

## The relationship between high performance work system (HPWS), psychological empowerment (PE) and service employees' performance (SEP): Evidence from automotive retail industry

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### ABSTRACT

The study investigated the effect of psychological empowerment (PE) in between the High Performance Work System (HPWS) and Service Employees Performance (SEP) in the Automotive Retail Industry of Malaysia. We developed and examined a mediation model linking perceived-HPWS to SEP and PE plays as a mediator. From the self-determination theory, defined motivation as being intrinsic and extrinsic, whether PE enables the employees meeting the performance expectation. The proposed model can be substantiated wide data collection and data analysis. The research data are collected from a sample of 72 employees through a questionnaire. The findings suggest that the PE is a significant influence on SEP. It is expected that the findings of this study will guide Human Resource (HR) Practitioners to establish appropriate policies and procedures for effective HR practices to be deployed in the organization especially in the service industry environment.

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## 1. Introduction

In the face of challenging times and competitive environment in the automotive sector industry players must act swiftly to improve their positions by improving sales and after sales businesses. Nowadays, consumers have a great deal of choice in each vehicle category that meets their needs and requirements. The study of these areas must not be overlooked where employees are the critical link in delivering service quality and customer satisfaction (Stershic, 1990). Intriguingly, Liao et al. (2009) further state that employee performance becomes a critical performance criterion for Management research to measure the efficacy of work systems. Takeuchi, Chen, & Lepak, (2009) defined the HPWS “*is a group of separate but interconnected HR management practices designed to enhance employee and firm performance outcomes through improving workforce*. As further argued by Messersmith, Patel and Lepak, (2011), a lack of clear understanding of the key mediating that link the HPWS with firm performance and investigating employees' perspective regarding HPWS would institute a more valuable outcome (Meddour, Majid, & Abdussalaam, 2019). Most of the previous researchers constantly show a positive relationship between HR systems and performance (e.g., Guthrie, Flood, Liu, & MacCurtain, 2009; Siddique, Mufti, & Khan, 2019; Diogo & Costa, 2019) including mediating mechanisms in the HRM-performance relationship (e.g.; Jiang & Messersmith, 2017, Arefin, Alam, Islam, & Rahaman, 2019). As explained by Ouchi, (1987), the importance of motivation as it relates to productivity. According to Badubi, (2017), the importance of motivation in organisation and job satisfaction is vital for the achievement of organisational goals and objectives. The researchers propose psychological empowerment where it signifies employees' feelings of their working experience in delivering the expected job requirement as a mediator in between perceived HPWS and SEP. Human resource practices play a significant role in facilitating employees to deliver service quality to customers (Horwitz & Neville, 1996; Dayarathna, 2018). Recognition in the Asia region is still lacking for its significance (Othman &

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Teh, 2003) especially in the Automotive organizations (Mujtaba, Jamal, Qureshi, & Shaikh, 2018). This study attempts to address the literature gap by investigating perceived HPWS and employee performances in the Automotive Retail Industry. Empowerment practices will lead to superior motivation and opportunity to engage in positive behaviour in meeting the organisational performance ( (Evans & Davis, 2005).

## 2. Research study

The objectives of this research are as below:

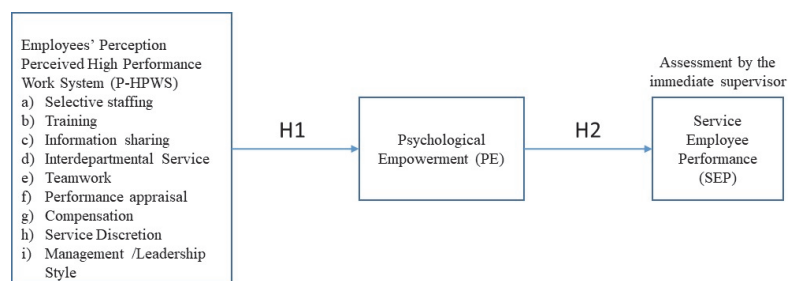
- a) To study the relationship between perceived HPWS (HPWS) and service employees' performance (SEP).
- b) To explore the relationship between perceived HPWS (HPWS) and psychological empowerment (PE) as mediating between perceived HPWS (HPWS) and service employees' performance (SEP).

Many empirical studies have proven that employees who experience psychological empowerment feel very committed to their job resulting increase in job performance (Guerrero, Chênevert, Vandenberghe, Tremblay, & Ayed, 2018) and also linked to a greater job satisfaction (Chang et.al., 2010; Jordan G, et.al. 2017; Ahmadi et.al. 2018), patient care quality (Bonias, Bartram, Leggat, & Stanton, 2010), psychological climate (Liao, Toya, Lepak, & Hong, 2009), organisational commitment (Liden, Wayne, & Sparrowe, 2000), employee attitudes and behaviour (Fong & Snape, 2015) and also as a predictor of the employee engagement (Jose & Mampilly, 2014). For example, according to Miao & Cao (2019), HPWS can enhance employee performance and the scholar analyse employee well-being as a mediating role. Empirical research concerning the relationship of HPWS and psychological empowerment relatively little attention has been directed at investigating the relationship between HPWS and service employee performance in Malaysia context, especially Malaysia Automotive Sector. In view of the above arguments the following hypothesis (1) is proposed:

*Hypothesis (1): Perceived-HPWS (HPWS) is positively linked to the service employee performance among the service employees in the automotive retail industry.*

The researcher further explained that the consequences of organizations operating without any determination of motivation concerning its employees are terrible, such as turnover, burnout which can disrupt the success of organizations. Strengthening the understanding of this area, previous researchers have proven the relationship between employee perceived HPWS and psychological empowerment in the Banking Industry (Liao et.al.,2009) and health care organization (Leggat, Bartram, Casimir, & Stanton, 2010; Bonias, Bartram, Leggat, & Stanton, 2010). The researcher will study the formulations of self-determination theory (SDT) in this study by examining psychological empowerment (PE) as a mediator through which perceived-HPWS influence employees' performance. Considering the arguments and literature review, psychological empowerment as a mechanism that mediates the relationship between HPWS and service employees' performance, the following hypothesis is proposed:

*Hypothesis (2): The relationship between perceived - HPWS (HPWS) and service employees' performance (SEP) in the automotive retail industry is mediated by psychological empowerment (PE).*



**Fig. 1.** Theoretical framework

## 3. Method

### 3.1 Data collection and sampling

Data was collected from automotive retail companies located in Klang Valley, Malaysia. The surveys were sent to the respective Human Resource Personnel and Branch Managers. Each respondent reverted the feedback online directly to the researchers. The service employee performances were completed by the immediate supervisor. Confidentiality assurance to the participants, where all information given and will only be used for this research.

### 3.2 Measures

#### a) Employee perception about HPWS

The researcher adapted HPWS using Liao et.al. (2009), Zacharatos, Barling, & Iverson, (2005) (2005) and Wahid & Hyams-Ssekasi, (2018). Employees are required to give their feedback and choose options ranging from score 1 as “strongly disagree” to score 5 as “strongly agree”. There are nine (9) dimensions which are selection hiring, training, information sharing, inter-departmental services, teamwork, performance appraisal, compensation, service discretion and management style. The HPWS questionnaire which is adapted from the previous researchers was translated into Bahasa Malaysia which is the medium communication for most of the respondents at the workplace. Hence, the questionnaire has dual-language (English-Bahasa Malaysia) for easy reference by the respondents. The Cronbach’s alpha of the scales was 0.951

#### b) Psychological empowerment (PE)

This dimension was measured using Spreitzer (1995) where the scholar defined that psychological empowerment comprising four cognitions namely meaning (the value of work), competence (employee’s capacity to perform the job), self-determination / autonomy (control of work processes) and impact (the degree of which employee can influence performance outcome). Service Employee Performance (SEP). The Cronbach’s alpha of the scales was 0.821

#### c) Service employee performance (SEP)

The service employee performances were evaluated by the Manager or immediate Superior based on the service quality Seidu (2011) in his study established by Chen and Klimoski (2003) and task performance items adapted from Tsui et al. (1997). The measurement items in the structured questionnaires had been used by previous researchers and its validity and reliability had generated the reliability statistics. For this study, the Cronbach’s alpha of the scales was 0.843.

## 4. The results

### 4.1 Descriptive statistical analysis

This study used SPSS 26 to generate descriptive statistics, correlation analysis, reliability analysis and regression analysis. The sample of 72 employees had characteristics; 74% male; 63% had less than 5 years working experience and 37% had more than 5 years working experience. For qualification, 51% had a Certificate, 29% had a Diploma, 17% had a postgraduate Degree and 3% represented a Master Degree. The researcher controls the potential impacts of employee demographic differences such as gender and years of service (Jensen et.al. 2013). Detail as tabulated in Fig. 2 below:

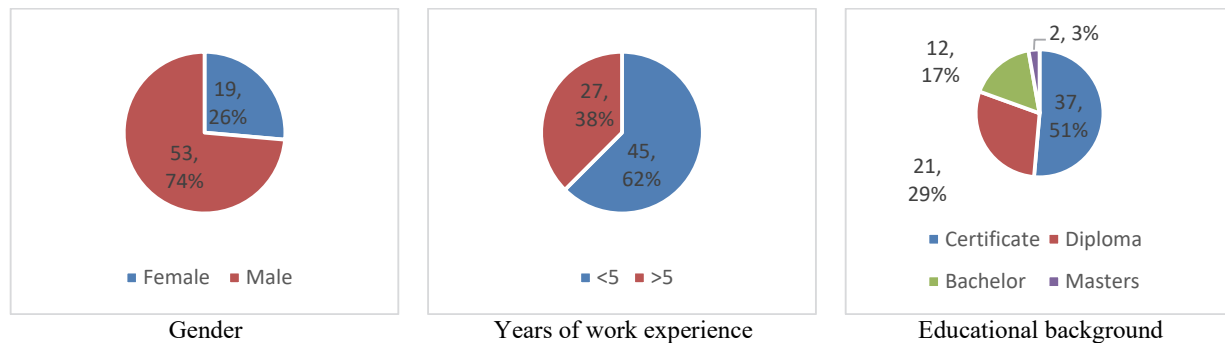


Fig. 2. Personal characteristics of the participants

Table 1 summarizes the results of correlation analysis of variables. As we can see, service employee performance ( $r = 0.790$ ,  $p < 0.01$ ) and psychological empowerment ( $r = 0.837$ ,  $p < 0.01$ ) with perceived HPWS are positively significant.

Table 1

The summary of some basic statistics

	N	Minimum	Maximum	Mean	Std. Deviation
HPWS	72	2.84	5.00	3.8140	.44269
PE	72	3.00	4.83	3.9729	.42872
SEP	72	3.00	4.78	4.0864	.41374
Valid N (listwise)	72				

Table 2 shows the results of Pearson correlations between different pairs of the variables.

**Table 2**

The summary of Pearson correlation

		HPWS	SEP	PE
HPWS	Pearson Correlation	1	.790**	.837**
	Sig. (2-tailed)		.000	.000
SEP	Pearson Correlation	.790**	1	.936**
	Sig. (2-tailed)	.000		.000
PE	Pearson Correlation	.837**	.936**	1
	Sig. (2-tailed)	.000	.000	
	N	72	72	72

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

#### 4.2 Hypothesis testing

The primary purpose of this study is to address the calls for further investigating the mechanisms through which perceived-HPWS effects service employees' performance outcomes. It subsequently investigated the mediating roles of psychological empowerment. The framework was developed to test a model how HPWS affecting the performance underpinned by the SDT. Hypotheses 1 stated that perceived HPWS is positively linked to the service employee performance, the result demonstrated that perceived HPWS influences service employee performance ( $\beta = .79$ ,  $p < 0.01$ ) significantly positive correlation with perceived HPWS, which is consistent with the hypothesis.

Hypotheses 2 predicted that perceived - HPWS and service employees' performance in the automotive retail industry is mediated by psychological empowerment. The research takes 4 steps to analyse the mediating effect. Firstly, perceived HPWS (independent variable) have to directly affect service employee performance (dependent variable). Next, to test the perceived HPWS have to directly influence the psychological empowerment (proposed mediator) and the proposed mediator has to directly influence the dependent variable. Finally, comparison of the significant values when the variables are added to the regression analysis. The results will be fully mediated when the significant relationship between independent variables and dependent variables must become insignificant after incorporating the mediator into the regression analysis.

Based on the regression analysis in between perceived-HPWS, psychological empowerment and service employee performance the value of R square ( $R^2$ ) is .875. As shown in Table 3(a), perceived HPWS influences service employee performance. Table 3(b), showed that psychological empowerment (PE) mediates the relationship between perceived-HPWS and service employee performance (SEP). Perceived HPWS no longer significantly influences service employee performance. Thus finding supported the hypotheses 2. Table 4 summarizes the results.

**Table 3(a)**

Regression analysis HPWS and SEP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.269	.263		4.831	.000
	HPWS	.739	.068	.790	10.790	.000

a. Dependent Variable: SEP

**Table 3 (b)**

Regression analysis HPWS SEP and PE as mediator

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.491	.166		2.957	.004
	HPWS	.022	.073	.023	.298	.767
	PE	.884	.075	.916	11.783	.000

a. Dependent Variable: SEP

**Table 4**

The summary of testing the hypotheses

Hypotheses	Framework	Expected result	Empirical finding	Supported / Not Supported
<i>Perceived-HPWS (HPWS) is positively link to the service employee performance (SEP) among the service employees in the automotive retail industry.</i>	Direct	+	+	Supported
<i>The relationship between perceived - HPWS (HPWS) and service employee performance (SEP) in the Automotive retail industry is mediated by psychological empowerment (PE).</i>	Mediation	+	+	Supported

## 5. Discussion and Conclusion

This paper aimed at evaluating the effects of HPWS practices on service employee performance. The study has evaluated perceived HPWS and service employee performance mediated by psychological empowerment. The results were based on employee feedback from automotive retail industries of Malaysia. As such this paper has contributed to the current human resource management and performance which is consistent with previous research. HR practices influence knowledge, skill and abilities as well as motivation of the employees that enhances the quality (Huselid & Becker 1995; Delery & Shaw, 2001). Employees' perceptions in regards to the HR practices play a significant role in ensuring the efficacy of these practices to the organisation (Jensen, Patel, & Messersmith, 2013; Jiang & Messersmith 2017). In the service industry context, the performance of service employees and their behaviour in serving or addressing customer needs is critically important. In view of the finding, the conditions of the HPWS (HR bundles) will lead to the improved service employee performance (task performance and service quality). This research will encourage further study and other relevant mechanisms that can influence employee performance. HPWS practices have positive effects on service employee performance; future research may extend to a large population and may provide any other variables that can help in improving service quality.

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