

# **The Impact of HPWS in Organizational Performance: A Mediating Role of Servant Leadership**

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## **Abstract**

*The aim of this research is to study the Impact of High performance work systems (HPWS) in organizational performance mediating role of servant leadership in the SMEs of Multan & Khanewal, Pakistan. The study took the SMEs who working in as the target population. The sample size is 711 SMEs which are located in Multan and Khanewal region. The result showed the significant impact of HPWS on organizational performance and also has a positive relation with servant leadership. On the other hand servant leadership plays a mediating role between High-performance work system and organizational performance. This study helps to managers for enhancing the SMEs performance.*

**Keywords:** HPWS , Organizational Performance ,Servant Leadership, SMEs, Pakistan

## **Introduction**

There is plentiful literature that indicates that some company or organizations accomplish superior performance from their rivals, however the reasons of this outperformance are indistinct (Muduli, 2015; Waal & Goedegebuure, 2017). Performance maximization and growth is one of the greatest fundamental objectives or intentions for countless corporate firms, organizational or companies either it is public or it's a private. Now this pursuit and recreation of output and productivity optimization and development of every corporate firms and organization seeks to squeeze and congestion out maximum benefits and paybacks beyond its resources or capitals. Each sort of resource or capital comprising with monetary, operative, technical and also human resources (HR) is operated and functioned at the uppermost efficiency and effectiveness. The 21<sup>st</sup> era was perceived a rehabilitated interest in the humanoid aspect and characteristic of organizational or corporate

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firm's resources. On the rise of number of exploration studies currently emphasize and make clear about employee' performance, during the time that one of the most important and imperative cogs vogue the instrument and mechanism of corporate firms and organizational performance distinction.

It has been essentially implicit that output and consequences of non-human resources and capitals be determined by upon knowledge, skills and assessment system or arrangement of human resource or capital of corporate firms or organization. Employees' and workers talent cliques and assessment systems might aid for accomplishing performance objectives simply. On the other hand optimum and best performance doesn't come about automatically; somewhat it is induced and persuaded over implementation of numerous philosophies and tactics. Solitary such novel tactic is institutionalization of an appropriate and suitable model of high performance work system or practices (HPWS). The High-Performance Work System (HPWS) has developed as a radical prototype of enactment distinction. The rudimentary basis behind the accomplishment of the High Performance Work System (HPWS) is "the way people are managed and treated at work place has an impact on their performance level i.e. on their productivity and efficiency" (Garg & Punia, 2017; Punia & Garg, 2012).

As stated by 5 the HPWS emphasizes on betrothed and authorized employees, or workers compliment and less hierarchical corporate firms and organizational constructions, autonomy, vulnerable message, team work, and also high level of conviction and reciprocated respect-based relationships. HPWS not only have an optimistic impression on profitability and productivity of employee or workers but also help for enhancing the organizational performance within their competitive arena. This paper has an aims to create and develop a system of high performance particularly for the SMEs Pakistani sector.

#### **Literature Review**

##### ***HPWS (High Performance Work System)***

Copious empirical as well as theoretical evidence and indication of the positive and optimistic impacts of HPWS on both productivity as well as profitability of workforces are accessible. High Performance Work System has been initiated towards positively and optimistically accompanying with enlarged the organizational innovativeness or modernity and agility. In cooperation with innovativeness or modernity and agility are and additional conveyed in the act of a crucial and significant performance components of excellence (Garg & Punia, 2017; Kuhlmann, Sperling, Balzert, & Schumann, 2004; O'Regan, 2011). According to Garg and Punia, (2017) efficient implementation and

execution of a high-performance work system over and done by rearranging of the whole work structure is one and only of the well-organized techniques towards triumph superior workplace proficiency. A lot of academics scholars have described that output of workers perchance greater than before through their job endowment and enrichment.

The substantial character of human resource management (HRM) might play in permitting an organization to linger on still competitive and has been more and more acknowledged via researchers and experts identical now a newborn eons (Muduli, 2015; Ubeda-García, Marco-Lajara, Sabater-Sempere, & García-Lillo, 2013). The preoccupation and obsession through high performance work system (HPWS), are frequently denoted towards such as the “high-performance paradigm”, also has been developed as well as advance addicted toward a dominant and foremost theme or subject inside the human resource management (HRM) preparation(Gilman & Raby, 2013; Muduli, 2015; Ramdani, Mellahi, Guermat, & Kechad, 2014). Alongside the introduction of Strategic HRM (SHRM) archetype or paradigm, an extensive and significant form of HRM exploration devises scrutinized the probable in lieu of packages or else systems of human resource programs and lives out, another way entitled as “high-performance work systems (HPWS)”that influence and well significant for firm performance and enactment (Mihail, Links, & Sarvanidis, 2013; Muduli, 2015).

The Human Resource HR structures and systems in order that to boost and build up employee or worker productivity, commitment or promises, and competencies are number or time baptized as “high-performance work systems” (HPWSs) (Berg, Kalleberg, & Appelbaum, 2003; Datta, Guthrie, & Wright, 2005; Muduli, 2015). According to Huselid, (1995) and Muduli, (2015) Human resource live out that strategic Human Resources Management SHRM theorists and philosophers reflect performance enhancing and strengthen are generally recognized as “high-performance work practices”(HPWPs) or high performance work system(HPWS). High-Performance Work System HPWS denote towards a well-set of employee or worker management rehearses that positively influence and affects the employee’s or worker’s performance, motivation and attitudes (Muduli, 2015; Sels et al., 2006).

High-Performance work system HPWS symbol a structure or package or system of Human Resource (HR) practices and methods that designed and premeditated to enhance and intensify the employees’ or workers’ several components such as involvement, commitment and

skills; and these components will help so that workers and employees converted into an expert in sustainable and defensible competitive edge (Muduli, 2015). High-Performance work system (HPWS) are a set or form of Human Resource (HR) practices or rehearses whose ambition is towards the optimize and raise the utilization or exploitation of workers' or employees' abilities or aptitudes, skills or expertise and acquaintance for the advantage of the firm or company or organization (Muduli, 2015; Sels et al., 2006). Whereas the scholars and researchers don't decide on a precise set of practices or rehearses encompassing an High-Performance work system HPWS configuration and formation (Becker & Gerhart, 1996; Datta et al., 2005; Muduli, 2015), practices and live out can be summarized and précised obsessed by six extensive categories; (1) communication, (2) training, (3) staffing, (4) teamwork, (5) compensation, and (6) flexible job assignments. The main purpose of each goal and objective of each and every practice or rehearsal is whichever to retain or preserve, develop or advance, and select employees or workers, or else towards motivate and inspire them to produce worker or employee output and productivity that would improves ultimate competitive advantage or edge (Way). Further, explicitly, HPWS escalation of organizational effectiveness and efficiency through buildings of affairs wherever employees or workers converted into highly involved and tangled with the organization as well as work hard for achieve organizational goals (Berg et al., 2003; Muduli, 2015).

### ***Servant Leadership***

Now today's organization focuses on those leadership approaches that emphasizes on the welfare of the followers and subordinate instead of glorification of the leaders are gradually more valued (Dierendonck, 2011; Winston & Fields, 2015). The words servant leadership was invented by Greenleaf and Spears (2002), as arising "with the natural feeling that one wants to serve, to serve first. The best test is this: Do those served grow as persons? Do they become healthier, wiser, freer, more autonomous, and more likely themselves to become servants?" Servant leadership gives emphasis to a leader's simplification of follower and subordinate performance and development (Barbuto & Wheeler, 2006; Dierendonck, 2011; Farling, Stone, & Winston, 1999; Liden, Wayne, Zhao, & Henderson, 2008; Winston & Fields, 2015). This assistance can happen directly over and done with leader mentoring or coach, engaging followers and subordinate in training, or else indirectly thru given that support and involvement and in addition to a moral and translucent working environment (Liden et al., 2008; Patterson, 2003). This person-oriented demeanor exhibited creates safe and robust

relationships inside the organization (Andersen, 2009; Dierendonck, 2011). Certainly, organizations commencing the government, private, and also non-profit sectors have appreciated notice of and communicate interest in evolving servant leadership internally (Spears, 2004; Winston & Fields, 2015).

Servant leadership can be present-day a challenging paradox to organizations (Andersen, 2009; Showkeir, 2002). For instance, more traditional tactics toward the organization and also management contribute to consolidate the power in the hands of a limited number of individuals and suppose conformity from rank and file employees. In this situation, both transformational leader and charismatic leader behaviors concentration on inspiring and engaging followers and subordinate as the means to accomplish organizational goals largely via involving such goals to the followers' own motivations (Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008). Rendering to the Bass and Steidlmeier (1999) transformational leadership might be convincing, nevertheless is not unethical or manipulative in intent or practice. Likewise, leaders exercising servant leadership turn in the best welfares of subordinates and followers, and do not involve in self-interested actions, manipulative (Andersen, 2009; Dierendonck, 2011; Winston & Fields, 2015), but the contradiction, conferring to Bass (2000) is that while transformational leaders concentration on not only the welfare of the organization but also servant leaders attention on the well-being of the employees. Unfortunately, according to the Van Dierendonck (2011), servant leadership has been defined and operationalized through a large variety of extents. For instance, several descriptions include humility, emotional healing, persuasive mapping, relational power, calling, wisdom, service orientation, increased follower autonomy, follower development, altruistic and organizational stewardship (Barbuto & Wheeler, 2006).

Further formulations of servant leadership contain trust, service, humility, vision, moral love, altruism, and follower empowerment (Dennis and Bocarnea, 2005; Patterson, 2003); trust, service vision, influence, and credibility (Farling et al., 1999); transcendental spirituality, authentic self (humility); voluntary subordination, covenantal relationship (service to followers), responsible morality, and transforming influence (Sendjaya, 2005); empowering, helping subordinates grow and succeed, emotional healing, putting subordinates first, conceptual skills, generating value for the community, and behaving ethically (Liden et al., 2008; Winston & Fields, 2015). Servant leadership theory forecasts that organizational leaders who practice a particular set of leader behaviors that will influence on employee perceptions and also succeeding actions through the development of

social exchange (Andersen, 2009; Liden et al., 2008; Smith, Montagno, & Kuzmenko, 2004; Walumbwa, Hartnell, & Oke, 2010).

***Nature of Servant Leadership***

Winston and Fields (2015) designated that “going beyond one’s self-interest” as an essential characteristic of servant leadership (Dierendonck, 2011). Therefore, put into practice toward the servant leadership within or surrounded by an organization have need of that a leader place significance on constructing an organizational environment that assists the followers’ growth and also development (Dierendonck, 2011; Liden et al., 2008; Winston & Fields, 2015).

This happens concluded with the leader serving not only the followers or subordinates but also for the organization. Facilitation of follower’s or subordinate’s development can occur directly over mentoring or training or indirectly with consistent behaviors that inspire the followers or subordinate towards undertake self-development activities. This concern through serving followers or subordinates has been contradicted to other approaches; for instance transformational leadership or transactional leadership. In both leadership style transactional and transformation the main goals of the leader’s is focused on welfare of the organizations or improvement of leader (Stone, Russell, & Patterson, 2004; Winston & Fields, 2015).

According to the Winston and Fields (2015) servant leader has person-oriented attitude and servant leader also has an interest of the members or employees and as well as organization. Servant leadership could be deal with in a personal need to assist, where organizational power and position existing the possibility to come across this need (Ng, Koh, & Goh, 2008). The theory of servant leadership does not imply or involve that power is deliver toward the followers or that leaders are subservient, however; underline the responsibility or obligation of an organizational leader to inspire the development of responsibility and autonomy of subordinate or followers (Dierendonck, 2011; Liden et al., 2008).

Servant leadership represent such as moving management theory away from the agency theory, with that assuming the employees are self-serving and opportunistic, toward a leadership modifications the emphasis of this influence by underlining the ultimate of service in the leader-follower relationship (Ng et al., 2008; Patterson, 2003). Empirical studies favor to support the uniqueness of servant leadership. For instance, Parolini, Patterson and Winston (2009) construct evidence that five semantic discrepancy items acclaimed the servant leadership from transformational leadership. These components capped the areas of service, attention on employees, and influencing followers or

subordinates through means that deliver greater freedom. Former studies have initiated that servant leadership forecast the substantial incremental variance in perceived supervisor support, employee commitment, organizational citizenship behavior, procedural justice, satisfaction with supervisor, and in-role performance (Ehrhart & Klein, 2001; Liden et al., 2008).

According to Walumbwa et al. (2010) the servant leadership predicts the employee (organizational citizenship behaviors) OCB both either directly or indirectly through enhanced commitment toward the supervisor and as well as higher individual employee self-efficacy. Hu and Liden, (2011) explained that the servant leadership within or inside teams China anticipate not only insights of team strength and independent evaluations of team efficiency, but also improved the effects of process and goals clearness on team outcomes. On the other hand the servant leadership positively related with satisfaction of followers' or subordinate, psychological needs, empowerment, job satisfaction, organizational commitment, promotion focus and creative behaviors (Dierendonck, 2011). Hayden (2011) proposed that the servant leader's attributes or characteristics positively associated with followers or subordinates perceptions of the results anticipated by freedom, autonomy, wisdom, follower health and desiring to serve. Servant leadership may enhance the organizational performance due to the personal commitment towards the followers or subordinate might in turn the provision of organizational goals (Fairholm, 1997; Farling et al., 1999; Winston & Fields, 2015).

#### ***Organizational Performance***

There is plentiful literature that indicates that some company or organizations accomplish superior performance from their rivals, however the reasons of this outperformance are indistinct (Muduli, 2015; Waal & Goedegebuure, 2017). The transformation in performance may perhaps be because of local and indigenous circumstances and environments, different types or forms of products and services distributed, ancient developments and expansions, cultural dissimilarities, industry intricacy or flush vertical luck (Parnell, Dent, O'Regan, & Hughes, 2012; Waal & Goedegebuure, 2017). As well, numerous of the studies demonstrate that the correlations be present among the techniques as well as methods organizations or firms or company are applying and the organizational or firm or company performance they triumph (Waal & Goedegebuure, 2017).

According to the Muduli, (2015), mostly organizational performance is measured and dignified via particular profit and turnover or marketplace value interrelated measures or procedures. Up to now,

researcher and scholar has been further enthusiastic toward use and adaptation of market-based actions of financial performance, for the reason that accounting-constructed profitability indicators and indexes give the impression of being subject towards abundant biases.

“Organizational performance,” as stated by Almatrooshi, Singh, & Farouk, 2016 and Cho & Dansereau, (2010), talk about to the performance of an organization or a company such as compared and matched towards its objectives or intentions and goals or aims. Furthermore, according to the Tomal and Jones (2015) demarcate that the organizational or company performance as the authentic and authentic output and consequences of an organization or company as measured and deliberate in contrast to that company’s or organization’s envisioned consequences and outputs.

#### ***High-Performance Work System and Organizational Performance***

Organizations’ accomplish an extensive variety of results and outcomes or consequence’s from high-performance work system or practices (HPWS) (Camps & Luna-Arocas, 2009; Godard & Delaney, 2000; Muduli, 2015; Ramdani et al., 2014) . The success and accomplishment of managerial practices or rehearses is reliant on, on an applicable and appropriate apt among the beliefs, values assumptions and essential in whichever assumed managerial practice or exercise, in addition the culturally based beliefs, norms and values are detained by dint of those who are being managed (Chan, Shaffer, & Snape, 2004; Gerhart & Fang, 2005; Muduli, 2015). The literature inking the climate plus performance or recital prerogative that while the employees or workers perceive bigger engrossment in management support, information sharing and decision-making as favorable, it is resulted in superior corporate effectiveness (Muduli, 2015).

According to the Camps & Luna-Arocas, (2009); Godard and Delaney, (2000); Muduli, (2015); and Ramdani et al., (2014) the influence of High-performance work system HPWS on organizational or firm or company performance has a significant attention and consideration in recent years, and Organizations’ accomplish an extensive variety of results and outcomes or consequence’s from high-performance work system or practices. Although reviewing the connection of high-performance work practices or system (HPWS) and firm or organizational performance in pharmaceutical and medicine companies and enterprises in China, Zhang & Li, (2009) experiential that human resource management (HRM) key composed or tranquil of high performance work practices or system (HPWS) was considerably and significantly interrelated with firm’s or organizational market base performance. According to the Camps & Luna-Arocas, (2009)

demonstrated the association between HPWP and employee turnover intention and also observed or pragmatic that commitment and satisfaction undertaking such as intermediating variables among HPWP and employee or labor turnover.

### Conceptual framework

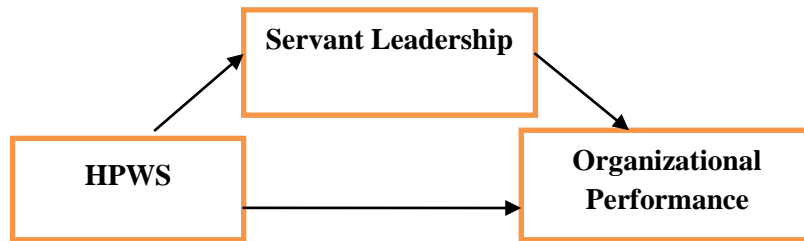


Figure2.1: Research Model

### Hypothesis Development

- H1:** High-performance work system has significance relations with Organizational Performance.
- H2:** High-performance work system has significance relations with Servant Leadership.
- H3:** Servant leadership has significance relations with organizational performance.
- H4:** Servant leadership mediates effect of HPWS and organizational performance.

### Research Methodology

To degree f these hypotheses the develop the self-designed questionnaire for data variety, and these questionnaire constructed on five point likert scale (from strongly disagree to strongly agree). As 800 questionnaires were distributed, so all were returned back. But after removing unfilled questionnaires, 711 were those which were suitable to perform data analysis.

#### Measures

##### HPWS

Measuring the supervisory support we use developed as Kianto (2008) scale. An example is “My supervisor encourages me to develop new ideas and be creative.” Responses were recorded on five point likert scale (1 = strongly disagree to 5 = strongly agree). Measuring the supportive management, we adopt the Gibbs and Ashill (2013) scale. A simple item is “My branch manager is very concerned about the welfare of those under him or her.” Responses were recorded on five point likert scale (1 = strongly disagree to 5 = strongly agree). Measuring the internal career opportunities we adopt the Behery (2011). A specimen is

“Employees’ career aspirations within the company are known by their immediate supervisors.” Responses were recorded on five point likert scale (*1 = strongly disagree to 5 = strongly agree*). Measuring the training we practice scale who created from Behery (2011). An specimen is “there are formal training programs to teach new hires the skills they need to perform their jobs.” Responses were recorded on five point likert scale (*1 = strongly disagree to 5 = strongly agree*).

Measuring the appraisal method we usage scale form Behery (2011). An sample is “Performance appraisals are based on objective, quantifiable results;” Responses were recorded on five point likert scale (*1 = strongly disagree to 5 = strongly agree*). Measuring the Employment security we also usage a from Behery (2011). An example is “Performance employees in this organization can expect to stay in the organizations for as long as they wish.” Responses were recorded on five point likert scale (*1 = strongly disagree to 5 = strongly agree*). Measuring the employment participation we also used a scale from Behery (2011). An example is “employees in this organization are often asked by their supervisor to participate in decisions.” Responses were recorded on five point likert scale (*1 = strongly disagree to 5 = strongly agree*). Measuring the job descriptions we adopt a scale from Behery (2011). An example item is “The job duties in this organization are clearly defined.” Responses were recorded on five point likert scale (*1 = strongly disagree to 5 = strongly agree*).

#### *Servant Leadership*

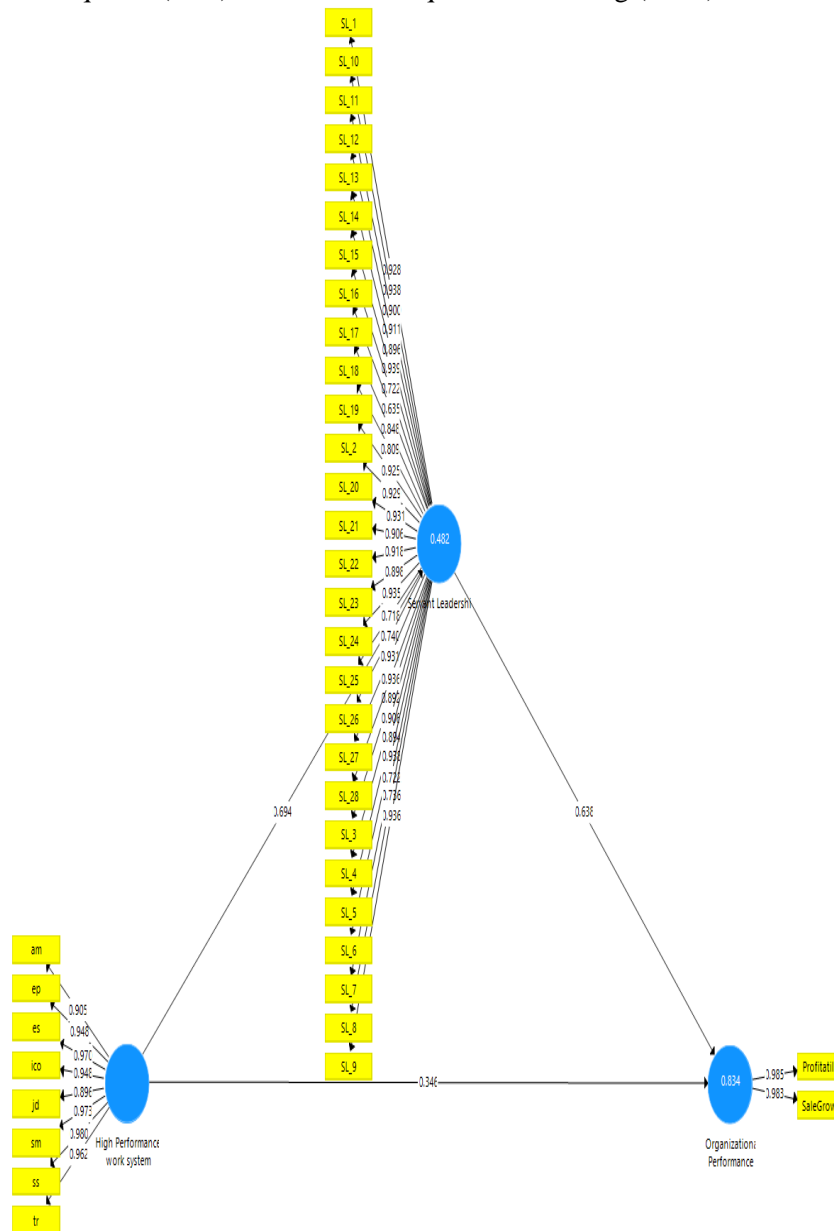
Measuring the servant leadership the study used the scale form (Liden et al., 2008). Simple items are “My manager gives me the responsibility to make important decisions about my job.” “My manager gives me the freedom to handle difficult situations in the way that I feel is best.” Responses were recorded on five point likert scale (*1 = strongly disagree to 5 = strongly agree*).

#### *Organizational Performance*

Measuring the organizational performance from (Croteau & Bergeron, 2001) Scale divided into two parts. The first part is related to sale growth. The sample items of the sales growth are “the sales growth position relative to or principle competitors” and “the market share gains relative to our principal competitors”. The second part is related to profitability. The sample items of profitability are “the return on corporate investment position relative to our principal competitors” and “the net profit position relative to our principle competitors is” .

**Result and Discussion**

To empirically assessment of the model, the study used Partial Least Squares (PLS) for Structural Equation Modeling (SEM).



**Figure 4.1:** Measurement Model

**Table 1**  
**Descriptive Statistics**

	Minimum	Maximum	Mean	Std. Deviation
Servant Leadership	1.25	5	3.714334	0.770131
High Performance Work System	1.233333	5	3.847541	0.600468
Organizational Performance	1	5	3.789543	0.721500

The Table 1 shows minimum and maximum values of all variables. The table shows in the minimum Colum the highest value of *servant leadership* is 1.25 and lowest value of *organizational performance* is 1. The maximum Colum shows the all variable have maximum values are 5. The mean of *servant leadership* is 3.714334 and this is the smaller than other variables means. *High-performance work system* has a greater mean is 3.84. The *High-performance work system* has a lowest std. deviation value is 0.600 and *servant leadership* has highest std. deviation. The value is 0.7855.

**Table 2 Correlation Analysis**

	1	2	3
1.Servant Leadership	1		
2.High Performance Work System	.693**	1	
3.Organizational Performance	.874**	.781**	1

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

The bivariate Pearson correlation ( $r$ ) enclosed *High-performance work system* (HPWS), *Servant Leadership* and *Organizational Performance*. Correlation coefficient if in the middle of .10 to .30 it will shows a weak relationship, however if the correlation coefficient in between .3 to .7 it illustrations that a moderate relationship between variables, but if the correlation coefficient has greater than  $>.7$  it means the relationship has a strong effect or impact. For correlation coefficient the  $p$ -value must be significant i.e. less than 0.05.

The above table 2 shows that there was a positive moderate relation *servant leadership* with *High Performance Work System*, ( $<.7$ ). On the other hand *servant leadership* have a strong positive relation with *High Performance Work System*, ( $>.7$ ). The relationship between *High Performance Work System* and *Organizational Performance* have also a positive strong relationship among each other's ( $>.7$ ).

**Validity and Reliability**

Formerly running the Smart PLS examination, the study has to arrange and arrange the model's reliability and validity. Since all the constructs or variable used in the model was reflective. First of all we assessed the individual indicator reliability then the composite reliability for evaluating the internal consistency, and also the convergent validity

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of the measures that related or associated as well as connected by respectively construct or variables and their discriminant validity (F. Hair Jr, Sarstedt, Hopkins, & G. Kuppelwieser, 2014; Hair Jr, Hult, Ringle, & Sarstedt, 2016). Table 3 shows the reliability values;

**Table 3 Cronbach's Alpha**

<b>Variables</b>	<b>Alpha values</b>
<b>High Performance work system</b>	0.984
<b>Organizational Performance</b>	0.968
<b>Servant Leadership</b>	0.988

The entire constructs values are greater than 0.7. It means that present model is reliable.

**Convergent Validity**

Convergent validity means the indicator of a construct or variable is how much correlated with same construct of indicators. The highly correlation among indicators of the construct disclose the convergent validity. The outer loading must be greater than. 7 (>7) (F. Hair Jr et al., 2014; Hair Jr et al., 2016) Outer loading are giving below table 4:

**Table 4 Convergent Validity**

	<b>High Performance work system</b>	<b>Organizational Performance</b>	<b>Servant Leadership</b>
<b>Profit</b>		0.985	
<b>SalesGrowth</b>		0.983	
<b>SL_1</b>			0.93
<b>SL_10</b>			0.939
<b>SL_11</b>			0.901
<b>SL_12</b>			0.912
<b>SL_13</b>			0.897
<b>SL_14</b>			0.939
<b>SL_15</b>			0.718
<b>SL_16</b>			0.631
<b>SL_17</b>			0.849
<b>SL_18</b>			0.81
<b>SL_19</b>			0.926
<b>SL_2</b>			0.931
<b>SL_20</b>			0.932
<b>SL_21</b>			0.907
<b>SL_22</b>			0.919
<b>SL_23</b>			0.899
<b>SL_24</b>			0.936
<b>SL_25</b>			0.714
<b>SL_26</b>			0.735
<b>SL_27</b>			0.931
<b>SL_28</b>			0.936
<b>SL_3</b>			0.894

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<b>SL_4</b>	0.908
<b>SL_5</b>	0.895
<b>SL_6</b>	0.939
<b>SL_7</b>	0.718
<b>SL_8</b>	0.731
<b>SL_9</b>	0.936
<b>Am</b>	0.904
<b>Ep</b>	0.948
<b>Es</b>	0.97
<b>Ico</b>	0.948
<b>Jd</b>	0.896
<b>Sm</b>	0.973
<b>Ss</b>	0.98
<b>Tr</b>	0.962

SL= Servant leadership, profit= profitability, am= Appraisal methods, ep= employee participation, es=employment security, ico=internal carrier opportunity, jd= job description, sm= supportive management, ss=supervisory support, tr=training

All the loadings are greater than .7 except servant leadership item number 16 is 0.631. Therefore we have a convergent validity for this model.

***Discriminant validity***

To conclude discriminant validity of this model indicator, we adopt dual well-known techniques and methods. First, we check and analysis for cross-loadings of the entire constructs of the model. Next, we used or adopt the Fornell - Lacker criterion or standard, which associates the average variance extracted (AVE) values thru the latent variable correlations. Mean while it is stated that “the square root of each construct’s AVE was greater than its highest correlation with any other construct”. (F. Hair Jr et al., 2014; Hair Jr et al., 2016; Mihail, Mihail, V. Kloutsiniotis, & V. Kloutsiniotis, 2016). Table 7 provide the detail of discriminant validity and also definite the discriminant validity of entire sub-constructs.

**Table 5 Discriminant Validity**

	<b>1</b>	<b>2</b>	<b>3</b>
<b>1.High Performance work system</b>	<b>0.948</b>		
<b>2.Organizational Performance</b>	0.789	<b>0.984</b>	
<b>3.Servant Leadership</b>	0.694	0.870	<b>0.873</b>

The above table 5 clearly shows the discriminant falls in between entire constructs.

*Measurement of Structural Model*

*Size and significance of path coefficients*

The variables in the present research structural model is, *HPWS*, *servant leadership* and *organizational performance* were explored and inspected as not only exogenous, but also endogenous factor shown as below table 6.

**Table 6 Path coefficient**

	Proposed Path Effect	Path Coefficient	Observed <i>t</i> Value	P Value	Hypothesis Support
H1.High Performance work system $\Rightarrow$ Organizational Performance	+	0.346	6.01***	0.000	Yes
H2.High Performance work system $\Rightarrow$ Servant Leadership	+	0.694	23.237***	0.000	Yes
H3.Servant Leadership $\Rightarrow$ Organizational Performance	+	0.638	11.011***	0.000	Yes

\*\*\*:P<0.001; \*\*:P<0.01,\* P<0.05

ns= not significance

Table 6 exhibits that the H1 was accepted; *High performance work system* significantly predicted the *organizational performance* ( $\beta=.346$ ,  $p<0.001$ ). H2 was similarly predictable *High performance work system* significantly predict the *servant leadership* ( $\beta=0.694$ ,  $p<0.001$ ). H3 was accepted. The relationship between *servant leadership* and was significant the predicted by Organizational Performance ( $\beta=0.638$ ,  $p<0.001$ ).

**Coefficients of determination and predictive relevance**

According to the Hair Jr, Hult, Ringle, and Sarstedt, (2016) R square is a “measure of the proportion of an endogenous construct’s variance that is explained by its predictor constructs”. According to the Hair, Ringle, and Sarstedt (2011) and 3 the 0.25 value of R square is weak, .50 is moderate and .75 is the high or strong. The following table 7 shows the R2 values.

**Table 7**

	<b>R Square</b>	<b>Q<sup>2</sup></b>
<b>Organizational Performance</b>	0.834	0.768
<b>Servant Leadership</b>	0.482	0.335

The value of the R2 of organizational performance and servant leadership is 0.834 and 0.482 respectively. According to the Hair Jr, Hult, Ringle, and Sarstedt, (2016) Mihail, Mihail, V. Kloutsiniotis, and V. Kloutsiniotis, (2016) once the Q-square has a greater value rather than zero, the model has predictive relevance. In the above table all the values of latent variable have greater than zero. So the present research has the predictive relevance.

**Effect Size (f<sup>2</sup>)**

The values of 0.02, 0.15, and 0.35, correspondingly, epitomize minor, average, and big effects on exogenous latent variable. The following table 8 shows the f<sup>2</sup> effects of variables.

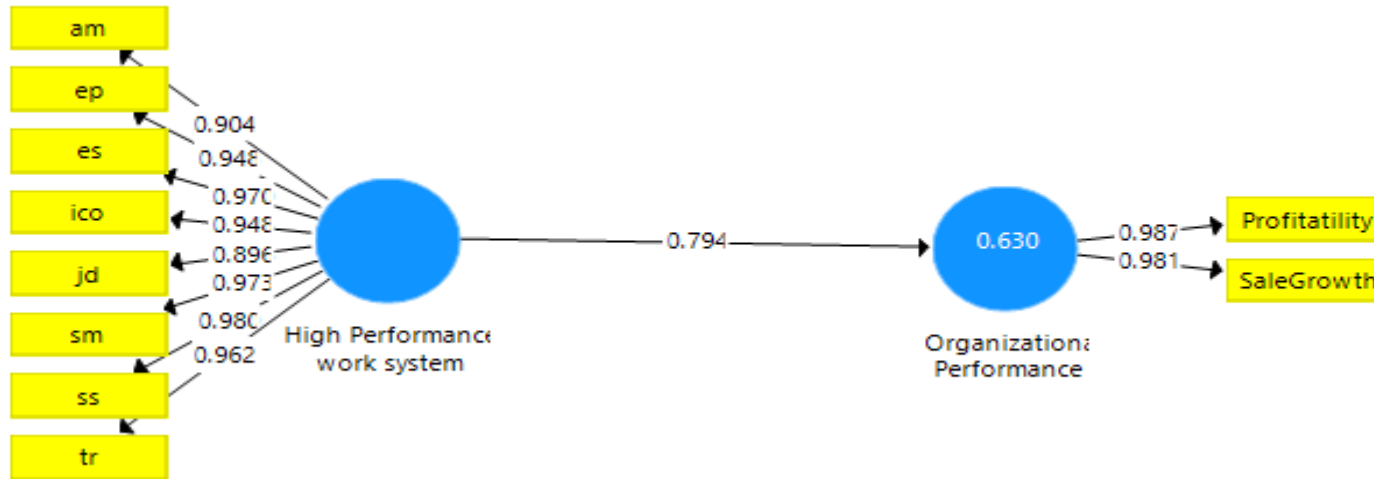
**Table 8**

Variables	<b>f<sup>2</sup></b>
<b>High-Performance Work System →organizational performance</b>	0.350
<b>High-Performance Work System →servant leadership</b>	0.704
<b>servant leadership→ organizational performance</b>	0.650

The table display the high-performance work system effect size on organizational performance is high or strong effect because f<sup>2</sup> has is .450. On the other hand High-Performance Work System has a strong effect on servant leadership value is greater than .350. The last effect is servant leadership on organizational performance is also a strong because value has more than .450.

**Mediating Analysis**

Before mediation we must calculate the IV’s and Dv’s direct relationship, for the reason that if this relation is significant then mediation analysis must be conducted. The following figure demonstrates the relationship between IV’s and DV’s.



**Figure 1:** Structural Model

The figure shows relationship between High-performance work system and organizational performance. The organizational performance  $R^2$  is .630 which shows the effective relationship between High-performance work system and organizational performance. The following table 9 shows the path coefficients.

**Table 9**

	Proposed Effect	Path Coefficient	Observed t Value	P Value	Hypothesis Support
<b>H1:High Performance work system →Organizational Performance</b>	+	0.794	30.618***	0.000	Yes

\*\*\*:P<0.001; \*\*:P<0.01,\* P<0.05

ns= not significance

H1 was accepted; *High performance work system* significantly predicted the *organizational performance* ( $\beta=.794$ ,  $p<0.001$ ).

*Calculate the Total indirect mediating effect and bootstrapped confidence interval level*

The Amos software calculated the total indirect mediating effect automatically, however in Smart PLS we must be calculated manually. The following should be occurring during calculating the total indirect mediating effect.

- Multiply path a & b
- For *t-value* both paths divide by std. error.

The following table 10 provides the total indirect effect of mediating on organizational performance.

**Table 10**

**Mediating Analysis**

Calculate the Total Indirect effect of mediating variable	Path a	Path b	Indirect Effect	SE	t-value	Bootstrapped Confidence Interval		Decision
						95% LL	95% UL	
<b>H4:High Performance work system →Servant Leadership → Organizational Performance</b>	0.694	0.638	0.443	0.027	16.399	0.390	0.496	Mediation Yes

The above table denotes the indirect effect of mediating variable (servant leadership). H4was accepted; *High performance work system* significantly predicted the *Organizational Performance* through mediating *Servant Leadership* ( $\beta=0.443$ ,  $t= 16.399$ ). The lower level confidence intervals (LLCI = 0.390) along with the upper level confidence interval (ULCI = 0.496) and both are positive.

So we conclude that servant leadership has a mediating relationship between High performance work system and the Organizational Performance.

**Table 11 Summary of Test of Hypothesis**

Hypothesis	Results
1 High-performance work system has significance relations with Organizational Performance.	<b>Accepted</b>
2 High-performance work system has significance relations with Servant Leadership.	<b>Accepted</b>
3 Servant leadership has significance relations with organizational performance.	<b>Accepted</b>
4 Servant leadership mediates effect of HPWS and organizational performance.	<b>Accepted</b>

**Conclusion**

High-performance work system or practices have significant and dynamic play role on organizational performance. With the help of mediating servant leadership variable the organizational performance better and also improved. According to the figure 2 with direct relation of High-performance work system (HPWS) and organizational performance the  $R^2$  has .630. When add the mediating variable servant leadership the organizational performance increase sees in figure 1, now  $R^2$  has .834. The  $R^2$  value range is between 0 and 1 or -1. According to the 3 when  $R^2$  is near to 1 either positive or negative but significant level must be achieved is strong relationship.

**Limitation and Future research**

This research objective is limited and this is conducted in narrow area i.e., Multan Pakistan. The research outcomes and results should not be applied as a whole. The results and outcomes are different from one place to another place or vary from one organization to another organization.

This research conducted on organizational performance. Now the research should be conduct on employee's performance i.e. job satisfaction, neglect behavior, organizational citizenship behavior employee thriving etc. however in HPWS system the researcher add some more reliable indicators. This research can be conducted in different areas like banking sector both public and private, Wapda, Wasa etc.

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