Antecedents and Outcomes of Employee wellbeing: A Path Model Approach

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ABSTRACT: Employee wellbeing is also known as ‘happiness’. It received ample attention during the last decades due to its importance in one’s personal as well as organizational life. It is considered as one of the essential factors in achievement of competitive advantage. In order to get the very best out of their organization, many managers are choosing to adopt practices to increase the wellbeing of their staff. Using the humanization approach this research is aimed at examining the antecedents (High performance work system) and outcome (organizational performance) of employee wellbeing. The research further examines the moderating role of fun at work on the relationship between High performance work system and employee wellbeing. Organizations that consider their employees as assets take good care about their wellbeing and as a result they perform better. There is no ‘one size fits all’ but where managers are able to raise employee wellbeing, they also expect to gain boosts in the organizational performance. Therefore, this research is done viewing high performance work system through the lens of humanization within i.e. IT sector of Pakistan. A sample of 327 respondents was drawn using purposive sampling technique. The instrument consisted of the adapted measures of high performance work system, and organizational performance, wellbeing and fun at work. Structural equation modeling (SEM) was used to test the hypotheses using AMOS software. The results suggest that high performance work system influences employee wellbeing which ultimately results in increased organizational performance. Limitations and future research recommendations are also discussed.

Keywords— High performance work system, wellbeing, fun at work, organizational performance, and humanization

Introduction:
The recent intense competition brings ever-greater burden on the workforce to deliver at required standards. This situation pressurizes the employees, bring negative effects on employee’s health and result in negative work outcomes like absenteeism, counterproductive work behavior and stress thus reducing their performance. In order to boost performance and stay competitive organizations are now focusing on employee well-being. Employee wellbeing is a concept that has been focus of interest in recent years (Kersley et al., 2006; MacDonald, 2005; Tehrani et al., 2007). This recent concept is described as one’s perception of complete happiness, satisfaction and positivity towards life a whole and domains such as work (Diener 2000; Lu, 2001).
Employee wellbeing is simply defined as “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences” (Locke 1976).

In the current competitive environment, the role of HR has been more on fulfilling the business needs in an effective and efficient manner. In this process they focus more on identifying good HR practices that can bring competitiveness of business ignoring the employee well-being (Ulrich, 1998). Past two decades are evident of a great deal of discussion concerning the identification of suitable HR practices to be adopted by the organizations in order to lead towards employee wellbeing and further resulting in increased job performance (Mihail & Kloutsiniotis, 2016). The recent literature in this field is considering on a more employee-centric perspective of HR practices. Aligning with the viewpoint of positive psychology, this notion focuses on the HR practices that are more employee oriented and leads to better performance (Zhang et al., 2013). These practices are termed as High Performance Work Systems or HPWS; and described as bundle of HR practices adopted by organizations (Boxall & Macky, 2009; Searle et al., 2011a). (There is a direct effect of employee centric HPWS on employee perception of well-being that ultimately results in increasing job performance (Huang, Ahlstrom, Lee, Chen, & Hsieh, 2016).

An interesting addition in management literature is the concept of fun at work. It involves socially engaging in funny and spontaneous positive events in the workplace; such events are necessary in humanizing organizations for employees (Barsoux, 1993). In this domain, the studies conducted by Karl and colleagues emphasizes on the positive effects of fun at work on several job attitudes and outcomes (Karl et al., 2005, 2007; Karl & Peluchette, 2006; Peluchette & Karl, 2005). The presence of fun at workplace make employees more satisfied and they start to be happy in the workplace and have a positive attitude about numerous work activities. The current research takes a unique perspective and conceptualizes the moderating role of fun at work on the relationship between HPWS and employee well-being.

Despite of all the advances in the field of employee well-being, there is still ample room to investigate this concept. As competition is growing and organization’s need to focus on the performance, satisfaction and happiness of their employees become important to develop a positive attitude. In this regards adoption of a bundle of appropriate HR practices become important for their well-being and increase job performance. The current research is an effort to examine the impact of HPWS on well-being within the IT sector of Pakistan. Furthermore, it also examines the impact of perception of employee well-being on job performance. A recent study has recommended to examine “how and why HPWS affects employee wellbeing” (Huang, Ahlstrom, Lee, Chen, & Hsieh, 2016). The present study is an attempt to answer this important question by developing a path from HPWS to well-being and further to organizational performance. As organizational performance and employee well-being are two distinct goals human resource management. The current study has a novelty as it is an attempt to contribute into the literature of employee well-being by introducing fun at work as a moderator between the relationship of HPWS and employee well-being

Literature Review

Wellbeing

Wellbeing is also known as ‘happiness’. It refers to “people’s cognitive and affective evaluations of their lives” (Diener 2000, p. 34). This includes both life satisfaction as a whole and other domains such as work. This construct has recently gained much attention of scholars as it forms the roots for happier and efficient employees (Wright & Staw 1999). It is a broad concept which has made it complex.

Employee well-being is the “overall evaluation of one’s life, overall quality of an employee’s experience and functioning at work, including life satisfaction and positive affect which influence employee performance” (Grant et al., 2007; Li et
Employee wellbeing is a versatile construct with a number of factors that might contribute to it. Generally, it may be described as a subjective and global judgment that an individual feel more positive and comparatively less negative emotion (Wright & Cropanzano, 2004: 341). Wellbeing has been conceptualized in different ways. Some researchers conceptualized it simply as feeling good or feeling bad (Warr, 2006). While others have defined it as a multi-construct like including objective list, preference satisfaction and mental states (Parfit, 1984).

Wellbeing is found to be a source of positive attitudes and behaviors in organizations. Many researchers have found positive relationship between employee wellbeing and job performance (Cartwright & Cooper 2008; Wright & Cropanzano, 2000). Earlier studies also identify different antecedents of well-being, for example, job stress, personality, work-family balance, or job characteristics such as job demand (Lapierre and Allen, 2006; Schaufeli et al., 2008; De Jonge and Schaufeli, 1998; Macky and Boxall, 2008).

**Antecedents of employee well-being**

**High performance work system**

High performance work system generally refers to "a system of human resource practices designed to enhance employee’s skills, commitment and productivity in such a way that employees become a source of competitive advantage" (Datta, Guthrie & Wright 2005, p. 135). These practices are modern management practices of human resource (Appelbaum et al. 2000). This system is a group of separate but interrelated human resource practices which contain various practices (Takeuchi et al. 2007). Recently HPWS has gained academic attention of scholars in examining which positive outcomes it brings (Macky & Boxall 2007; Kalmi & Kauhanen 2008; Kroon, van de Voorde & van Veldhoven 2009). The present research study is aimed at studying the high performance work system that is conceptualized as the application of the best human resource practices to enhance employee wellbeing and ultimately organizational performance. Organizations following such practices with commitment, are always ahead of their competitors. The reason is these practices affect other variables such as job satisfaction, performance, employee turnover, service quality, organizational citizenship behavior in a positive manner and leads to overall employee wellbeing.

A number of researchers examined the impact of human resource management on both employee level and organizational level outcomes. (Paauwe, 2009; Boxall, Purcell & Wright, 2007; Gerhart, 2005). Academic researchers have long been striving to examine the association between human resource practices and organizational performance (Huselid, 1995). The focus and attention had been diverted to improve the organizational performance through effective and efficient human resource management practices (Bartram & Dowling, 2013; Darwish, Singh & Mohamed, 2013; Kramar, 2013; Scully, Buttigieg, Fullard, Shaw & Gregson, 2013). Kmieciak, Michna & Meczynska (2012) argues that effective deployment of human resources leads to better organizational performance.

Similarly, in finding the connection between human resources management and employee performance, researchers have focused specifically on high performance work systems (HPWS) as contributing greatly to organizational effectiveness (Kim et al., 2010; Subramony, 2009; Sun et al., 2007; Townsend et al., 2011). To perform well individuals need both internal as well as external resources. Internal resources are those “possessed by the self or are within the domain of the self,” such as self-esteem, skills, and optimism, while external resources are not “possessed by the self, but are external to it,” including social support, employment, and status (Hobfoll, 1989). In particular, HPWS can develop the employees’ expected behavior desired by an organization through direct compensation connected to employees’ intention to perform (Fishbein &
Ajzen, 1975; Macky & Boxall, 2008; Wright & McMahan, 1992). In general, employee motivation as shaped by HPWS, is based on direct incentives for certain work behaviors.

Prior literature on high-performance work systems and well-being has employed global measure. However, Mohr and Zoghi (2008) focused only on high involvement management. It is interesting to note that the outcomes of HPWS can be positive or negative for employees. Therefore, on the one hand these practices may be a source of “stress” as HPWS may impose higher demands on employees to achieve organizational outcomes (Macky & Boxall 2008). On the other hand the use of HPWS brings positive performance-related outcomes like work satisfaction (Messersmith et al., 2011; Takeuchi et al., 2009). Studies have shown that general human resource practices positively affect well-being (Van de Voorde et al., 2011; Fan et al., 2014; Kazlauskaitė et al., 2012). On the basis of this discussion, the present study maintains that HPWS has a dual agenda i.e., employee-centered outcome (well-being) and organizational performance. Therefore, following is the first hypothesis of this study

\[ H_1: \text{High performance work system has a positive and significant effect on employee wellbeing.} \]

**Outcomes of employee well-being**

**Organizational Performance**


Different researchers have conceptualized this construct differently (Kirby, 2005). However, definition of organizational performance involves the comparison between real / actual output with intended or planned / desired output of an organization (Richard, 2009). According to Richard and Timothy in ‘Measuring Organizational Performance: Towards Methodological Best Practices’ Page 5, there are three aspects of Organizational performance 1. Financial; 2. Product and Market Performance; and 3. Shareholders return. Financial performance mainly consists of profits, return on assets, and return on investment. Financial performance means to what level our financial targets are achieved. These targets are regarding the profits of the company, returns on assets and returns on investments. Product and market performance involves the level up to which an entrepreneur has launched its product. The level of that product’s availability and what are its returns in the market. Returns regarding a product mainly consists of sales it made and up to what level it is admired by the end-users. Finally, shareholders return includes per share return and economic value added or reduced. Shareholders returns consists return on equity either in the form of per share earnings or enhancement or decline in the value of owners’ investment in the business.

Managers have started realizing the significance of employee wellbeing because of its importance in the sustainable development and growth of their organizations. Earlier studies suggested that people with higher well-being tend to put more efforts and engage more on their pursuit goals (Schaufeli et al., 2008; Galabova & McKie, 2013; Taris & Schreurs, 2009). Zelenski et al. (2008) also conclude that happier workers tend to be more productive. Therefore, individuals would exercise more effort in their work roles when they have a higher sense well-being. In broad sense, employee well-being includes not only employee happiness, rather satisfaction and quality toward life and work also come under this concept. Therefore, well-being is found to have a positive effect on organizational performance by reducing employees’ absenteeism, and turnover (Spector, 1997) and increasing organizational citizenship (Podsakoff et al., 2000)
as well as job performance (Cropanzano & Wright, 2001; Judge et al., 2001). Therefore, this study hypothesizes that

\[ H_2: \text{Employee well-being has a positive and significant effect on organizational performance} \]

**Fun at Work**

Fun at work increases employee productivity and morale (Meyer, 1999; Strand, 2000). Academic literature, practitioners, books and human resource consultants have suggested some activities that can improve workplace morale and productivity. Such activities include group lunches, after hour activities, halloween parties and picnics etc. Such fun activities at work add a different flavor to work conditions which makes employees feel better and be a part of healthy corporate culture. This is a progression to humanization approach in other words.

According to Fluegge (2008) fun at work include such task and activities that socialize employee at work which are fun to do and provide employee with joy and delight. As described by Lamm and Meeks (2009) workplace fun is a common, social, entertaining action, which amuse or entertain the employee on work. According to Ford et al. (2003) these kinds of activities which describes fun at work as deliberate and inspiring help in making fun and make employee enjoy their workplace environment and this way the attitudes and interest of employees’ productivity gives positive result. Scholars have examined this variable with relation to other factors. The research team of Karl and colleagues examined fun at work and found that it has positive relation with job satisfaction. Karl et al. (2007) found no significant difference in attitudes of employees in different sectors. Similarly, Karl and Peluchette (2006) found that fun helped in increasing job satisfaction and the association is greater for employees giving high importance to fun (Barsoux, 1993). Fun at work means social engagement in funny and spontaneous positively planned activities at workplace. To search the specific elements which result in fun at work, Ford et al. surveyed members of Society for Human Resource Management and ended up with these three categories of activities, which take part in fun work environment like personal milestones, social events and public celebration of professional achievement like award functions. McDowell (2005) listed fun at work in four diverse categories: socializing; celebrating, personal freedom, and also global fun. As defined by Karl et al. (2007) the first three categories are same as what they called experienced fun. Workplace fun is concerned through four channels as said by Chan (2010) including staff, supervisor, social and strategy. These all are examples of experienced fun. Lamm and Meeks (2009) found the significant effect of workplace fun on organizational citizenship behavior, irrespective of generation differences. In their study, Karl et al. (2005) suggested that people show positive attitude towards workplace fun as it increases employees trust in their colleagues and ultimately enhance organizational citizenship behavior. On the basis of this discussion this study maintains that

\[ H_3: \text{Fun at work moderates the relationship between high performance work system and employee well-being.} \]

**Sample and Method**

In order to collect the data, the sample was selected from IT sector of Pakistan. For examining the hypothesized relationship, a questionnaire was designed adapting existing scales and was validated prior to data collection. In order to fit to Pakistani context a few modifications were made. Face validity of the questionnaire was also ensured by consulting 3 academic experts and 6 managers from IT sector. Purposive sampling technique was used for distributing questionnaires. Initially 600 questionnaires were distributed out of which 400 were returned and 327 were found completed in all aspects and constituted the sample of the study. Demographic details of the sample can be seen from the table below.
Table: 1 Demographic details of sample (N=327)

<table>
<thead>
<tr>
<th>Demographic statistics</th>
<th>frequency</th>
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<tbody>
<tr>
<td>Gender</td>
<td></td>
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<tr>
<td>Male</td>
<td>237</td>
</tr>
<tr>
<td>Female</td>
<td>90</td>
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<tr>
<td>Age</td>
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<tr>
<td>20 to 30 Years</td>
<td>181</td>
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<tr>
<td>31 to 40 Years</td>
<td>131</td>
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<tr>
<td>40 to 50 Years</td>
<td>15</td>
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<tr>
<td>Qualification</td>
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<tr>
<td>Graduation</td>
<td>72</td>
</tr>
<tr>
<td>Masters</td>
<td>174</td>
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<tr>
<td>M. Phil</td>
<td>81</td>
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<tr>
<td>Experience</td>
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<td>1-3</td>
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<tr>
<td>4-6 years</td>
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<td>6-9 years</td>
<td>71</td>
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<td>10-above</td>
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Measures

The concept of HPWS was measured through 12 items scale of Zhang, Fan, & Zhu (2013). It covers the major components of HRM functions including recruitment, training, compensation, employee participation and job security. Employee well-being was measured through 8 item scale of Oxford Happiness Questionnaire Short-Form, by Hills and Argyle, (2002). While 11 items scale of Delaney and Huselid (1996) was used to measure organizational performance. Fun at work was measured using 24 items scale developed by McDowell’s (2004). For all the items Five points Likert type scale was used, i.e. from strongly disagree (1) to strongly agree (5).

Results

The table above reveals that the scales are reliable to be used with alpha values ranging from 0.65 to 0.78. The correlation matrix reveals that all the variables are positively and significantly correlated with one another.

Table III

Results of the hypotheses

Data were analyzed using two models in order to test the conceptual framework i.e., a baseline model that demonstrates the effects of HPWS on WB (H1 respectively) and WB on OP (H2 respectively); followed by a model with fun at work as a moderator (H3 respectively). Table III displays that HPWS significantly and positively influence well-being (38.8%). (H1 is supported). This table also displays that well-being significantly and positively influenced organizational performance (56.5%).

For measurement model, the group variant represents a significantly better fit. Therefore, it is retained for doing pair-wise parameter comparisons. For the structural model, the group invariant shows a better fit. Multi group analysis was then employed to apply this model simultaneously to the High Fun at Work
and Low Fun at Work samples. The question to be examined was whether the pattern of structural relationships hypothesized in the path model follows the same dynamics for both the groups. The results reveal that the pair-wise parameter comparisons (high fun at work vs. low fun at work) for the hypothesized path corresponding to the posited effect of HPWS on well-being is insignificant (C.R. < ±1.96, p > .05). Therefore, H3 is not supported.

Discussion

Earlier researchers found the positive influence of HPWS on organizational performance (Boxall & Macky, 2009; Wright et al., 2005). However, conceptually HR practices do not directly lead to organizational performance but rather through the workforce efforts that result in positive outcomes (Barney and Wright, 1998; Way, 2002). This refers that high performance work system is effective to the extent that they are successful to positively affect individuals and motivate them to contribute to significant organizational outcomes (Messersmith et al., 2011).

The aim of the study was to determine the impact of HPWS on employee well-being which ultimately lead to organizational performance. The study further examined the moderating role of fun at work between the relationship of HPWS and employee well-being. In order to achieve these objective three hypotheses were formulated and tested through structural equation modelling. The current study has a significant contribution to the existing body of knowledge in the field of HPWS, fun at work, organizational performance and employee well-being by providing empirical support.

First hypothesis anticipated a positive impact of HPWS on employee wellbeing. This hypothesis was substantiated as HPWS has a significant and positive impact on employee wellbeing. Previous studies exhibit the relationship between HPWS and employee wellbeing. This finding of current study is in line with earlier findings that suggested that HPWS play important role in determining employee wellbeing. A study by Wood and de Menezes (2011) has shown the positive relationship between high performance work systems and wellbeing. The limited empirical research about the impact of HPWS on employee well-being reports mixed or even contradictory findings (Ramsay et al. 2000; Kalmi and Kauhanen 2008; Kroon et al. 2009). For example, Macky and Boxall (2008) find that greater experience of HPWS can lead to either higher job satisfaction or dissatisfaction depending on workload and working hours.

Second hypothesis anticipated a positive impact of employee wellbeing on organizational performance. This hypothesis was also supported as HPWS has a significant and positive impact on organizational performance. These results suggest that employee well-being is important in nurturing desired work attitudes and behaviors of workforce (Grant et al., 2007).

Third hypothesis anticipated that fun at work moderates the relationship between HPWS and Employee wellbeing. This hypothesis is not supported in this study. Workplace fun was found to be positively related to well-being in this study. Fun at work at work is an important factor (Ching, 2010), however, the results demonstrate that in the Pakistani context this variable does not enhance the relation between HPWS and employee well-being.

Limitations

The cross-sectional design is one of the limitations of this study. So it would be equally important to undertake longitudinal studies. Another limitation is that the current study was conducted in the IT sector only and thus limiting its scope. The future researchers may empirically examine the framework in other sectors and may compare different sectors as well. The generalizability of the study is also limited due to the use of purposive sampling technique. This study used one-dimensional measures of HPWS, Organizational performance, and employee well-being so this should be viewed as a first step for future research that would be extended to employee different facets of these variables. There are some important variables that can be included as moderating variables in the future research, e.g., psychological capital and personality.

Implications

This paper provides an empirical analysis of the relationship among HPWS, organizational
performance, fun at work and employee wellbeing. This study provide the empirical evidence of a positive relationship between HPWS and employee well-being and organizational performance by collecting data in Pakistan. This study can markedly add our understanding of the importance of well-being in a developing economy. The empirical evidence provided also support the importance of employee well-being in an important South Asian economy where happiness has only recently gain importance.

This study contributes to practice. This shows that implementing HPWS is not only beneficial for the organization but also create a better culture which provides all the necessary resources to the employees, which in turn foster greater employee well-being from happy and high satisfactory workers in an organization. The findings also implied the important effect of well-being recommending mangers put more focus on the related issue in their organizations.

Moreover, earlier studies suggest that happy employees are more productive (Harrison et al., 2006; Schleicher et al., 2004).

When attempting to improve the employee wellbeing, practitioners should consider the role of HPWS. This study also found that employee well-being ultimately results in enhance organizational performance. Employee well-being makes employees more satisfied with their job and organization. Organizations should be well aware of the importance of HPWS and fun at work concepts in order to improve the wellbeing of their employees and enhance their performance. It will be not only beneficial for the organizations but for the employees also by creating a win-win situation for both parties. Therefore, developing employee well-being is first step that further require encouragement to promote and improve the fun at work construct, by doing so, in long run, employee wellbeing will become synonymous with organizational success. The findings of this study stress the importance of fun at work within organizations.

REFERENCES:


