

Role of High-Performance Work Systems in Employees' Performance and Turnover Intentions in a Mediation Framework of Psychological Contract Breach

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This study addresses the debate in the literature of strategic human resource management (SHRM) about the causality of high-performance work systems on employee outcomes, like performance and turnover intentions, and the potential dark side of high-performance work systems (HPWS). SHRM theories, including the resource-based view and social exchange theory, have explained the causality aspect but there appears to be lack of concrete empirical evidence. This study offers a more complex framework by investigating the role of HPWS in employees' performance and turnover intentions with the mediation of a psychological contract breach (PCB). Data were collected via questionnaire using stratified sampling, and after developing the strata, simple random sampling was performed. Data were subsequently analysed in SPSS and AMOS. Findings of the study suggest that HPWS significantly predicted employees' performance. There was significant negative relationship between HPWS and turnover intentions. Moreover, HPWS did not predict PCB as the relationship was insignificant. PCB had an insignificant relationship with employees' performance. Moreover, PCB predicted significant negative relationship with turnover intentions. This study offers significant findings and suggestions for bankers and theorists regarding SHRM and HPWS.

Key words: *Strategic human resource management, Resource-based view, Human resource practices, Turnover*



Introduction

Strategic human resource management has captured the attention of researchers over recent years. There is a continuing debate about definitions of strategic HRM, but as yet there hasn't been a single universal definition. Individuals have different definitions in mind concerning strategic HRM, yet somehow linking it to investment in human capital for achieving competitive advantage (Li, Frenkel & Sanders, 2011). The literature of SHRM has been dominated by three theories; Resource Based View (RBV), Human Capital Theory (HCT) and Social Exchange Theory (SET), with RBV by far the most frequently used framework, followed by HCT and SET, respectively (Jiang, & Messersmith, 2018). Organisations invest in human capital as part of SHRM to reap its impact on employees' outcomes to increase productivity, ultimately leading to enhanced performance and a competitive edge (Becker & Huselid, 2006; Nguyena, 2020). Other researchers strengthen this argument, stating that SHRM is a reasonably old field but given its contributions regarding the clarity of different critical aspects in human resource management, it stands out to be an area of ultimate interest for researchers (Karman, 2020). Hence there appears to be a bright future in research for this field. Martin-Tapia, Aragon-Correa, and Guthrie (2009) are of the view that SHRM has enhanced organisations' decision-making capacity. Yet there are still black spaces in the field of SHRM. As Wright and Ulrich (2017) in their review of SHRM literature report, there is still ambiguity as to whether to utilise a whole set of HRM practices or different sub-sets in varying contexts. Therefore, Becker and Huselid (2006) urge for the need to extend SHRM theory by equipping it with more insightful investigations which could guide it towards the implementation of effective practices.

Similarly, turnover intention is considered critical for employees' and organisational performance, as it poses a challenge for organisations to lose their employees (Chaichi, Dahlia, Yuhani & Leong, 2020). Turnover intention, although it does not refer to actual turnover, is considered an antecedent to it (Steel & Ovalle, 1984). Employers would eagerly want to retain their top performing employees, hence they invest in their human capital by introducing high performance work systems with high involvement and growth opportunities, to reduce the risk of turnover. Garcia-Chas, Neira-Fontela, and Castro-Casal (2014) investigated HPWS and turnover intentions in 19 different organisations, concluding that HPWS had negative relationship with turnover intentions. Similarly, there is adequate support for HPWS being a factor discouraging turnover intentions in employees (Kloutsiniotis & Mihail, 2017; Jensen et al, 2013; Macky & Boxall, 2007; Huselid, 1995). However, there also exists criticism toward HPWS as being a cause for enhancing turnover intentions, among other negative attitudes (Godard, 2001; Guest, 2002). Rahman, Naqvi and Ramay (2008) conducted a study on IT professionals in Asian countries and conclude that managerial staff exhibited higher turnover intentions than non-managerial staff. Despite existing evidence, organisations – in particular the banking sector where jobs are more stressful with high workloads, long hours and tough deadlines – employees exhibit higher turnover intentions (Khan, 2014). The banking sector in

Pakistan is facing issues of managerial employees' turnover, losing top performers when there is a scarcity of talent in the market (Hassan, Akram & Naz, 2012).

The literature suggests that various studies have explored and examined employee performance, organisational performance and turnover intentions in connection with HPWS. This is because HPWS are referred to as a bunch of HR practices that are supposed to elicit elevated knowledge, skills and motivation in personnel (Kintana, Alonso & Olaverri, 2006; Chang & Chen, 2011). Following an RBV framework, Way (2002) proposes that introducing HPWS into an organisation is to spend on human resources to improve the firm's performance. More precisely, Wu, Hoque, Bacon and Llusar (2015) suggest that HPWS could contribute towards a firm's pre-eminence in terms of performance, operations and systematic affairs, developing a more employee-centered approach while increasing employee knowledge, skills and motivation. These initiatives could nurture personnel outcomes while inducing a sense of recognition in employees and loyalty towards the organisation (Appelbaum & Batt, 2014). However, some parts of the literature also discuss the dark side of HPWS. Supporters of the dark side phenomenon argue that HPWS achieves higher performance standards at the cost of employees' well-being (Godard, 2001). Moreover, it is evident from the literature that existing empirical evidence is not sufficient to link HRM investments to outcomes like performance, which is often referred to as a HRM-performance black box (Huselid, 1995).

To bridge the gap in the literature of SHRM, there is a need to explore the behavioural factors pertaining to employees. Psychological contract theory explains employee behavioural patterns in a more dynamic manner by shedding light on employee perceptions of the employment relationship (Rousseau, 1989, 1995; Robinson & Morrison, 2000), and employees' discretionary privilege (Combs, Liu, Hall, & Ketchen, 2006). Despite the strong literature support, HPWS are still not frequently introduced, specifically in the context of Pakistan.

Exploring key mediating variables may provide more concrete empirical evidence to gauge the dilemmas of the dark side of HPWS and HRM-performance black box. The current study intends to meet this gap by using PCB as a mediator. This study attempts to answer the research question of the role of high-performance work systems in employees' performance and turnover intentions, using psychological contract breach as a mediator.

Theoretical Background and Hypotheses Development

Recent research inquiries have focused on investigating HRM-Performance 'black box' and the role of potential mediators to address this relationship. But HPWS are not taken apart and examined one by one; rather they work in a bunch through an interconnected network. Such a network of interconnected practices that increase a group's and/or firm's performance is known as High Performance Work Systems (Jiang & Liu, 2015). Such a cluster of practices induce knowledge, skills, satisfaction, loyalty and motivation in employees (Shih, Chiang & Hsu,

2006). This study defines HPWS as an integrated cluster of effectively interconnected human resource practices that gives competitive advantage by improving individual and organisational outcomes.

There is a clear agreement among researchers that HPWS must enable the workforce to develop capacities, for example, knowledge, skills, commitment and decision making (Delery & Doty, 1996). Unfortunately, there is limited support in theories for clustering HPWS (Bowen & Ostroff, 2004), and so managers find it hard to incorporate HPWS to develop effective systems which would be fruitful in devising strategies (Murphy, 2006). Empirical outcomes in the literature propose that a unified cluster would be more fruitful than isolated practices (Ogbonnaya, Daniels, Connolly & Veldhoven, 2017).

Over time researchers have taken various clusters of HPWS for developing models. Huselid (1995) introduced thirteen dimensions of HPWS, which led to further research and have experienced modifications since then. Delery and Doty (1996) proposed seven practices as part of their HPWS's model and termed it "best practices". Becker and Huselid (1998) proposed a more concise form of Huselid's (1995) thirteen high performance practices by reducing them to four comprehensive practices. Similarly, different researchers have built their studies on different theories linking HPWS to organisational and employees' outcomes. This current study builds on the most frequently used RBV framework, which states that organisational human capital must be invested in for the betterment of the organisation.

HPWS and Employees' Performance

Performance consists of two dimensions; "will do" and "can do". The "will do" indicates employee's skill, knowledge and ability according to job whereas "can do" refers to the motivation with which employees strives for better performance (Jamal, 2007). Individuals perform better on tasks if they are timely guided and their progress is acknowledged. The sense of accomplishment enhances the task proficiency of individuals (Niemivirta & Tapola, 2007). HPWS develop employees' knowledge, skills and abilities, and provide capacity building opportunities, empowerment and rewards for performance, which motivate the employees. For example, empirical evidence suggests that employee training is positively associated with employees' performance (Huselid & Becker, 2011; Shin & Konrad, 2017). Provision of higher rewards is also a compensation that motivates employees to perform better for the organisation. HPWS enhance employees' skills and knowledge, which are difficult to imitate for competitors (Huselid, 1995; Shin & Konrad, 2017). Subsequently, improved knowledge and skills are supposed to lead to improved performance of employees with more efficiency and effectiveness (Boxall & Macky, 2009). However, this is not always the case; employees with knowledge and skills may not perform at their full potential because of the discretion they have to utilise their potential (Combs, Liu, Hall, & Ketchen, 2006). HPWS use motivation practices to induce positive attitudes in employees to perform well for the organisation (Huselid & Becker, 2011). HPWS like training, compensation, empowerment and flexible work schedules

motivate employees to strive for better performance as a norm of reciprocity (Combs et al, 2006). Hence this study proposes that:

H₁: HPWS will have a positive significant effect on employees' performance.

HPWS and Turnover Intentions

Turnover intentions refer to employees' negative attitudes towards their current organisation which are precursors of desires to leaving the organisation. Turnover intentions have been investigated in previous studies both at the individual level as well as the organisational level (Guthrie, 2001; Huselid, 1995). The empirical evidence supports the notion that HPWS are negatively associated with turnover intentions, meaning that HPWS discourage any turnover intentions (Shaw, Dineen, Fang & Vellella, 2009; Way, 2002). However, given the black box of HPWS and performance outcomes/work attitudes, there exists a need to explore certain important mediators, to better address the black box issue and identify the link between HPWS and performance outcomes/work attitudes like turnover intentions (Jensen, Patel, & Messersmith, 2013).

Employees' turnover intention is defined as the inclination of an employee to quit the job with the current employer and move on to some other employer (Tett & Meyer, 1993; Pandey & Kwon, 2012). Although turnover intention and actual turnover are two different phenomena (Kehoe & Wright, 2013), they are not at opposite ends of the continuum. Rather, turnover intention is one of the prime factors leading to actual turnover (Steel & Ovalle, 1984). Empirical evidence in the literature establishes the link between HPWS and employees' behavioural outcomes, including turnover intentions (Lee, & Bang, 2012). However, there exists a debate in the literature over potential negative impact of HPWS on employees' behaviours like turnover intentions (Jensen et al, 2013). The researchers who believe in the dark side of HPWS argue that HPWS are wolves in sheep's clothing (Godard, 2001), claiming that they achieve high performance standards and competitive advantage for the organisation at the expense of employees' wellbeing (Guest, 2002). However, there also exists support for HPWS in the literature that these practices overcome negative behavioural outcomes if properly implemented (Kloutsiniotis & Mihail, 2017; Jensen et al, 2013; Macky & Boxall, 2018; Huselid, 1995).

Research studies consider HPWS as increasing employees' control over jobs, autonomy and participation while providing more challenging and satisfying jobs with scope for career development (Huselid, 1995). Hence this study proposes that:

H₂: HPWS have a negative significant effect on employees' turnover intentions.

PCB as a Mediator

Human resource management research in recent decades has experienced a lot of inquiries about HRM-performance linkage (Boxall, 2018; Guest, 2011; Delery, & Doty, 1996; Huselid, 1995), but there is a lack of empirical evidence to support this relationship (Karadas & Karatepe 2019). This dilemma is known as the Black Box of HRM, which raises several questions over the objectivity of HRM research (Becker & Huselid, 2006). To address this issue, several studies have been conducted, such as those by Van Rhee and Dul (2018), Messersmith, Patel, Lepak and Gould-Williams (2011), and Becker and Huselid (2006). Previous studies suggest that there is a need to conduct more rigorous studies and to investigate potential mediators to further explore this linkage (Messersmith et al, 2011; Boxall, Ang & Bartram, 2011; Gardner, Moynihan, Park, & Wright, 2001; Chowhan, 2016). Several mediators have so far been investigated, including job satisfaction, organisational commitment, organisational support and procedural justice, among others in different studies (Biswas & Bhatnagar, 2013; Loi, Hang-Yue, & Foley, 2006). The psychological contract however covers all these variables as it shapes employees' behaviours and attitudes leading to performance. Exploring this variable may result in a better explanation of the phenomena (Robinson & Morrison, 1995). High performance work systems are linked with psychological contract since they are supposed to provide employees with the opportunities of self-development, career development and rewards, which are the pillars of psychological contract (Rousseau, 1995). Similarly, the employer expects the employee to perform well in response to such positive initiatives. This agreement for a reciprocal relationship between the employer and employee is termed a psychological contract (Rousseau, 1989).

A psychological contract is a set of psychologically agreed terms of give and take between the employer and employee (Beardwell & Claydon, 2007). This contract is laid on the foundation of the reciprocal approach between the employer and employee with regards to agreed duties and desires from each other (Sarintinos, 2008). 'Breach' and 'Violation' are often used interchangeably with psychological contract, but they are different in meaning (Robinson & Morrison, 2000). Breach is referred to in a case when an employee feels that the promise is not fulfilled on part of the employer, subsequently violation of the contract goes a step further and refers to negative attitudes accompanied with the perceptions of unmet promises and expectations (Robinson & Morrison, 1995). So, it can be inferred that a series of contract breaches ultimately lead to violation of the contract which is a more serious phase. Both breach and violation lead to negative outcomes with regards to employee-employer relationship.

In the era of the competitive business environment, huge strategic changes occur; these require organisations to adapt to them via efficient and effective human resource management practices, targeted at shaping employees' behaviour (Rousseau & Wade-Benzoni, 1994). Although, workers' behaviours are experience alterations with respect to their understanding about their organisation's HR practices (Maguire, 2002). HPWS' impact on performance is

rather vaguely explained in various studies. Huselid, (1996) for instance, suggests that some of the benefit of using HPWS is that it will contribute to employees' performance. Similarly, Becker et al (2006) concede that there is lack of evidence of such practices leading to enhanced performance, pointing back to the black box dilemma. HPWS strengthen the psychological contract as they portray good intentions on part of the employer and create a perpetual relationship through consistent messages (Bowen & Ostroff, 2004), which employees perceive as ongoing investments (Zhu, Zhou & Kong, 2013). HPWS overcome the loopholes of individual HR practices by sending consistent messages to employees, thus creating a positive psychological contract, which is considered to lead to enhanced performance (Robinson & Rousseau, 1994). Therefore, this study proposes the following hypotheses:

- H₃: HPWS will have a negative significant effect on employees' PCB.
- H₄: PCB will have a negative significant effect on employees' performance.
- H₅: PCB will have a positive significant effect on employees' turnover intentions.
- H₆: PCB will mediate the relationship between HPWS and employees' performance.
- H₇: PCB will mediate the relationship between HPWS employees' turnover intentions.

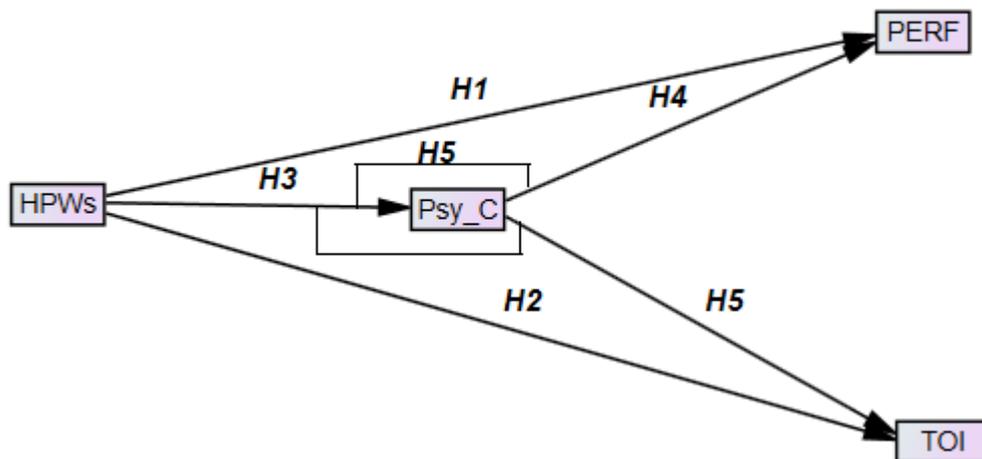


Figure 1: Theoretical framework

Methodology

To empirically test the study framework, data were collected from managers and executives of selected banks via structured questionnaire. After pilot testing, the questionnaires were sent through emails to some banks, and personally administered in others, followed by fully-fledged data collection.

Sampling and Procedure

The target population of the study were managers working in branches of the five largest banks operating in Khyber Pakhtunkhwa province of Pakistan. The study used a stratified sampling technique by dividing the population into two strata: managerial staff and non-managerial staff. The sample was further stratified into two additional strata: branch managers and operation managers. Data were collected from these respondents by applying simple random sampling technique. Data were collected from 350 respondents working in five of the largest banks in KP province: Habib Bank Limited, National Bank of Pakistan, United Bank Limited, Allied Bank Limited and Muslim Commercial Bank. A total number of 500 questionnaires were distributed among the employees, out of which only 350 usable questionnaires were returned. This means that the response rate was 70 percent, which is in line with the norm of academic research (Baruch & Holtom, 2008).

The demographic statistics of the respondents suggest that the majority of them were male (79.7%). Similarly, most of the respondents fall in the range of 25-35 years (73% 25-35, 20% 36-45%, 7% 46 & above). Moreover, a majority of the respondents hold a master's qualification (70% masters and 30% bachelors), whereas most of the respondents possess 1-10 years of experience (1-5 = 45%, 6-10 = 43%, 11 & above = 12%). Tables 1 and 2 present the bank-wise sampling of participants.

Table 1

Bank wise sampling

| S. No. | Bank Name | No. of Domestic Branches in Pakistan | Questionnaires sent | Questionnaires returned |
|--------|-----------|--------------------------------------|---------------------|-------------------------|
| 1 | NBP | 1504 | 100 | 92 |
| 2 | HBL | 1700 | 100 | 86 |
| 3 | UBL | 1400 | 100 | 55 |
| 4 | ABL | 1250 | 100 | 59 |
| 5 | MCB | 1100 | 100 | 58 |

Table 2

Bank wise sampling (detailed)

| S. No. | Bank Name | Regions | Region-wise Branches | Total Branches | Managers | Questionnaires Sent | Questionnaires returned |
|--------|-----------|-----------|----------------------|----------------|----------|---------------------|-------------------------|
| 1 | NBP | Peshawar | 44 | 244 | 488 | 100 | 92 |
| | | Mardan | 41 | | | | |
| | | Bannu | 44 | | | | |
| | | Manshra | 28 | | | | |
| | | Swat | 34 | | | | |
| 2 | HBL | Peshawar | 107 | 213 | 426 | 100 | 86 |
| | | Mardan | 106 | | | | |
| 3 | UBL | Peshawar | 91 | 160 | 320 | 100 | 55 |
| | | Mardan | 69 | | | | |
| 4 | ABL | N/A | 143 | 143 | 286 | 100 | 59 |
| 5 | MCB | Kohat | 23 | 127 | 254 | 100 | 58 |
| | | Peshawar | 40 | | | | |
| | | Mardan | 21 | | | | |
| | | Abbotabad | 24 | | | | |
| | | Swat | 19 | | | | |

Measures

The survey included questions about four variables; high performance work systems, PCB, employees' performance and turnover intentions. These variables were measured using 45 items on a five-point Likert scale ranging from 1 as strongly disagree to 5 as strongly disagree. The value of KMO and Bartlett's test for sampling adequacy of .89 and the eigenvalues of more than one (1) for all the four factors indicated strong statistical power (Kaiser, 1960). The Cronbach's alpha values were above the threshold of .70 for all the four constructs, indicating good scale reliability. The items with their respective factor loadings are presented in Table 3. Subsequently, these items were used in further analysis after being verified through confirmatory factor analysis.

Table 3

Results of factor analysis on the construct items

| Cronbach's alpha | .923 | .915 | .897 | .915 |
|---|------|------|------|------|
| High Performance Work Systems (HPWS) | | | | |
| HPSS1 | .617 | | | |
| HPSS2 | .596 | | | |
| HPSS3 | .546 | | | |
| HPSS4 | .565 | | | |
| HPET5 | .674 | | | |
| HPET6 | .666 | | | |
| HPET7 | .686 | | | |
| HPET8 | .610 | | | |
| HPIM9 | .496 | | | |
| HPIM12 | .643 | | | |
| HPCJ16 | .545 | | | |
| HPCJ17 | .678 | | | |
| HPCJ18 | .627 | | | |
| HPRO19 | .737 | | | |
| HPRO20 | .643 | | | |
| HPRO21 | .620 | | | |
| HPIR22 | .620 | | | |
| HPIR23 | .648 | | | |
| HPP24 | .559 | | | |
| HPP25 | .641 | | | |
| HPP26 | .720 | | | |
| PCB (PC) | | | | |
| PC1 | | .809 | | |
| PC2 | | .825 | | |
| PC3 | | .779 | | |
| PC4 | | .698 | | |
| PC5 | | .727 | | |
| PC6 | | .688 | | |
| PC7 | | .756 | | |
| PC8 | | .797 | | |
| PC9 | | .832 | | |
| Employees' Performance (PERF) | | | | |
| PERF1 | | | .814 | |
| PERF2 | | | .788 | |
| PERF3 | | | .830 | |
| PERF4 | | | .796 | |
| PERF5 | | | .759 | |

| | |
|---------------------------|------|
| PERF6 | .862 |
| Turnover Intentions (TOI) | |
| TOI1 | .894 |
| TOI2 | .905 |
| TOI3 | .898 |

Extraction Method: Principal Component Analysis.

Rotation Method: Promax with Kaiser Normalisation (Kaiser-Meyer-Olkin Measure = .890)
(N = 350)

Measuring High Performance Work Systems

A combined pool of 27 items was used to measure high performance work systems, adopted from Sun et al. (2007). Sample items for HPWS were: “Great effort is taken to select the right person”; “Individuals in this job are allowed to make decisions”, and; “There are formal training programs to teach new hires the skills they need to perform their job”. Three items were reverse coded. Twenty-one (21) items were retained after Exploratory Factor Analysis (EFA). Cronbach’s alpha for the overall measure was 0.92.

Measuring PCB

A combined pool of nine (9) items was used to measure PCB, adopted from Robinson and Morrison (2000). Sample items were: “I feel betrayed by my organisation”, and; “So far my employer has done an excellent job of fulfilling its promises to me” (reversed). There were three reverse coded items among the total number of items. Cronbach’s alpha for the overall measure was 0.91.

Measuring Employees’ Performance

A combined pool of seven (7) items was used to measure Employees’ Performance, adopted from Suazo (2009). Sample items were: “Level of satisfaction has increased”; “Employee effectiveness has increased”, and; “Employee participation has increased”. There were two reverse coded items among the given set of seven items. Six (6) items were retained after EFA. Cronbach’s alpha for the overall measure was 0.89.

Measuring Turnover Intentions

A combined pool of three (3) items was used to measure turnover intentions adopted from Yücel (2012). Sample items were: “I intend to leave the organisation”, and; “I often think about quitting”. Cronbach’s alpha for the construct was 0.91.

Analysis

EFA was used to assess the construct validity using Promax with Kaiser Normalisation. Items with low or cross loadings were deleted, whereas those with loadings of .40 and above were retained for high convergent validity. Discriminant validity was assessed by comparing variance extracted and inter-factor correlations. Correlation loadings of below .85 indicate good measure of discriminant validity for the constructs (Kline, 2005).

To avoid the prospect of common method bias (CMB), confirmatory factor analysis and common latent factor test were used. The four-factor test was compared to the single common latent factor test. The variance explained by four factor solution was 43 percent, whereas for CLF the variance explained was 18 percent, which was below the threshold of 50 percent (Eichhorn, 2014). CFA suggests that the common latent factor did not fit the data well, Chi-square=1053.558, $p=.000$, GFI=.87, AGFI=.85, RMR=.078, NFI=.88. Hence four factor solution was accepted, $p=.000$, GFI=.96, CFI=.95, RMR=.06, RMSEA=.40. Composite reliability was assessed with CFA, where all the loadings were above .70.

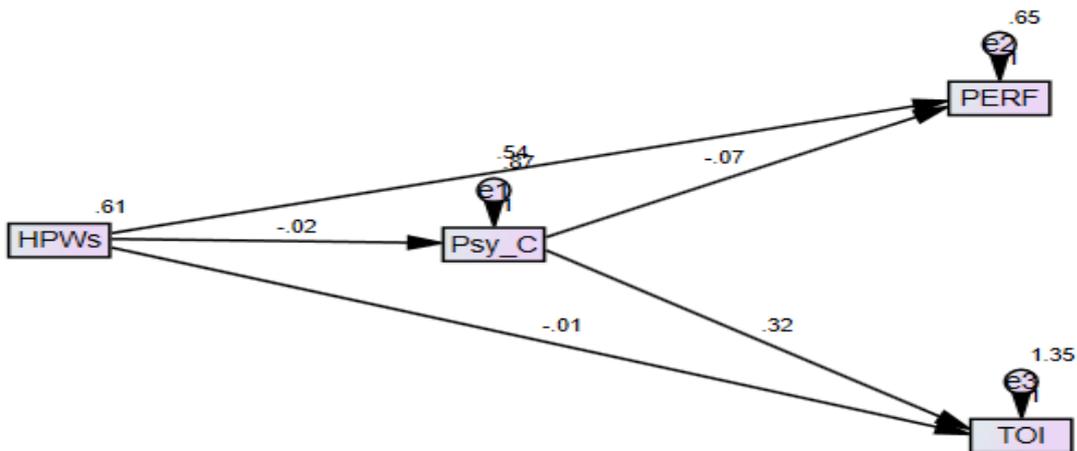


Figure 2: SEM output diagram

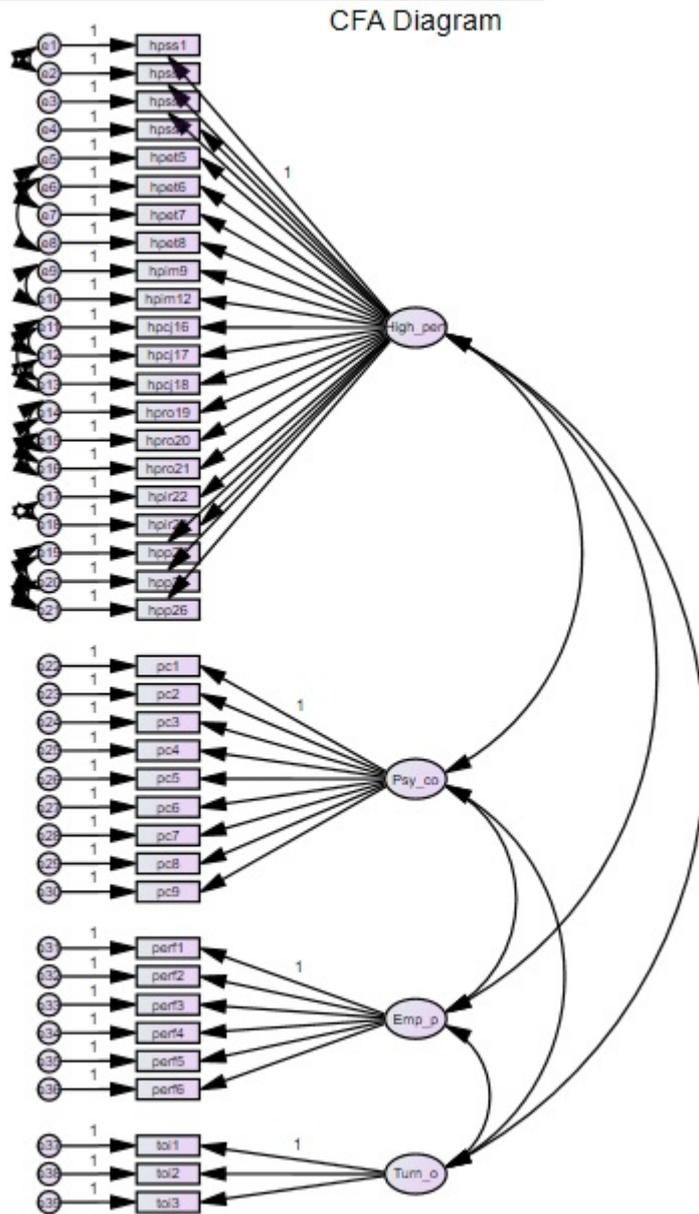


Figure 3: Output diagram for Confirmatory Factor Analysis (CFA)

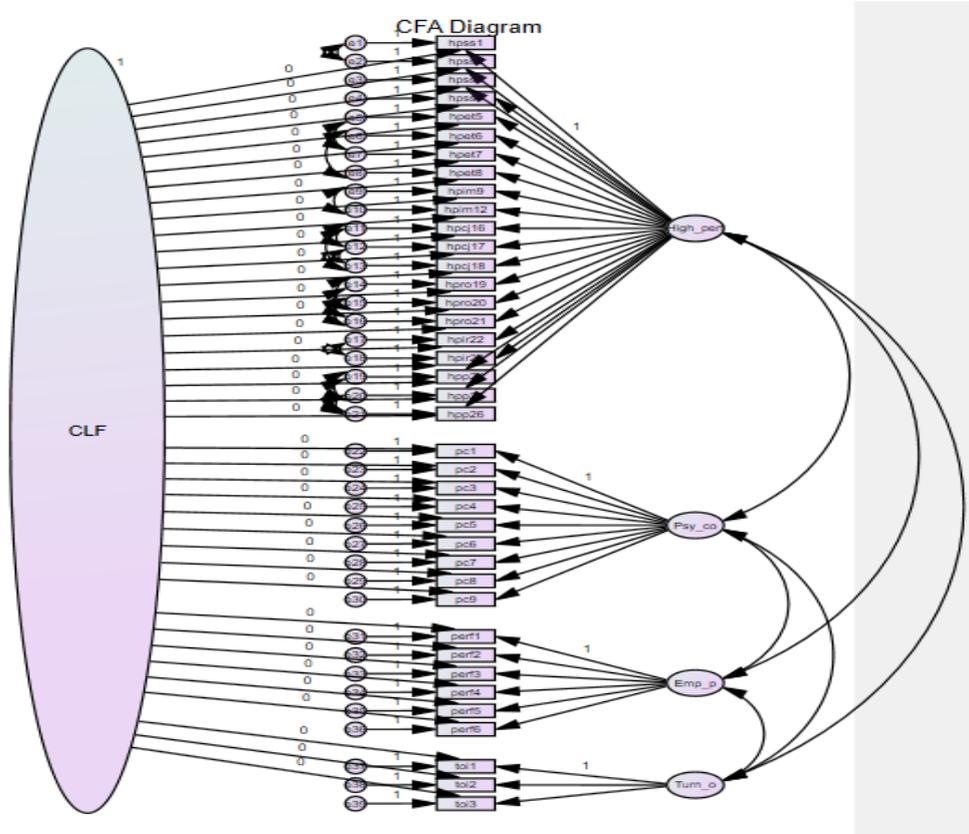


Figure 4: Output diagram for CLF CMB diagram

Mediation Analysis

Mediation was tested through Hayes (2013), using SPSS Process Macro (Table 4). The indirect effect of HPWS on employees' performance through PCB was tested. The outcome of process macro suggests that there was no mediation, as the direct effect was .53 while the indirect effect was .001, which was insignificant.

The indirect effect of HPWS on turnover intentions through PCB was tested. The outcome of process macro suggests that there was no mediation, as the direct effect was -.01, while the indirect effect was $\beta = -.006$, which was insignificant. To examine mediation in AMOS, bootstrapping procedure was used by drawing 2000 random samples and generating a bias-corrected 95 percent confidence interval for indirect effects. A mediation test via AMOS exhibited the same effect sizes for direct and indirect effects.

Table 4
Direct and indirect effects

| Direct, and indirect effects of x on y | | | | | |
|--|--------|--------|----------|----------|-------|
| Outcome variable: Employees' Performance | | | | | |
| Direct effect of X on Y | | | | | |
| Effect | se | t | p | LLCI | ULCI |
| .5386 | .0554 | 9.7142 | .0000 | .4296 | .6477 |
| Indirect effect(s) of X on Y: | | | | | |
| Psy_C | Effect | BootSE | BootLLCI | BootULCI | |
| | .0014 | .0055 | -.0097 | .0139 | |
| Outcome variable: Turnover Intentions | | | | | |
| Direct effect of X on Y | | | | | |
| Effect | se | t | p | LLCI | ULCI |
| -.0113 | .0797 | -.1415 | .8876 | -.1680 | .1455 |
| Indirect effect(s) of X on Y: | | | | | |
| Psy_C | Effect | BootSE | BootLLCI | BootULCI | |
| | -.0060 | .0202 | -.0474 | .0324 | |

Level of confidence for all confidence intervals in output: 95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals: 5000

Table 5
AMOS Output

| User-defined Estimates: (Group number 1 - Default model) | | | | |
|--|----------|-------|-------|------|
| Parameter | Estimate | Lower | Upper | P |
| A x B | .001 | -.005 | .014 | .579 |
| A x B | -.006 | -.041 | .026 | .773 |

Structural Equation Modelling

Structural equation model was tested in AMOS via the maximum likelihood method. The output for the structural model was Chi-square=86.21, GFI=.96, CFI=.97, RMSEA=.04, SRMR=.04, hence it indicated a good fit for the model. High performance work systems predicted employees' performance with p=.00 (hypothesis 1). There was negative relationship between high performance work systems and turnover intentions, but it was insignificant with p=.88 (hypothesis 2). High performance work systems did not predict PCB, although there was

a negative relationship, but it was insignificant with $p=.78$ (hypothesis 3). PCB did not predict employees' performance with $p=.10$ (hypothesis 4). PCB predicted turnover intentions; the relationship was significant with $p=.00$ (hypothesis 5).

Using path estimation in AMOS indicated that high performance work systems had strong effect on employees' performance with a standardised regression coefficient of $\beta=.50$. Subsequently, PCB had a positive effect on turnover intentions with a regression coefficient of .25.

Discussion

The study supports the theoretical assumption that high performance work systems lead to better employee performance. HPWS had a negative but insignificant relationship with PCB, which is contrary to the literature of HPWS. Moreover, PCB had a negative but insignificant effect on performance, signalling to the argument in psychological contract theory that employees do not always lower their efforts to perform every time a contract is breached. Another finding of this study which is in line with the theory of psychological contract is that PCB had significant negative impact on employees' turnover intentions.

Theoretical Implications

The current study adds to the literature of strategic management, especially the theories of resource-based view and social exchange. This study augments the literature of resource-based view and social exchange theory by integrating it with the assumptions of psychological contract theory. Secondly, the resource-based view generally assumes that investment in human capital leads to positive employees' outcomes, which ultimately leads to competitive advantage (Becker & Huselid, 2006). The findings suggest that employee outcomes like performance and turnover intentions need to be assessed with regards to psychological contract theory. Subsequently, social exchange theory assumes that employees respond reciprocally positive to the investments incurred on them by the employer (Blau 1964; Gouldner, 1960). This study augments the literature of SHRM with assumptions of psychological contract theory.

The study findings suggest that human resource investments like HPWS are subject to employees' perception and that there should be consistent messaging on behalf of the employer to keep the employees' perceptions positive (Robinson & Rousseau, 1994; Bowen & Ostroff, 2004). Moreover, the study suggests that even if employees perceive the investments positive, they still have the discretion to either use positive attitudes or negative. Similarly, the study suggests that PCB is similar to psychological contract violation as turnover intentions are to actual turnover. PCB do not always lead to negative employees' attitudes, but continuous breach of contract does lead to violation, which ultimately results in negative attitudes such as decreased performance and turnover intentions (Robinson & Rousseau, 1994).

Therefore, this study offers more insight into the matter of HPWS and employees' performance, along with other attitudes, as RBV and SET literature is studded with numerous vague statements regarding the aforementioned attitudes. For instance, positive employee performance is often used as a sign of employees' satisfaction from human resource investments, although it is not the case in various circumstances. Therefore, this study argues that RBV and SET theorists should keep the crowding out effect and utilitarian nature of employees in consideration while studying HPWS and employee outcomes.

Practical Implications

The findings of this study can have valuable practical implications for policy makers of organisations, especially those involved in the banking sector. The direct and indirect role of HPWS in employees' performance and turnover intentions are of great importance for professionals in the banking sector. Managers are advised to take employees' psychological contract into consideration when streamlining high performance work systems. Employees' utilitarian nature and discretion to exhibit or not exhibit positive attitudes must be considered while managing employees (Rousseau, 1989; Shoaib & Baruch, 2019). Managers need not overlook the employees' perceptions of PCB during their employment. Moreover, managers need to communicate consistent messages to employees to effectively manage their psychological contract, as its breach leads to turnover intentions. This study's findings suggest that HPWS sometimes may lead to good employees' performance while still being a precursor of PCB. The practitioners are warned not to be deluded by employees' high performance because employees often do not exhibit negative attitudes after a breach, but continuous breaches lead to a violation of the contract, which does lead to negative consequences (Rousseau, 1989).

Managers should not just focus on monetary investments and demand for higher performance outcomes but should also consider the work-life balance of employees. Hence, they should try to make employees perceive HPWS as virtuous and not as wolves in sheep clothing. HPWS must be equitable and facilitative, and this should be consistently communicated to the employees. A well-integrated HPWS cluster augmented with effective management that assures effective communication with employees must be embedded into the overall HR and business strategy. Proper alignment of HPWS and HR strategy leading to the overall business strategy must be ensured for effectively managing employees' performance and turnover intentions.

Limitations and Recommendations

The cross-sectional nature of this study limits the understanding of alterations in employees' perceptions and behaviour over the passage of time. Moreover, other relevant variables like psychological contract violation and perceived supervisory support could offer more clear



understanding of the phenomenon. Future studies can utilise the theoretical framework and findings of this study and conduct longitudinal procedures with larger sample sizes and more intervening variables.

Conclusion

This study is vital with regards to utilisation of HPWS in the context of employees working in the banking sector. HPWS can at times lead to negative employees' attitudes if they are perceived as harmful by the employees. There has been debate in the literature about the dark side of HPWS versus the bright side of HPWS, but there has been a lack of empirical evidence to settle the debate (Godard, 2001; Guest, 2002). The findings of this study support the popular stance in the literature that HPWS result in employees' high performance (Huselid, 1995), although an intriguing aspect of the findings is that HPWS do not exhibit significant negative impact on PCB. However, HPWS did not exhibit positive relationship with PCB either. PCB had positive significant impact on turnover intentions of employees although indirect relationship of HPWS with turnover intentions through mediation of PCB was insignificant. Similarly, the indirect relationship of HPWS with employees' performance through mediation of PCB was also insignificant. The study concludes that HPWS exhibited positive significant effect on employees' performance while insignificant negative effect on turnover intentions, and the regression coefficients further decreased when the mediator, PCB, was included in analysis.

This study calls for scrutiny of RBV and SET to link HR investments to employees' attitudes and outcomes in a more objective manner. RBV and SET theorists should consider employees' behavioural aspects to explain the phenomenon more effectively.



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