

EXTENDED ABSTRACT

IMPACT OF HIGH PERFORMANCE WORK SYSTEM ON JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT: EVIDENCE FROM MICROFINANCE COMPANY

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Abstract

The concept of High-Performance Work System (HPWS) has attracted the attention of researchers due to its possible benefits in organizations. HPWS involves a set of interconnected human resource practices which are designed to promote employees' satisfaction, commitment, productivity and other work behaviours. The objective of the current study is to identify the influence of HPWS on employees' job satisfaction and organizational commitment in a microfinance company in Colombo. A sample of 90 staff working in the company was selected for the study using simple random sampling method. The study is explanatory and a cross sectional survey method was employed. Data were analyzed using SPSS and regression analysis was performed to test the hypotheses of the study. The results revealed that HPWS positively influences the job satisfaction and organizational commitment. The study gives an insight that the firms that look for higher employee satisfaction and commitment among the employees should focus on HPWS and should take action to invest in HPWS. Future studies may consider longitudinal study to find the association among the constructs. Further, future research could be extended to the other microfinance institutions in Sri Lanka.

Keywords: High performance work system, job satisfaction, organizational commitment

1. Introduction

Microfinance institutions are operating with the aim of improving the living standards of people who are living at the bottom of the social-economic pyramid, and contributing to create a poverty free society. Studying the effect of HPWS on employee attitude would give an insight for the company to promote the quality service through HPWS. Nowadays, an organization can achieve competitive advantage in marketplace through highly committed and satisfied employees. HPWS is implemented in organizations to improve the employee performance and productivity (Bashir, Jianqiao, Ghazanfar, & Abrar, 2012). According to Bashir et al (2012), the traditional HR practices would not meet the employees' needs and that they are inappropriate in the modern globalized environment.

HPWS represents a set of dimensions which include employee selection, training & development, performance evaluation and compensation, etc. The three fundamental elements of HPWS comprises a group of different dimensions. Review of literature shows that many researches were conducted

regarding the effect of HPWS on employees' performance and overall organization's performance (Appelbaum, Bailey, Berg, & Kalleberg, 2000; Boxall, Ang & Bartram, 2011). Wickramasinghe and Gamage (2011) suggested that there is a need for more research to understand the influence of HPWS in Sri Lanka and to recognize the effectiveness of HPWS as limited number of studies were carried out on this aspect in the Sri Lankan context.

2. Objective

In the competitive environment, organizations strive to achieve their goals by managing the human resources effectively. The HPWS could benefit in retaining employees through motivating and satisfying them. At the same time, HPWS trigger negative behaviour of employees by creating job complexities which could result in increased stress and thereby intention to leave the organization. Therefore, identifying the effect of HPWS on employee outcomes in the Sri Lankan context is the focus of the current study. The main objective of this study is to identify the impact of HPWS on employees' job satisfaction and organizational commitment.

3. Research Problem

Even though HPWS assure to produce relatively better behavioural outcomes among employees than those produced by individual HR practices in isolation (Hayton, Piperopoulos & Wellborne, 2011). Despite there are many researches on the effect of HPWS on employee outcomes, many unanswered questions remain in the field. The current study pays attention on the association between HPWS and its effects on employee satisfaction and commitment. The research question of the study was formulated as follows. Does HPWS influence employees' job satisfaction and organizational commitment

4. Review of Literature

4.1 High Performance Work System (HPWS)

HPWS aims to boost employees' abilities, to motivate them and to enhance their commitment and performance and thereby organization performance (Huselid, 1995; Lepak, Liao, Chung, & Harden, 2006). HPWS includes extensive recruitment and selection, widespread training, development-oriented performance appraisal, fair compensation, flexible job design and consultative decision making. These components have been included in the previous researches (for example, Sun, Aryee and Law, 2007; Jiang, 2013). The rationale Behind the HPWS research is that the synergy effect of HPWS is stronger than the sum of its individual dimensions (Subramony, 2009; Aryee, Walumbwa, Seidu, & Otaye, 2012). Earlier, HPWS researches focused at the organization level and rated by top level managers (Chang et al., 2014). Nowadays, researchers focus the employee perceived HPWS as the organizations' HR practices can influence the attitudes and behaviours of employees only when the employees perceive and understand the practices (Boon & Kalshoven, 2014). However, there could be mismatch between HPWS rated by managers and the HPWS perceived by employees.

4.2 Job Satisfaction

Locke (1976) defines job satisfaction as a pleasurable emotional condition as a result of appraisal of a person's job or experience. It is an outcome of employee's perception of how will the jobs provide the things which he/ she views as important (Luthans, 1989). Job satisfaction refers to the positive or pleasurable feeling of a person on the job. It acts as a motivation among employees to exert high effort in their job. Job satisfaction is related to the affiliation between the employees and the employer regarding the job for which they are paid. It is a feeling of fulfillment of the need of employees in the job. According to Schultz (1982), job satisfaction is the psychological disposition of employees toward their job.

4.3 Organizational Commitment

Robins (1993) defines that organizational commitment is a state in which employees identify with their organization and its goals and wish to continue membership in the organization. According to Meyer and Allen (1991), there are three components of commitment to organization namely affective, continuance and normative commitment. Affective commitment is defined as the employees' positive emotional connection with the organization. An Individual with continuance commitment commits to the organization because he/she perceives high costs of leaving the organization. Individuals with normative commitment feel obliged to the organization and believe they ought to stay in the organization. The most of the definitions of organizational commitment consider commitment as a psychological state that describes employees' relationship with their organization and a tendency to continue the relationship with the organization. By identifying the determinants of organizational commitment, an organization will be able to foster a work environment with highly committed employees. In the current study, HPWS are examined to confirm to what extent they influence commitment.

4.4 Empirical evidence

Many researchers have reported that HPWS are associated with employee outcomes such as job performance, innovation and creativity (e.g. Jiang, Takeuchi, & Lepak, 2013; Chang et al., 2014; Costantini, Sartori, & Ceschi, 2017), higher job satisfaction and organizational commitment (Messersmith, Patel, & Lepak, 2011; Korff, Biemann, & Voelpel, 2017), organizational citizenship behaviour (Kehoe & Wright, 2013) and lower employee turnover (Sun, Aryee & Law, 2007; Huselid, 1995; Jiang et al., 2012). Dayarathna, Dowling and Bartram (2019) found that HPWS leads to positive outcomes on organizational effectiveness.

Earlier studies demonstrate that HR practices are significantly connected with job satisfaction of employees (Harley, 2002; Macky & Boxall, 2007, Guest, 2002). Through elements of HPWS, organizations will better fit employees to jobs and this fit can enhance job satisfaction. Qiao, Khilji and Wang (2009) surveyed 1176 samples from six manufacturing organizations in China and found that HPWS is associated with organizational commitment. Through a survey of 80 engineers from 25 companies, García-Chas, Neira-Fontela and Varela-Neira (2016) found that the HPWS strongly influence job satisfaction among engineers. Liu, Ye and Guo (2016) found that HPWS have positive correlation with employees' job satisfaction. They identified six dimensions of HPWS namely developing training system, employee involvement, strict recruitment and selection, sound performance management, information sharing in time and clear job design. According to Liu et al (2016), all of these six dimensions significantly and positively influence job satisfaction. Surveying 782 employees in Chinese manufacturing and service sector organizations, Huang, Ma and Meng (2018) reported positive relationship between HPWS and job satisfaction.

To identify the effect of HPWS on individual outcomes, researchers (Takeuchi et al., 2007; Kehoe & Collins, 2017) focus on social exchange theory. If an organization offers HPWS to employees, they will reciprocate by promoting organizational commitment and job satisfaction (Korff et al., 2017; Kehoe & Wright, 2013; Macky & Boxall, 2007). This implies that HPWS could result in win-win outcomes for employer and employees. HPWS are assumed to express that employer are genuinely supportive to their employees (Alfes, Shantz, Truss, & Soane, 2019). There is a need for investigating the nexus between the phenomenon in the Sri Lankan culture where the cultural dimensions differ considerably from the western culture.

5. Methodology

The current study is explanatory in nature. A cross sectional survey method was employed to investigate the association between the variables. Based on the literature review, the following

hypotheses were formulated. H1: HPWS positively influence employees' job satisfaction H2: HPWS positively influence employees' organizational commitment

Research sample was selected from a microfinance Head Office and its six branches operating in Colombo. A total of 867 staffs working in the company out of which 15% of the employees were selected as sample using random sampling method. The total of 130 questionnaires was issued among selected employees and only 90 were returned constituting a response rate of 69%.

HPWS was measured adopting the HWPS Questionnaire (adopted from Bailey et al., 2001 and Guest, 1999). We drew the relevant items from both authors' measures and developed the instrument consisting of 14 items. Job Satisfaction was measured using Job Satisfaction Questionnaire developed by Mowday et al (1979). Organizational commitment was measured using Organizational Commitment Questionnaire (OCQ), originally developed by Mowday, Strees and Porter (1979).

6. Analysis

The SPSS 20.0 was used to analyze the data. Initially, correlation analysis was performed to identify the nature of relationship between the study variables. Subsequently, regression analysis was performed to find the impact of HPWS on employee job satisfaction and organizational commitment.

6.1 Reliability

Table 1. Reliability statistics

Variables	Cronbach's Alpha	No. of items
HPWS	.775	14
Job Satisfaction	.789	16
Organizational Commitment	.765	9

Source: Survey data, 2020

The Table 1 represents the details of reliability of the study variables. It could be observed that all of the alpha value is more than the requirement of 0.7 (Nunnally, 1978) and thus the analysis could be performed.

6.2 Sample profile

The demographical variables of respondent's are tabulated in Table 3. According to the table, the sample consisted of 61% males (N=55) and 39% females (N=35). Among the samples, high percentage of the samples (40%) are in the age group of 31-40 years whereas very less percent (15%) are in the age group 51 and above. Experience-wise distribution of samples shows that 36% of the samples are from below 5 years' experience and 31% are from 6-10 years' experience whereas very less percentage are with 16-20 years' experience (9%) as well as above 20' years' experience (6%). In case of marital status, 68% of the employees are married.

6.3 Mean and correlations

As depicted in Table 2, the mean value of HPWS is 3.988 (std. deviation 0.443). Participants reported mean score of job satisfaction is 4.013 (std. deviation 0.419) whereas the mean value of organizational commitment is 4.288 (std. deviation 0.470). According to the results shown in Table 2, the correlation between HPWS and Job satisfaction 0.635 and it is significant at 0.01 level. Therefore, there is a positive association between HPWS and job satisfaction. The correlation between HPWS and organizational commitment is 0.658 and it is significant at 0.01 level. Therefore, there is a positive association between HPWS and organizational commitment.

Table 2. Mean and correlations

Variables	Mean	Std.dev.	1	2	3
1. HPWS	3.988	0.443	-	-	-
2. Job Satisfaction	4.013	0.419	.635**	-	-
3. Organizational Commitment	4.288	0.470	.658**	.213**	-

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

Source: Survey data 2020

6.4 Regression

The Table 3 and Table 4 show the regression results for the influence of HPWS on job satisfaction.

Table 3. Regression results for HPWS and Job Satisfaction

Model	R	R ²	Adjusted R ²	Adjusted R ²
1	0.635	0.404	0.397	0.32555

Source: Survey data, 2020

Table 4. Regression coefficient for HPWS and job Satisfaction

Model	Unstandardized Coefficients		standardized Coefficients	t	Sig	ANOVA	
	B	Std.Error	Beta			F	Sig.
(constant)	1.618	.312		5.183	.000	67.317	.000
(HPWS)	.601	.078	.635	7.721	.000		

Dependent_variable: Job satisfaction

Source: Survey data, 2020

As depicted in Table 4, R square value is 0.404 which means 40.4% of the variation in job satisfaction is accounted for the variation in the value of HPWS.

According to the Table 4, HPWS positively influence employees' job satisfaction (B=0.601, p=.000). The ANOVA results also depict significant results (F-sig.= .000). From the results, the hypothesis H1: 'HPWS have a positive influence on employees' job satisfaction' is supported.

The results of regression reported in Table 4-a, show that the R square value is 0.42 which means 42% of the variation in organizational commitment is accounted for the variation in the value of HPWS. As can be seen in Table 4-b, HPWS positively influence organizational commitment of employees (B=0.698, p=.000). The ANOVA results also show significant results (F=67.3, p= .000). From the results, the hypothesis H2: 'HPWS have a positive influence on employees' organizational commitment' is supported.

From the results, it is clear that HPWS has an impact on employees' attitudinal dimensions named job satisfaction and organizational commitment.

The present study examined the effect of HPWS on the employee attitudinal dimensions: job satisfaction and organizational commitment. The results indicated that HPWS significantly and positively influences job satisfaction. The finding is in line with the previous researches (e.g. Liu et al., 2016; Korff, Biemann, & Voelpel, 2017). When employees get benefits from the HPWS of the organizations, they tend to reciprocate with their positive behaviours and demonstrate job satisfaction. HPWS could result in win-win outcomes for employers and employees. Therefore, the positive effect of HPWS on job satisfaction is rationalized.

Table 5. Regression results for HPWS and Job Satisfaction

Model	R	R ²	Adjusted R ²	Adjusted R ²
1	0.648	0.420	0.413	0.35593

Source: Survey data, 2020

Table 6. Regression coefficient for HPWS and organizational commitment

Model	Unstandardized Coefficients		standardized Coefficients	t	Sig.	ANOVA	
	B	Std.Error	Beta			F	Sig.
(constant)	1.505	.341		4.409	.000	67.317	.000
(HPWS)	.698	.085	.658	8.205	.000		

Dependent Variable: Commitment

Source: Survey data, 2020

In the current study, the results show that HPWS significantly and positively influence organizational commitment. The finding also is concurrent with the reported studies (Messersmith, Patel & Lepak, 2011; Korff, Biemann, & Voelpel, 2017). The reason for the positive effect of HPWS on organizational commitment also could be rationalized in a similar way as for the HPWS–job satisfaction relationship.

7. Conclusion and suggestions for future research

HPWS can provide many benefits to the organizations and employees. The present study revealed that HPWS will lead to more satisfied and committed employees. For organizations which seek to reduce the employee turnover, the results of the current study are eloquent: increased investment on HPWS would improve job satisfaction and organizational commitment among the employees. Therefore, the firms that look for higher employee satisfaction and commitment among the employees should focus on HPWS and should take action to invest in HPWS. Through higher level of employee satisfaction and commitment, organizations can gain many advantages such as customer satisfaction, service quality, improved employee performance, employee retention and so on.

In the current study, HPWS was investigated as a predictor of job satisfaction and commitment. These variables can be influenced by many other factors such as rewards, working condition, leadership, organizational culture and so on. Future researchers may consider these factors as predictors of satisfaction and organizational commitment. In addition, the current study covered Microfinance Company in Colombo District and thus it would be better to cover other private sector as well as state owned organizations.

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