

High Performance Work System and Organizational Commitment: A Study of a Large State Sector Organization in Sri Lanka

Bhashini Paranagama*

Department of Human Resource Management

Faculty of Management Studies and Commerce

University of Sri Jayewardenepura

bhashini.paranagama@gmail.com

*is a recent scholar of the Department holding a BSc (HRM) Special with a First Class Honours

Abstract

The objective of this study was to identify the impact of High Performance Work System (HPWS) on organizational commitment in a large state organization engaged in Electricity industry in Sri Lanka. This study used two main variables which were HPWS and organizational commitment. The hypotheses which were used for this study were: High performance work system is positively related to organizational commitment; and the percentage of variability of organizational commitment explained by high performance work system is significant. The data for the present study were collected from 50 respondents and all those respondents were executive level employees in the organization under the study. The standard instruments developed by Chuang and Liao and developed by Meyer, Allan and Smith were utilized to measure HPWS and organizational commitment respectively. The type of investigation of this study was correlational. The study was conducted in the natural environment and the researcher's interference was minimal. This study was cross sectional rather than longitudinal. Results which were obtained after data analysis supported the acceptance of the two hypotheses. Based on the research findings, practical implications have also been discussed.

Key Words: High Performance Work System, Human Resource Management, Organizational Commitment

Introduction

In today's business environment the contribution made by Human Resource Management to organizations which may be private, public, or cooperative or may be large, medium, or small is phenomenal. The management of people at work is increasingly important as human resource is a unique source of competitive advantage (Opatha, 2009; Wright, McMahan, and Mc Williams, 1994). There is a general consensus that HR in any organization is a preeminent organizational resource that can drive organizations towards success or failure (Delaney and Huiselid, 1996). One of the highly discussed topics in recent years in relation to contribution of HRM to organizational performance is high performance work systems (Boxall, 2012).

HPWS, a type of HR systems, is an important concept in contemporary research on work places (Boxall and Macky, 2007). Boxall and Macky (2009) described HPWS as a system of work practices which leads to higher performance. According to McAlearney et al (2011), HPWS can be described as practices which can be used to effectively attract, select, hire, develop and retain high performing employees. In other words HPWS is a bundle of HR practices.

The theme of HPWS came out with the way in which production workers have been managed in parts of western manufacturing. This concept (HPWS) originated in United States of America and it emerged with the Japanese high quality production system. U.S firms realized that their HRM systems were not compatible to the current competitive context. They wanted to give a boost to their HRM system, mainly companies like Toyota, and they introduced HPWS to the world as a solution to global competition. This American style has become the dominant global trend in HRM system.

With the increasing popularity of the concept of HPWS, many research studies have been conducted on the relationship between Organizational Performance (OP) and HPWS. These studies and their observations are mainly based on the manufacturing sector. In spite of a growing body of empirical research on HPWS, there is a little evidence on their application in the service sector (Dayarathna, 2018). Furthermore, many research studies have been conducted in the Western context when comparing it with the Asian context. There is a sufficient research implying that many employee groups can enjoy positive impact from HPWS in the Western context (Dayarathna, 2018).

There has been a little discussion about how HPWS is understood, interpreted, and implemented across the organizations in Sri Lanka. Compared to other leading countries in the Asian region, only a small number of research studies have explored the impacts of HPWS practices on OP in Sri Lanka (Dayarathna, 2012; Wickramasinghe and Gamage, 2011). When considering research studies which have been conducted in Sri Lanka, most of them are relating to the banking industry. This study explores and describes the degree of HPWS that were being followed by a large state organization engaged in the electricity industry by adding a significant contribution to the existing body of knowledge of practice of HPWS in Sri Lanka.

Background of the Problem and Problem of the Study

The notion of HPWS was originally developed by David Wadler to capture an organization's "architecture" that integrates technical and social aspects of work (Snell and Bholander, 2007). There is a rising interest in using HPWS practices because evidence shows that organizations which implemented such systems recorded remarkable success (Dayarathna, 2012).

Boxall and Macky (2007) did a research to find out answers for 2 main issues. First issue was concerned with situations where a company's HR systems for its production workforce do not fit with its current competitive context. When HR Systems are not compatible to the current competitive context, it needed to be either outsourced or revitalized the historical one in order to enhance organizational performances. The second issue is to do with how the links between the new HR systems and organizational performance can be improved. They state that organizational performance is improved by HPWS through the linkage of intervening variables such as employee beliefs, attitudes, and behaviors. According to Lawler (1986), high involvement work system (HIWS) empower employees to make decisions and this leads to higher organizational performance. Lawler's involvement terminology is the most helpful because it makes clear what changes in HR systems are needed for production workers. This leads on to changes in the practices that increase employee skills (such as more selective recruitment) and their commitment (such as team- and company-based compensation). Collectively, these changes in HRM are designed to enhance employee and operating performance.

Wright and Gardner (2003) stated that the rationale of the HPWS promotes the uniqueness, value and inimitability of employees' knowledge and skills which in turn generate competitive advantage and better performance. Researchers have examined the impact of a bundle and/or system of HR practices on organizational outcomes (Huselid, 1995; MacDuffie, 1995; Guthrie, 2001; Datta, Guthrie and Wright, 2005; Armstrong, Flood, Liu, MacCurtain and Mkamwa, 2010), and studies have demonstrated that HPWS is positively associated with organizational performance, not only in manufacturing companies, but also in services and high-technology firms as well as emergent firms (Huselid, 1995; Batt, 2002; Collins and Smith, 2006; Messersmith and Guthrie, 2010).

The concept of employee commitment has been investigated and proven to be a consequence of HRM practices in many studies (DeCotiis and Summers, 1987; Mathieu and Zajac, 1990). In this research employee commitment has been taken as a measure of organizational performance. According to the Meyer and Allen (1997), there are three types or measurements of organizational commitment such as affective commitment, normative commitment and continuance commitment. Therefore, the problem addressed in this study was to investigate the relationship between HPWS and Organizational Commitment; and the percentage variance of Organizational Commitment explained by HPWS.

Research Framework

Appelbaum, Bailey, Berg and Kalleberg (2001) reported that HPWS has an impact on effective employee performance through increasing the employee empowerment and enhancing the skills and incentives. Boxall and Macky (2009) interpreted HPWS as a system of work practices which leads to superior employee performance of core workers. As described by McAlearney et al. (2011) HPWS can be defined as practices that have been shown to improve an organization's capacity to effectively attract, select, hire, develop and retain high performing employees (Dayarathne, 2018). HPWS has recently been defined as a group of separate but interconnected HR practices that is designed to enhance employees' skills and efforts (Dayarathne, 2018; Messersmith, Patel and Lepak, 2011). According to Dayarathne (2018), HPWS is a system of HRM practices that ultimately motivates employees to achieve higher performance, following the increments of employees' empowerment, knowledge, skills and incentives. In this research HPWS was taken as a bundle of HR activities which consists of HRM functions such as Staffing, Training and Development, Performance Evaluation, and Compensation. HPWS was considered as the independent variable of this study.

The dependent variable of the study was 'Employee Commitment' which means the employees' attachment to the company. When an employee is attached to his/her company, the tendency to leave the organization decreases. In literature, there are number of definitions to organizational commitment. It is the extent to which an employee is attached with his or her organization and is interested in staying within it (Opatha, 2015). Organizational commitment can be interpreted as the employee's long term relationship and intention to stay in the workplace along with an unshakable belief in the goals and objectives of his/her organization, followed by a devoted effort to reach these goals (Steers, 1977; Mowday, Steers and Porter, 1979). In this research, the researcher used Meyer and Allen model of organizational commitment as it has been a popular model in the literature. It used 3 dimensions which were Normative Commitment, Continuous Commitment and Affective Commitment. Affective commitment reflects commitment based on emotional ties that employee develops with the organization primarily via positive work experiences. Normative commitment reflects commitment based on perceived obligation towards the organization. Continuous commitment reflects commitment based on perceived costs, both economic and social of leaving the organization (Jaros, 2007).

The concept of organizational commitment has been investigated and proven to be a consequence of HRM practices in many studies and studies done by DeCotiis Summers (1987) and Mathieu and Zajac (1990) are two examples for that. When an organization implements good practices to manage people at work, it gives a good image about the company to its employees. Appreciation is something that people are craving for. Therefore, offering fair and competitive salaries and rewards to appreciate employees' effort is one of the best ways to get employees' loyalty towards the company. Also, when employees are evaluated based on their performance, it makes sure that all the best

employees will retain in the organization. Lack of skills to perform the job that employees are assigned to do is one of the major reasons for high employee turnover rates. Therefore, providing continuous, purposeful training and development programs make sure that the employees will retain in the organization for a long time. In brief, having a good package of HR practices assures that employees' commitment/ attachment towards the company will increase and last for a long time as they are treated well. When an organization has a good HPWS, it has a positive impact on employee commitment. Based on these arguments, two hypotheses which are directional were formulated and they are stated as follows:

Hypothesis1: High performance work system is positively related to employee commitment.

Hypothesis2: The percentage of variability of employee commitment explained by high performance work system is significant.

Methodology

Study Design

The researcher was interested in investigating whether there is a relationship between HPWS and organizational commitment in the organization which was taken for this study and whether the percentage variance in organizational commitment is explained by the HPWS significantly. The type of the investigation of this study was correlational rather than casual as this study was not carried out to establish a cause- effect relationship between the two variables. This study was analytical or hypotheses testing as this involved analyzing the relationship between the dependent variable and independent variable under the study. The study was carried out in a natural environment without any manipulation of the researcher. Data for this study were collected at a single point of time rather than different points of time, therefore this study was cross sectional. By minimizing the researcher interference to the normal flow of work, self-administrated questionnaires were distributed. Because the researcher was interested in ascertaining the relationship between HPWS and organizational commitment, the unit of analysis was executive employees in the organization under the study. The organization of this study was a large state organization, engaged in the electricity industry. The analysis was limited to a sample of 50 participants. This sample consisted of thirty nine (39) males and eleven (11) females.

Measures

The questionnaire which consisted of two instruments with five points likert scale was used to gather responses from employees with regard to the organizational commitment and HPWS. All questions in the questionnaire were positive statements. The level of measurement of both variables were interval.

The instrument for measuring HPWS was originally developed by Chuang and Liao (2010). The original questionnaire consisted of 35 items under 6 dimensions of HPWS. They can be named as staffing, training, involvement and participation, performance appraisal, compensation and caring. For this study researcher used 22 questions under 4 dimensions, namely staffing, training, performance appraisal and compensation. The questionnaire

consisted of 5 points likert type questions, ranges from ‘strongly agree’ to ‘strongly disagree’.

The instrument which was used to measure organizational commitment was also a standard one which was originally developed by Meyer, Allan and Smith in 1993. It consisted of 3 dimensions and 19 questions to measure employee commitment in the organization which was taken for the study and they were namely affective commitment, normative commitment and continuance commitment. Even this instrument consisted of five points likert type questions which ranges from ‘strongly agree’ to ‘strongly disagree’.

Techniques of Data Analysis

The first hypothesis of this study was about the relationship between two variables. Hence the Pearson Product Moment Correlation technique was appropriate and then used. For the purpose of testing the second hypothesis, percentage value of variability of the dependent variable explained by the independent variable, the Simple Multiple Regression was used. The data collected from primary source was analyzed using the computer based statistical data analysis package, SPSS (version 16.0). The instruments used for this study were standard ones developed by Allen, Mayer and Smith and Chuang and Liao for measuring employee commitment and HPWS respectively. As they were standard instruments, their reliability and validity were already tested. The instruments had an adequate degree of content validity.

Results

The first hypothesis of the study was: *High performance work system is positively related to employee commitment.* The relevant null hypothesis was that high performance work system is negatively related to employee commitment. The hypothesized relationship is shown in Exhibit 1.

Exhibit 1: Hypothesis 1 of the Study

Hypothesized Relationship	H _{1A}
High Performance Work System  Organizational Commitment	H _{1A} (+)

The result of Pearson’s Product Moment Correlation which was used to test the null hypothesis is shown in Table 1. As a 99 percent confidence level is desired, the level of significance is 0.01. As the hypothesis was bivariate and was concerned with a positive relationship ($H_A > 0$), it was decided to use one – tailed test. According to the result of the Pearson’s correlation, HPWS is positively and significantly correlated with organizational commitment. Pearson Correlation between the two variables is 0.819. The found relationship is a strong positive one which provides statistical evidence to substantiate the hypothesis formulated for this study.

Table 1: Result of Pearson Product Moment Correlation

		Organizational Commitment
HPWS	Pearson Correlation	.819
	Sig. (2-tailed)	.000
	N	50

The second hypothesis of the study was: *The percentage of variability of employee commitment explained by high performance work system is significant.* The relevant null hypothesis was that the percentage of variability of employee commitment explained by high performance work system is insignificant. The hypothesized relationship is shown in Exhibit 2.

Exhibit 2: Hypothesis 2 of the Study

Hypothesized Relationship	H _{iA}
Percentage of Variability of Organizational Commitment explained by High Performance Work System	H _{2A} (Significant at .05)

The result of simple regression analysis of the independent variable (HPWS) against the dependent variable (Organizational Commitment) is given in table 2.

Table 2: Result of Simple Regression

Variable	HPWS
Method	Linear
R Square	.671
Adjusted R Square	.664
F	97.798
Significance	.000

According to the results, it shows that R Square is 0.671. R Square is significant at 0.01 as F value is 97.798. Also it indicates that about sixty seven (67) percent of the variance (R Square) in the degree of organizational commitment has been significantly explained by the independent variable (HPWS) while rejecting the relevant null hypothesis. Therefore, there is statistical evidence to claim that HPWS significantly explains the variance in the degree of organizational commitment.

Discussion and Conclusion

HPWS in the organization under the study was found to be significantly and positively related to the organizational commitment. It was hypothesized that HPWS has a significant and positive relationship with organizational commitment. If the organization which was taken for this study hadn't implemented good HR practices, in other words a fair HPWS, the

probability of not achieving a larger amount of organizational commitment would have been higher. In other words, poor HPWS would lead to poor organizational commitment. Messersmith et al. (2011) found that there is a positive relationship between organizational commitment and HPWS. Further they stated that HPWS utilization is associated with enhanced levels of job satisfaction, organizational commitment and citizenship behaviors. Ishak, Yazid, Yahya and Achim, (2017) concluded that HPWS boosts organizational commitment where they took organizational commitment as a mediating variable between HPWS and organizational performance.

The company which was taken for this study needs to be more efficient as a monopoly in providing electricity in Sri Lanka. Human resource as a critical factor of success in every organization needs to be well organized and well treated by the management. In other words, every organization needs to have a proper HPWS in order to enhance the organizational performance which is mainly demonstrated by organizational commitment. Right bundle of HR practices, in short HPWS, always promotes organizational commitment. However, HPWS needs to be strong in both content wise and implementation wise. Further, testing the research hypotheses for other organizations in Sri Lanka is suggested by the researcher. Also non-executive employees can be included as a major part of the sample. In addition, having a larger sample size will enhance the accuracy of findings. So it is suggested to have an expanded sample size for more accuracy.

References

- Appelbaum, E., Bailey, T, Berg, P. and Kalleberg, A. (2001), Do high performance work systems pay off?, Vallas, S.(eds.) *The Transformation of Work (Research in the Sociology of Work, Vol. 10)*, :Bingley: Emerald Group Publishing Limited, pp.85-107
- Boxall, P. (2012), High- performance work systems: What, why, how and for whom?, *Asia Pacific Journal of Human Resources*, Vol.50, No.02, pp. 169-186.
- Boxall, P. and Macky, K. (2009), Research and theory on high- performance work systems: Progressing the high-involvement stream, *Human Resource Management Journal*, Vol.19, No.01, pp. 03-23.
- Boxall, P. and Macky, K. (2007), High- performance work systems and organizational performance: Bridging theory and practice, *Human Resource Management Journal*, Vol. 45, No.03. pp. 261-270
- Boxall, P. and Purcell, J. (2003), *Strategy and human resource management*, New York: Palgrave Macmillan
- Cameron, K. (1986), Effectiveness as paradox: Consensus and conflict in conceptions of organizational effectiveness, *Journal of Management Science*, Vol.05, No.32, pp.539-553
- Chuang, C., Liao, H. (2010), Strategic human resource management in service context: Taking care of business by taking care of employees and customers, *journal of Personnel Psychology*, Vol. 63, No. 01, pp. 153-196
- Daft, R. L. (2000), *Organization Theory and Design*, New York: South-western college publishing

- Dayarathna, N. W. K. D. K. (2018), *High Performance Work Systems: A System of HRM Practices*, an unpublished book
- Dayarathna, N. W. K. D. K. (2012), Do high performance work systems pay off in Asia?, *Proceedings of the 9th International Conference on Business Management*, Vol.09
- DeCotiis, T.A., Summers, T.P. (1987), A Path Analysis of a Model of the Antecedents and Consequences of Organizational Commitment, *Human Relations*, Vol.40, pp.445-470.
- Delaney, J.T., Huselid, M.A. (1996), The Impact of Human Resource Management Practices on Perceptions of Organizational Performance, *Academy of Management Journal*, Vol.39, pp.949-969
- Godard, J. (2004), A critical assessment of the high-performance paradigm, *British Journal of Industrial Relations*, Vol.02, No.32, pp. 349-378
- Harley, B., Allen, B.C. and Sargent, L.D. (2007), High performance work systems and employee experience of work in the service sector: The case of aged care, *British Journal of Industrial Relations*, Vol.45, No.03, pp.607-633
- Huselid, M. A. (1995), The impact of human resource management practices on turnover, productivity and corporate financial performance, *Academy of Management journal*, Vol. 38, No.03, pp. 636-672
- Jaros, S. (2007), Meyer and Allen Model of Organizational Commitment: Measurement Issues, *the Icfai Journal of Organizational Behavior*, Vol.6, No.4, pp.1-25
- Kunkel, S.W. (1991), *The impact of Strategy and Industry Structure on New Venture Performance*, Unpublished Doctoral Dissertation, University of Georgia, Athens, GA.
- Lawler, E. (1986), *High involvement management*, San Francisco: Jossey-Bass
- Lepak, D.P., Liao, H., Chung, Y. and Harden, E. E. (2006), A conceptual review of human resource management systems in strategic human resource management research, *Research in personnel and human resource management*, Vol.25, pp. 217-271
- Macky, K. and Boxall, P. (2008), High-involvement work processes, work intensification and employee well-being: A study of New Zealand worker experiences, *Asia Pacific Journal of Human Resources*, vol.46, No.01, pp.38-55
- Meyer, J. P., Allen, N. J., and Smith, C. A. (1993), Commitment to organizations and occupations: Extension and test of a three-component conceptualization, *Journal of Applied Psychology*, Vol.78, No.4, pp. 538-551.
- McAlearney, A. S., Garman, A. N., Song, P. H., McHugh, M., Robbins, J. and Harrison, M. I. (2011), High performance work systems in health care management, part 2: Qualitative evidence from five case studies, *Health Care Management Review*, Vol.36, No.03, pp. 214-226
- Jake G., Messersmith (2011), Unlocking the black box: Exploring the link between high-performance work systems and performance, *Journal of Applied Psychology*, vol. 96, No. 06, pp. 1105-1118
- Murphy, K. and Olsen, M. (2009), Dimensions of a high performance management system: An exploratory study of the US casual restaurant segment, *International Journal of Contemporary Hospitality*, Vol.21, No.7, pp.836-857
- Opatha, H.H.D.N.P. (2009), *Human Resource Management*, Colombo: Department of Human Resource Management, University of Sri Jayewardenepura.

- Opatha, H.H.D.N.P. (2015), *Organizational Behaviour: The Human Side of Work*, Colombo: Department of Human Resource Management, University of Sri Jayewardenepura.
- Pfeffer, J. (1998), The real keys to high performance, *Leader to Leader*, Vol.1998, No.08, pp.23-29
- Snell, S., Bholander, G. W. (2007), *Human Resource Management*, edn.14, New York: South-west college publishers
- Steers, R.M. (1977), Antecedents and outcomes of organizational commitment, *Administrative Science Quarterly*, Vol.22, pp46-56.
- Wickramasinghe, V., Gamage, A. (2011), High-involvement work practices, quality results, and the role of HR function, *The TQM Journal*, Vol.23, No.05, pp.516-530
- Wright, McMahan, and Mc Williams (1994), Human resources and sustained competitive advantage: A resource-based perspective, *The International Journal of Human Resource Management*, Vol.05, No.02, pp. 301-326
- Wright, P.M. and Gardner, T.M. (2003), The impact of HR practices on the performance of business units, *Human Resource Management Journal*, Vol.13, No 3, pp. 21-36
- Yazid, Z.N.A., Yahya, W. K., Ishak, M., Achim, N, (2017), High Performance Work System (HPWS) and Organizational Performance: The Mediating Role of Employee Attitude, *Intervarsities Multidisciplinary International Conference 2017 (IMICO 2017)*,Kuantan