

HIGH PERFORMANCE WORK SYSTEMS AND EMPLOYEE JOB PERFORMANCE: EVIDENCE FROM BANKING SECTOR IN MALAYSIA

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Abstract

This paper seeks to explore the relationship between high performance work systems (HPWS) and job performance among banking employees in Malaysia. The objectives of this study are twofold which are to investigate the existence of high performance work systems namely intensive training, employee involvement, pay for performance and performance appraisal in enhancing employee job performance particularly in banking sector and to identify the major factor of high performance work systems that influence employee job performance. A survey has been done in Kuala Lumpur and Kota Kinabalu area yield responses from 141 respondents. Then, the data were analyzed using Smart PLS 2.0 to test the hypotheses that comprised all four factors of HPWS on employee job performance and subsequently bootstrapping was conducted to investigate the standard error of the estimate and t-values. The results suggest that intensive training, employee involvement and performance appraisal were supported. This study highlights the importance of HPWS as a valuable approach in enhancing a better employee performance in banking sector. Implications of the results are discussed and avenues for future research are offered.

Keywords: (high performance work systems, employee performance, banks, Malaysia)

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Introduction

Contemporary or modern way of managing people in organization is currently sought by the emerging concept of high performance work systems. High performance work system are often shortened to the acronym of HPWS reflected the management practices that offer opportunities for organizational involvement either directly through teamwork, flexible job descriptions and idea-capturing schemes or indirectly through information dissemination or training specifically to aid involvement (De Menezes & Wood, 2006). High performance work systems (HPWSs) are human resource management practices aimed at stimulating

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employee and organizational performance (Kroon, Voorde, & Timmers, 2013). Research into strategic human resource management (HRM) has embraced the investigation of the presence of high performance work system (HPWSs). However, the uptake of the package of HPWSs has been found to be quite low in especially in small firms (Kauhanen, 2009). Therefore, this study focuses on banking services that employed strategic human resource management (HRM) to measure their employee performance. Performance of employees at workplace is affected by numerous factors. Job performance is an activity to accomplish task within the defined boundaries and perform the job tasks according to the prescribed job description (Iqbal, Ijaz, Latif, Mushtaq, 2015).

There are a lot of factors that affect the performance of employees. Thus, the main theme of this study revolves around those variables. The primary aim of this research is to understand the link between HPWS and employee performance. The dependant variable is employee job performance and independent variables are intensive training, employee involvement, pay for performance, and performance appraisal. The objectives of this study is to investigate the existence of HPWS namely intensive training, employee involvement, pay for performance and performance appraisal and to identify the major factor of HPWS that influence job performance. This study introduces the concept of HPWSs, its structured and the idea that people management leads to some performance outcome will be critically scrutinised. In other words, what HPWS is and what it looks like will be discussed. Banking sector is the focus for this study to have a better understanding about the factor affecting the performance of employees in the scenario of Kota Kinabalu and Kuala Lumpur, Malaysia. It will highlight how these variables affect the performance either positive or negative.

Justification of Study

This study is designed to have a better understanding on high performance work systems (HPWSs), which influence job performance amongst employee in banking industry as the setting. The result of this study will have both theoretical and practical contribution. It will contribute to the existing knowledge on HPWSs that influence employee performance. The result in this study can provide vital information and have practical use to managers to understand how HPWSs will help in boosting the productivity of employees. It is claimed that increased implementation of HPWSs results in better performing organizations in terms of employee outcomes that lead to organizational financial performance (Combs, Liu, Hall, & Ketchen, 2006). Hence, steps can be taken to improve this area in organization. It is also will be a guidance for many organizations to measure the effectiveness of HPWSs before adopting the system.

As the priority needs of employees in the majority of companies are changed, the employers have to know their staff member's current needs and priorities. In addition, they should create conducive environment at work to enhance workers performance since there appears to be many difference in their needs and behaviours based on demographics factors. Furthermore, this research will help to explain further about employee perceptions of, and responses to, advocated and actual HR practices is a prerequisite to improving knowledge about HRM's contribution to organizational effectiveness (Boxall and Macky, 2007). The questions of how HRM practices impact on employee attitudes and behavior is also important for HR professionals and line managers because it will impact on how HR practices are designed, delivered and communicated.

Literature Review

Understanding High Performance Work Systems

High Performance Work System (HPWS) are conceptualized as a set of distinct but interrelated practices that together select, develop, retain and motivate a work force (Way, 2002; De Menezes and Wood, 2006) in a superior manner leading to enhanced organizational outcomes. In general they are characterized by a set of managerial practices that serve to enhance the involvement, commitment and competencies of the employee (Ostermann, 2006) by transforming employees from merely being workers into partners with employers in realizing company goals.

Training and performance have been heavily discussed in previous literature and many authors argue that job training is an important predictor of employee positive attitudes (Schmidt, 2007). Theoretically training could provide employee with immediate or useful skills, knowledge or abilities used in performing their job and progress along in the career line. Training activity is the organization responsibility in which specific effort need to be planned systematically to address the current gap existed in performance. It designed to enhance the knowledge, skills and performance of employees. Linkages between training and employee performance has been consistently established (Sinawi, Chua & Idris, 2015; Barzegar & Farjad, 2011; Sultana, Irum, Ahmed & Mahmood, 2012). Literally, the organizational performance cannot be separated with the quality of its employees. The employee is a vital factor of resources apart from land and capital. Hence training is needed to boost their commitment and motivation that will leads to better job performance. Training plays as a vital role in improving performance, enhancing productivity and facilitating quality (Sinawi, et al, 2015). By conducting a pre-planned and systematic training can elevate employee's skill, knowledge and competency which is necessary to perform work effectively (Garldon, 2006). Similarly, (Sultana et al, 2012) agreed that the design and implementation of training must be planned and systematic, tailored towards enhancing performance and productivity to achieve the training objectives.

(Cooke, 2001) asserted that training is an important tool for developing the knowledge and necessary skills to increase individual employee performance (efficiency and effectiveness). (Huselid, 1995) also stressed the importance of training as complement of selection practice through which organizational culture and employee behavior can be aligned to produce positive result. (Sinawi, et al, 2015) discovered that organizational should provide continuous training, invests considerable money and time in training and intensive training because training has significant impact on employee performance. According to studies conducted by (Barzegar & Farjad, 2011), continuity of training, application of training in the workplace and proper implementation of training can directly lead to improve employee performance. Similarly, (Aragón-Sánchez, Barba-Aragón, & Sanz-Valle, 2003) found that training has a positive effect on productivity.

Employee involvement is creating an environment in which people have an impact on decisions and actions that affect their jobs. This is also include empower employees and giving them increased autonomy to work. Employee involvement programs can increase employee satisfaction, employee morale and commitment to the organization, as well as improve productivity, reduce turnover and absenteeism and improve the quality of products and services. This involvement is one of the organizational practices to retain the best

employees, and foster an environment in which people choose to be motivated and contribute.

Involvement refers to level of participation by members in an organization's decision-making process. It also refers to the sense of responsibility and commitment thereby engendered (Denison, 2007). Employee involvement is also called participative management it refers to the degree to which employees share information, knowledge, rewards and power throughout the organization (Randolph, 2000). Employee involvement creates an environment in which people have an impact on decisions and actions that affect their jobs. Nonetheless, involving an employee could contribute to continuous improvement and the ongoing success of their work organization. Sashkin (1976) identifies four outcomes of employees' involvement and participation namely quality improvement, increase in employees' commitment and acceptance of decisions through a sense of "ownership", increase adaptive capacity of the organization, and continuance support of the participative approach. Involving employee in decision making will benefits for both the organization and the individual (Shadur et al., 1999) by increases employee's morale and enhances productive efficiency (Chang and Lorenzi, 1983). Through employee involvement, it lead to better decisions (Williamson, 2008) and as for result organizational flexibility, product quality, and productivity may improve (Preuss and Lautsch, 2002).

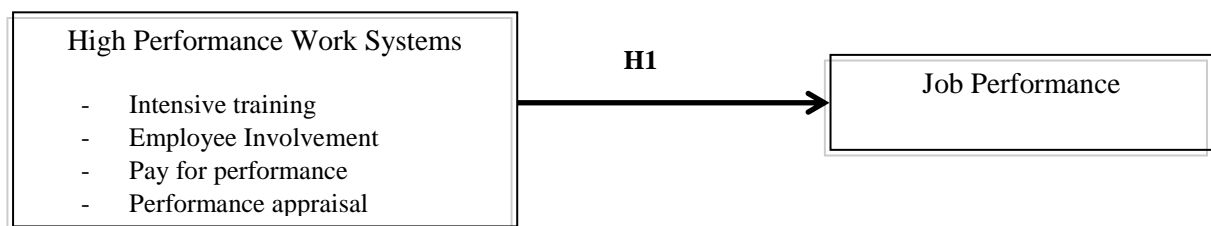


Figure 1 Research Framework

Accordingly, the formulations of hypotheses for this study are as follows:

H1a: There is a positive relationship between intensive training and employee job performance

H1b: There is a positive relationship between employee involvement and employee job performance

H1c: There is a positive relationship between pay for performance and employee job performance

H1d: There is a positive relationship between performance appraisal and employee job performance

Methodology

Research Design, Sample and Procedure

The primary objective of this study is to analyse the significance relationship between high performance work systems and job performance. The target sample consists of banking employees located in Kota Kinabalu, the capital city of Sabah and Kuala Lumpur. A convenience sampling technique and base on random sampling method was used to select the samples for this study. The purpose of the random sampling technique is to covers all the employees (individuals) from all management level. The convenience sampling is appropriate for this study because one of the objectives is to find out the preferred human approach of the employee of the organization.

A total of 300 questionnaires were sent to the selected banks in Kota Kinabalu and Kuala Lumpur. The researcher personally visited the banks using the drop-and-collect survey method (Walker 1976). Each survey contains a cover letter and questionnaire. The researcher returned to the companies after 2 weeks to collect the completed questionnaires. 156 questionnaires were returned and only 141 are usable due to ambiguous and incomplete information. Secondary data for this study had been collected from journals, articles, books and magazines, which contributed to the review of literature.

Measurement Instrument

The survey questionnaire is divided into three sections: Section A gauges respondents awareness and information about high performance work systems that consists of intensive training, employee involvement, pay for performance, and performance appraisal. Section B measures the job performance of an employee while demographic information of respondents were collected in Section C. Items measuring job performance was adopted from Thang (2001) to measure the level of individual performance. The questionnaire were used 6-point Likert-scale (1 = strongly disagree and 6 = strongly agree).

One single item gauging high performance work systems towards job performance on a 5-point Likert-scale (1 = strongly disagree and 5 = strongly agree). HPWSs is a scale based on four components: intensive training, employee involvement, pay-for-performance, and performance appraisal and those components consists of key area regarding HPWSs (Huselid, 1995). The suggested questionnaire items mentioned in the study by Shin and Konrad (2014) were modified to suit the context of this research.

Result and Findings

Table 1 shows demographics characteristics such as gender, ethnic and length of services of the employees. As shown in Table 1, of the 141 respondents, 61 percent are females and 39 percent are males. Ethnic Malays employees are the majority in the sample (71 or 49%), followed by Bumiputera Sabah/Sarawak (67 or 47%); and other ethnicities (3 or 2%). The respondents are working below than five years (108 or 75%), between 5 to 10 years (22 or 15%); between 10 to 15 years (9 or 6%); and 5 or 4% of them has been working more than 15 years.

Table 1 Profile of respondents

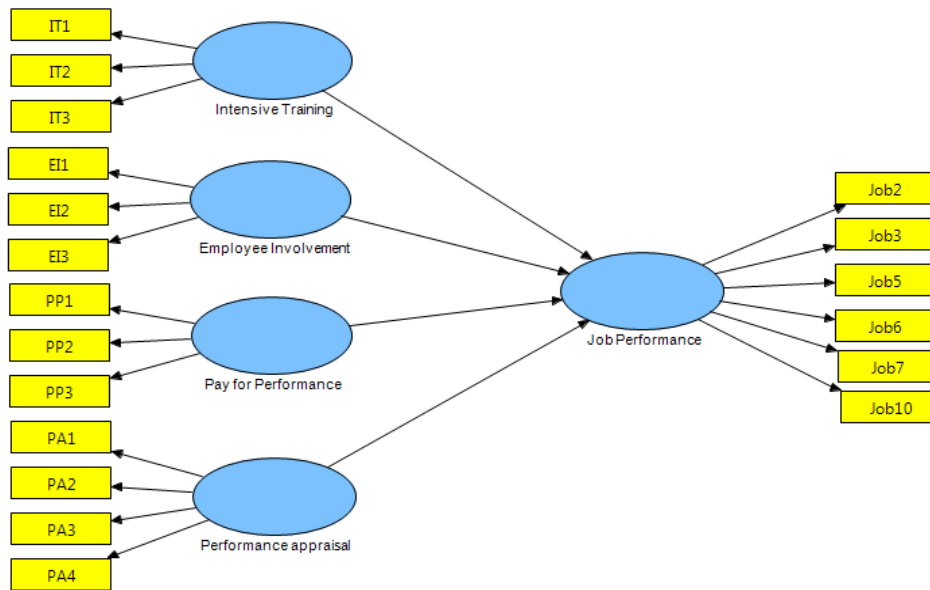
Variables	Frequency (N)	Percentage (%)
Gender		
Male	74	52.5
Female	67	47.5
Ethnicity		
Malay	100	70.9
Chinese	10	7.1
Indian	2	1.4
Bumiputera Sabah/Sarawak	29	20.6
Length of Service		
Below 2 years	5	3.5
2 – 15 years	101	71.6
15 – 25 years	30	21.3
More than 25 years	5	3.5

N = 141

Data Analysis

SmartPLS 2.0 (M3) was applied to test the hypotheses that consist of intensive training, employee involvement, pay for performance, and performance appraisal on individual job performance. The purpose of partial least square (PLS) is to get information regarding the form or the pattern of the relationship between the variables. PLS is based on the concept of path modelling and subsequently bootstrapping was conducted to investigate the standard error of the estimate and t-values (Chin, 1998). The research model for this study is posited in Figure 2.

Figure 2 Research Model



Assessment of the Measurement Model

In assessing the measurement of the model, confirmatory factor analysis (CFA) was conducted to assess the reliability, convergent validity and discriminant validity of the scales.

Table 2 postulated the AVEs and the composite reliabilities (CRs) for the investigated variables. All the AVEs exceeded 0.5, which was suggested by (Bagozzi & Yi, 1988). The composite reliabilities (CRs) exceeded 0.7 (Gefen et al., 2000) while the Cronbach alpha values 0.7 (Nunnally, 1978). Hence, convergent validity is achieved.

The t-values for respective measurement items are illustrated in Table 3 where it was revealed that all the values have exceeded 1.96 significant level, hence indicating that the measurement items are significantly explaining the respective constructs.

Table 3 implored a test on discriminant validity of the constructs where AVE was square rooted to testify against the intercorrelations for the constructs together some other constructs in the model to ensure discriminant validity (Chin, 1998, 2010). It was found that all the square root of the AVE exceeded the correlations with other variables.

Table 4 illustrated the result of cross loading. The horizontal is to check the discriminant validity and vertical is to check the convergent validity. The loadings should be higher than the cross loading by at least 0.1 to indicate sufficient discriminant validity (Hair et al, 2013) and the loadings of all construct satisfy this criterion. This can be concluded that discriminant validity is achieved.

From the above-mentioned tables, we can conclude that the measurement model was satisfactory in view of the evidences of adequate reliability, convergent validity and discriminant validity

Table 2 Measurement Model

Construct	Measurement		AVE ^a	CR ^b	Cronbach α
	Item	Loading			
Intensive training	IT1	0.729	0.682	0.864	0.768
	IT2	0.929			
	IT3	0.806			
Employee involvement	E1	0.824	0.755	0.902	0.837
	E2	0.876			
	E3	0.906			
Job performance	JOB10	0.701	0.504	0.858	0.800
	JOB2	0.732			
	JOB3	0.778			
	JOB5	0.644			
	JOB6	0.776			
	JOB7	0.611			
Pay for performance	PP1	0.671	0.621	0.828	0.763
	PP2	0.712			
	PP3	0.952			
Performance appraisal	PA1	0.834	0.761	0.927	0.896
	PA2	0.851			
	PA3	0.917			
	PA4	0.885			

a AVE = (summation of squared factor loadings)/(summation of squared factor loadings + summation of error variances)

b Composite reliability = (square of the summation of the factor loadings)/[(square of the summation of the factor loadings) + (square of the summation of the error variances)]

Table 3 Discriminant validity

Constructs	Employee involvement	Intensive training	Job performance	Performance appraisal	Pay for performance
Employee involvement	0.869				
Intensive training	0.388	0.826			
Job performance	0.318	0.416	0.710		
Performance appraisal	0.616	0.519	0.345	0.873	
Pay for performance	0.357	0.555	0.182	0.490	0.788

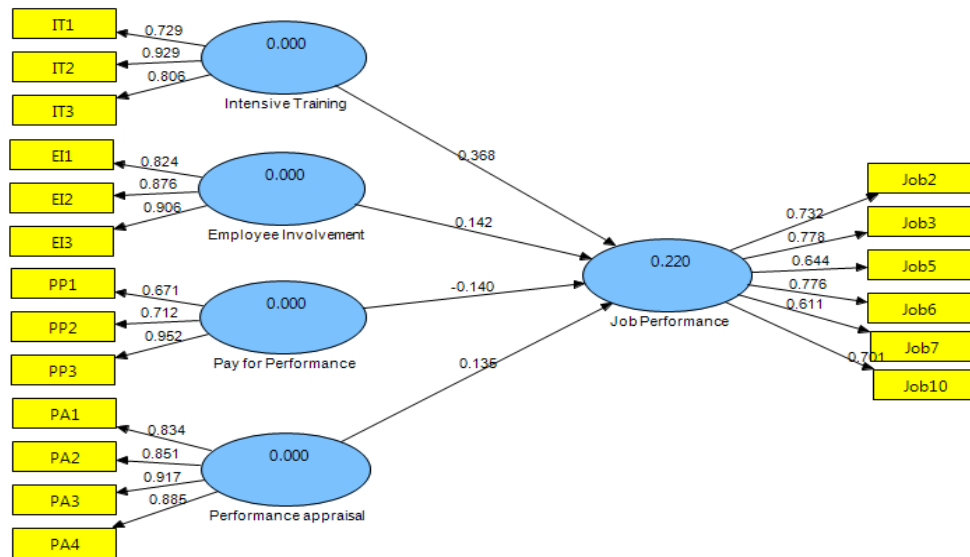
Note:Diagonals represent the square root of the AVE while the off diagonals represent the correlations

Table 4 Loading and cross loading

	Employee Involvement	Intensive Training	Job Performance	Performance Appraisal	Pay for Performance
EI1	0.824	0.289	0.263	0.467	0.342
EI2	0.876	0.302	0.275	0.503	0.251
EI3	0.906	0.415	0.291	0.630	0.339
IT1	0.339	0.729	0.222	0.415	0.673
IT2	0.355	0.929	0.419	0.505	0.509
IT3	0.283	0.806	0.348	0.368	0.286
JOB10	0.154	0.332	0.701	0.181	0.198
JOB2	0.200	0.305	0.732	0.280	0.003
JOB3	0.150	0.321	0.778	0.207	0.163
JOB5	0.263	0.233	0.644	0.248	0.061
JOB6	0.233	0.289	0.776	0.263	0.119
JOB7	0.346	0.285	0.611	0.274	0.250
PA1	0.482	0.383	0.303	0.834	0.319
PA2	0.554	0.400	0.214	0.851	0.406
PA3	0.553	0.499	0.348	0.917	0.478
PA4	0.569	0.512	0.311	0.885	0.497
PP1	0.367	0.359	0.080	0.460	0.671
PP2	0.274	0.314	0.012	0.374	0.712
PP3	0.287	0.539	0.197	0.412	0.952

The reliability coefficients and number of items for the model constructs among the study variables are contained in Table 1. As shown in Table 1, the internal reliabilities of scales were between 0.763 and 0.896, which is clearly acceptable (Nunnally, 1978).

Figure 3 PLS Algorithm



Assessment of the Structural Model

Table 5 presented the results of the structural model and hypothesis testing. The results confirmed that intensive training had a significant and positive effect to job performance, with the path coefficient (B = 0.368) and t-value = 3.245 at $p < 0.10$ significance level. This result suggests providing an intensive training would positively enhance employee performance. Thus, H1a *There is a positive relationship between intensive training and employee job performance* is supported.

Table 5 Structural model and hypotheses testing

Hypothesis	Relationship	Std. Beta	SE	t-value	Decision/Supported
H1a	Intensive training -> Job performance	0.368	0.113	3.245	Supported
H1b	Employee involvement -> Job performance	0.142	0.096	1.478	Supported
H1c	Pay for performance-> Job performance	- 0.140	0.147	0.949	Not Supported
H1d	Performance appraisal -> Job performance	0.135	0.099	1.354	Supported

Note: t-values > 1.28*($p < 0.10$); t-values > 2.33** ($p < 0.01$)

A statistical positive relationship between employee involvement and job performance is found in this research having path coefficient (B = 0.142) and t-value 1.478 at $p > 0.10$ level, which leads to the conclusions that employee in banking sector can really perform if they being involved in terms of decision making or giving opinion. Thus, H1b, that *There is a*

positive relationship between employee involvement and employee job performance is supported in the research results.

However, the results for H1c is not supported, *There is a positive relationship between pay for performance and employee job performance*, with the path coefficient ($B = -0.140$) and t-value 0.949 at $p > 0.10$ significance level, indicating that pay for performance did not effect employee job performance in banking industry.

Finally, H1d theorised that *There is a positive relationship between performance appraisal and employee job performance*, is also supported in the results of this study. The results indicate that the path coefficient was 0.135 with t-value 1.354 at $p > 0.10$ significance level. The performance appraisal conducted will enhance their performance in workplace.

Conclusion and Future Research

This study can offering a birds' eye-view of the high performance work systems practices by banks in Malaysia and their impact on banks employees' performance. However, to obtain a more detailed look, future research could perhaps add another elements in high performance work systems such as recruitment and selection; and compensation to enhance employee effectiveness. They should have better skills, more motivation and more opportunities to excel when these high-performance work systems are aligned and working in harmony. On the whole, this study has shed some light onto the adoption of high performance work systems in banking industry and their relationship between those HPWS elements and employee performance. It is hoped the findings of study will provide some usefull insights that add to the growing body of knowledge in the field of high performance work systems.

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