$.

3.2.3. Strategic Business Performance

The 17-item scale used to assess SBP was developed based on previous research by [14]. The results of the fit indices were as follows: CFI = 0.96, IFI = 0.96, RMSEA = 0.05, TLI = 0.95, GFI = 0.94, and $\chi^2(116) = 337.19$.

4. Results

4.1. Non-Independence of the Data

Participants in the present research were recruited from 62 companies, so we had to check for any signs of data manipulation. Therefore, the intraclass correlation coefficient (ICC) (1) was determined for strategic business success. By using the [38] approach, we decided that there was no evidence of non-independence in our data since the ICC (1) value was 0.01 (ns).

4.2. Means and Correlations

Table 1 shows the results of correlations.

Table 1. Displays mean and correlation values.

Construct	Means	SD	1	2	3	4	5
1. HPWS	3.51	0.87					
2. Organizational flexibility	3.01	1.14	0.22 **				
3. Strategic business performance	2.89	0.88	0.16 **	0.34 **			
4. Gender	1.30	0.46	−0.01	−0.04	−0.05		
5. Age	51.93	4.58	−0.03	−0.08	0.01	0.04	
6. Work experience	19.65	2.94	−0.03	−0.03	0.01	−0.02	0.67 **

Note: ** = significant $p < 0.001$.

4.3. Measurement Model

Our evaluation methodology included measures of increased work systems, organizational flexibility and strategic business success. The measurement model was assessed using confirmatory factor analysis. Each item had a substantial loading on the targeted build. There was a high level of engagement between the measurement model and the data, as shown by the fit indices: $\chi^2(768) = 1399.91$, $2/df = 1.82$, $RMSEA = 0.04$, $CFI = 0.95$, $IFI = 0.95$, $TLI = 0.94$, $GFI = 0.90$.

The convergent and discriminant validity of the scales was analyzed by calculating the maximum shared variance (MSV), the average shared variance (ASV) and the average variance extracted (AVE). Based on the data shown in Table 2, it is clear that AVE is higher than 0.50, ASV is lower than MSV, and MSV and ASV are lower than AVE. The correlations between the several measures of interest were also lower than the square root of the AVE values (bolded values on the diagonal of Table 2). For that reason, the measures had above-average convergent validity and discriminant validity. Furthermore, the scales' internal consistency was also high, with a Cronbach's alpha (α) > 0.70 indicating this (Table 2).

Table 2. Convergent and discriminant validity, as well as reliability.

Construct	1	2	3	4	α	AVE	MSV	ASV
1. HPWS	0.82				0.95	0.68	0.06	0.04
2. Organizational flexibility	0.25	0.71			0.87	0.51	0.16	0.11
3. Strategic business performance	0.17	0.40	0.78		0.95	0.61	0.16	0.09

4.4. Structural Model—Direct and Mediation Results

This structural model was evaluated in three stages. In the first structural model, we looked at whether or not there was a direct correlation between high-performance work style (HPWS) and strategic performance. A strategic business performance correlated positively with HPWS ($\beta = 0.18$, $p < 0.001$). An excellent match between the data and the structural model was shown by the fit indices ($\chi^2(486) = 999.04$, $2/df = 2.05$, $RMSEA = 0.05$, $CFI = 0.94$, $IFI = 0.94$, and $TLI = 0.94$, $GFI = 0.90$). As a result, H1 was confirmed.

Organizational adaptability moderated HPWS and strategic business success in Model 2. Structural model 2 has a good fit with the data, as measured by the fit indices $\chi^2(768) = 1399.91$,

$2/df = 1.82$, $RMSEA = 0.04$, $CFI = 0.95$, $IFI = 0.95$, and $TLI = 0.94$, $GFI = 0.90$; this suggests that organizational flexibility plays a crucial role as a mediator of the relationship between HPWS and strategic business performance.

Finally, we employed bootstrapping with a sample size of 2000 to evaluate the importance of organizational flexibility in mediating the link between HPWS and strategic business success. Table 3 displays the bootstrapping findings.

Table 3. Measures of plausibility, including confidence intervals of 95% and direct and indirect impacts.

Parameter	β	LL	UP
Standardized direct effects			
HPWS→Strategic business performance	0.08	−0.02	0.19
HPWS→Organizational flexibility	0.26 *	0.16	0.34
Organizational Flexibility→Strategic business performance	0.38 *	0.22	0.51
Standardized indirect effects			
HPWS→Organizational flexibility→Strategic business performance	0.10 *	0.06	0.15

Note: * = significant $p < 0.001$.

Table 3 shows a non-negligible positive correlation between HPWS and organizational flexibility ($=0.26$, 95% CI > 0). It follows that H2 is correct. Similarly, strategic business success was positively related to organizational adaptability ($=0.38$, 95% CI > 0). We may then conclude that H3 is correct. Importantly, HPWS was shown to have a positive indirect association with strategic business success ($=0.10$, 95% confidence interval did not overlap with zero) via organizational flexibility. Furthermore, the direct association between HPWS and strategic business performance became minor once the mediator (organizational flexibility) was included. This means that H4 is correct as well. That is to say, flexibility in the workplace is a necessary but not sufficient condition for the beneficial association between HPWS and strategic business success.

5. Discussion

This study's most crucial challenge was contributing significantly to the research on HPWS, organizational flexibility and SBP. This article proposed a model for the larger counterpart to implement HPWS for achieving the targets of SBP. To accomplish these objectives, four hypotheses were developed. H1 of this study proposed that HPWS can determine the strategic performance of larger companies. The concept of SBP differs from the mere version, i.e., short-term wins, and depends on numerous factors. Results proved that HR is a significant element for determining strategic performance, and it is a tricky goal, and organizations should think more broadly about HPWS to create knowledge, improve employee discretionary efforts through motivating and empowering them, and operate in accordance with organizational structures to confirm SBP [13]. Such new experienced individuals foster heterogeneous results, but employee's related knowledge, skills and specialties are required for enhancing long-term prosperity or sustainability in performance [18]. Researchers in HR strongly recommend HPWS for building solid foundations for long-run organizational performance, i.e., SBP. Our results proved that HPWS predicts SBP.

H2 proposed that HPWS predicts organizational flexibility. Based on the real-world experiences of HR professionals, our findings demonstrated that HPWS, in terms of selective hiring, training, participation, performance review, and defined roles and responsibilities, moves a company toward adaptability. HPWS allows for a more adaptable approach to organizational strategy and structure. Results support the previous studies that HPWS, in term of selective staffing, introduces new knowledge and experience into the organization, which shape a flexible infrastructure in both organizations' strategies and structures [3]. The capability to manage and modify internal operations is called organizational flexibility [5]. The third hypothesis of this research was that adaptability in the workplace correlates favorably with SBP. This study's outcomes are congruent with prior literature findings

that organizational flexibility boosts business competitiveness in a cutting-edge paradigm, which results in superior strategic performance [29]. To achieve SBP, flexible operations are more critical than inflexible operational mechanisms [30]. When reacting to large rivals, organizational flexibility brings about significant changes, which aid an organization in carrying out tactical activities for forming SBP [5]. The findings corroborated the connection between the two, showing that SBP is founded on businesses' agility to adjust swiftly to new circumstances.

The final hypothesis of this research is that HPWS and SBP are related to organizational flexibility. Even though HPWS has a beneficial direct effect on SBP, manufacturing firms can only be confident of their ability to successfully implement and sustain this strategy if there is some degree of organizational flexibility between them. Findings are consistent with prior research that HPWS shapes organizational flexibility, a mechanism to transform design and structures for achieving sustainability in overall performance [10]. Several academics have acknowledged the positive relationship between organizational flexibility and effectiveness [25]. Furthermore, implementing HPWS in larger organizations enhances an organization's ability to engage and empower employees and focus on less hierarchical structures via generating flexibility [14]. Such organizational flexibility helps to develop and maintain competitiveness by capturing key opportunities for achieving SBP [13]. In other words, the data support our hypothesis and demonstrate that HPWS helps organizations become more adaptable, which is necessary for attaining SBP.

5.1. Implication for Theory and Practice

There were several ways in which this research aided management theory and practice. This first SBP model illustrates the interplay between high-performance work systems (HPWS), organizational adaptability and SBP in service and industrial organizations.

This research contributes to the existing body of knowledge by illuminating the significance of HPWS and demonstrating how its incorporation into practice helps lead to peak performance. Previous HR studies on HPWS had only looked at its effects on company performance [4,39]. Therefore, the current study filled in some gaps in that research. The phrase "Standards of Business Performance" (SBP) is more all-encompassing than just "financial", "market share", "competitive advantage", or "gaining a footing in the industry," etc. In doing so, the authors have built on the work of others who have shown that factors outside HPWS are essential in determining SBP (See the work of [5,7,40]). Medical professionals pursuing SBP should think about the significance of HPWS. Second, this research expands the existing body of knowledge by introducing the mediating role of organizational flexibility in the connection between HPWS and SBP. This is a new framework for HR researchers to un-taping an essential aspect of the HPWS outcome that previous researchers have skipped. This contribution is pertinent for management in practice because HPWS is a bundle of HR practices that can set directions for SBP. However, organizational flexibility perfectly matches the link between HPWS–SBP through enhancing firm planning and controlling mechanisms. HR managers should concentrate on corrections in hierarchal structure and firms' strategies accordingly for a positive HPWS effect on SBP.

This study also has limitations; data have been collected from Pakistan, a developing nation. Next, research may be conducted in developed countries with the same framework. This is cross-sectional data, and questionnaires were used for data collection. Subsequent analysis might be possible through a longitudinal research design based on episodic interviewing.

5.2. Limitations and Future Directions

Despite valuable contributions, this study has several limitations that provide direction for future studies. Firstly, this study used a quantitative research design and random sampling technique. We suggest that in future research, the qualitative, cross-sectional or longitudinal research design is used for data collection to understand findings better. Secondly, this study is conducted on Pakistan's industrial and service sectors. In the future,

we recommend that other studies investigate this empirical model's findings on SMEs, tourism and other industries in developing or developed nations. Thirdly, this research provides a better understanding of how HPWS leads to firm-level outcomes, i.e., strategic performance. In upcoming studies, we suggest that researchers must incorporate constructs at the level of the individual and relationships among individuals similar to variables used in this study, such as organizational flexibility. Finally, this research suggests that future studies should investigate the moderation role of technological constructs between HPWS and SBP.

6. Conclusions

This study provides an improved understanding of the association between HPWS and organizational outcomes such as SBP, which is complicated by the need to deliberate multiple levels of the analysis. HPWS are typically implemented at the corporate level, assuming their impacts will also be felt at the organizational level (e.g., flexibility or strategic performance). This model contends that HPWS are effective in dynamic settings requiring knowledge resources. The alternative implication of knowledge workers supports organizational flexibility to consider more unique and valuable practices than others not directly involved with the strategic core. As such, dynamic environments and reliance on knowledge management may represent boundary conditions to the proposed framework.

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