

High Performance Work Systems to Increase Organizational Sustainability: Evidence From the Non-Life Insurance Industry in Thailand

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Abstract

This study was conducted to determine how strategic human resources management (HRM) can contribute to organizational performance and sustainability. The research was undertaken as a mixed-methods study. For the qualitative component, interviews and a focus group were held with managers serving Thailand's Non-Life insurance sector to gain insights into the factors that contribute to high-performance work system (HPWS) implementation, and how HPWSs contribute to organizational performance and sustainability. A model for HPWS implementation, performance, and sustainability was developed based on a review of the literature and refined after analyzing the qualitative data. A quantitative survey was then administered to managers of Thailand-based insurance companies and structural equation modelling (SEM) was conducted to test proposed relationships among the antecedents to HPWS implementation, non-financial performance outcomes, and organizational sustainability. The results indicated that organizational culture and HRM practices designed to enhance employee abilities, motivation, and opportunities contributed significantly to HPWS implementation, which in turn predicted the full range of performance outcomes included in the research model (technology adoption, innovation, knowledge management, organizational learning capacity, leadership effectiveness, job satisfaction, and other worker outcomes). There was also a statistically significant relationship between performance indicators and organizational sustainability.

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Introduction

Sustainability, which is achieved by finding a good balance between long-term profitability, and operating in a socially, and environmentally responsible manner, is becoming increasingly important for modern organizations (Florea, Cheung, & Herndon, 2013). There is evidence that human resource management (HRM) practices can help promote organizational economic, social and environmental sustainability. In economic terms, HRM supports knowledge and skill development and enhances productivity (MacDuffie, 1995a) and thereby improves financial performance (Gittell, Seidner, & Wimbush, 2010). HRM can also influence corporate social responsibility (CSR), which affects the company's social and environmental responsibility and enhances a company's reputation and encourages customer loyalty (Lee, Chang, & Lee, 2017; Nguyen, Nguyen, Nguyen, & Phan, 2018), investigating HRM practices and their effect on sustainability is supported in the literature. A group of strategic HRM practices bundled together and implemented with the goal of achieving synergistic effects is called a high performance work system (HPWS) (MacDuffie, 1995b). Although various studies have been conducted to examine strategic HPWS practices and outcomes, there has been no research in the context of Thailand's non-life insurance sector, which covers motor vehicles, fire, marine, personal accident, engineering, liability, and various property types. Because most consumers have little understanding of insurance, they tend to select insurance providers based on corporate reputation (Jeng, 2011), which arises at least in part from perceived organizational sustainability (Thomas & Lamm, 2012). Consumers are becoming increasingly concerned about the environmental and social impacts of corporate activities, and research has shown that Thai consumers respond favorably to corporate sustainability initiatives (Boonnual, Prasertsri, & Panmanee, 2017). However, there has been insufficient research on the HRM-sustainability relationship to draw any firm conclusions (De Stefano, Bagdadli, & Camuffo, 2018). This study was undertaken to examine the relationships among antecedents to HPWS implementation, HPWS practices, organizational performance outcomes, and sustainability, with the goal of determining how performance and sustainability might be improved with HPWSs. Therefore, the aim of this

study was to determine how HPWSs contribute to organizational performance and sustainability and to develop a theoretical model for achieving better outcomes through HPWS implementation. The research was guided by three objectives:

Objectives

1. To identify organizational factors that influence the adoption of HPWS practices in Thailand's non-life insurance industry
2. To evaluate the influence of HPWS practices on firm performance
3. To develop a model that explains the influence of HPWS practices on organizational performance and sustainability

Literature Review

The ability-motivation-opportunity (AMO) and High performance work system

The ability-motivation-opportunity (AMO) framework is a human resource management (HRM) theory, which organizes HRM strategic objectives in order to enhance performance (Kundu & Gahlawat, 2018). These AMO strategies are the basis of the high-performance work system (HPWS), which can be briefly defined as a bundle or bundles of HRM strategies (Camps & Luna-Arcas, 2012). HPWS is one of the most common tools used to manage strategic HRM, particularly in high-demand or knowledge-driven organizations that depend heavily on human resources and knowledge resources (Jackson, Schuler, & Jiang, 2014).

Organizational Culture and High performance work system

Organizational culture refers to the set of shared assumptions, traditions, and behavioral practices of the members of the organization, which influences how members of the organization respond both internally and externally to certain situations (Schein, 1985). In theory, organizational culture and its values drive the adoption of HRM practices, including HPWS (Özçelik, Aybas, & Uyargil, 2016). Particularly, organizational values that prioritize workers (e.g. clan and adhocracy) are more likely to implement HPWS (Özçelik et al., 2016; Rhee, Oh, & Yu, 2018). Thus, there is an influence of organizational culture on the choice to implement HPWS, even though the nominal justification for HPWS is business-oriented (Camps & Luna-Arcas, 2012). Organizational culture has been observed to influence HPWS adoption, as well as acting as a

partial mediator between HPWS and performance (Chow, 2012; Rhee et al., 2018; Xi, Chen, & Zhao, 2016).

Organizational Efficiency Demands and High performance work system

Organizational efficiency, which is one of the most commonly used non-financial measures of the firm's performance, refers generally to how much the firm can produce with the resources it has available to it (Richard, Devinney, Yip, & Johnson, 2009). However, even within these organizations, organizational efficiency is likely to be a concern (Richard et al., 2009). There is evidence that HPWS does influence organizational efficiency to an extent. For example, one meta-analysis showed that HPWS adoption positively affected operational efficiency (though not financial efficiency) (Zhai & Tian, 2019).

High performance work system and Organizational Performance

Organizational performance refers to the extent to which the organization achieves set objectives (Abu-Jarad, Yusof, & Nikbin, 2010). Perspectives on organizational performance can be either internal or external, and both of these perspectives can include financial and non-financial performance objectives (Abu-Jarad et al., 2010). There are multiple ways that HPWS adoption can influence organizational performance. There is some evidence that HPWS adoption can positively affect the firm's financial performance, although evidence for this is mixed and the cost of HPWS is often not considered (Mekhumi, 2020).

Organizational Performance and Organizational Sustainability

The final link is between organizational performance and organizational sustainability. Organizational sustainability relates to the organization's ability to conduct its business today while ensuring that future generations have the necessary economic, social, and environmental resources to thrive as well (Svensson, Wood, & Callaghan, 2010). Sustainable business management (SBM) is the practice of management for sustainability, in which ethical principles and stakeholder needs are centralized (Svensson et al., 2010). There is theoretical support for organizational performance and its effect on organizational sustainability in several areas, including technology implementation (Lopes, Scavarda, Hofmeister, Thomé, & Vaccaro, 2017), knowledge management (Tomé, 2011), leadership (Tate & Bals, 2018), innovation (Lopes et al., 2017; Severo, Dorion, & Ferro de Guimarães, 2017), and organizational learning capability (van de

Wetering, Mikalef, & Helms, 2017). In this research, it is argued that performance at both the organizational and individual level contributes to organizational sustainability.

Conceptual Model

In conclusion, there is evidence for a chain of effects between AMO, organizational culture, organizational efficiency demands, HPWS, organizational performance, and organizational sustainability. This chain of effects was the basis for the conceptual framework (Figure 1)

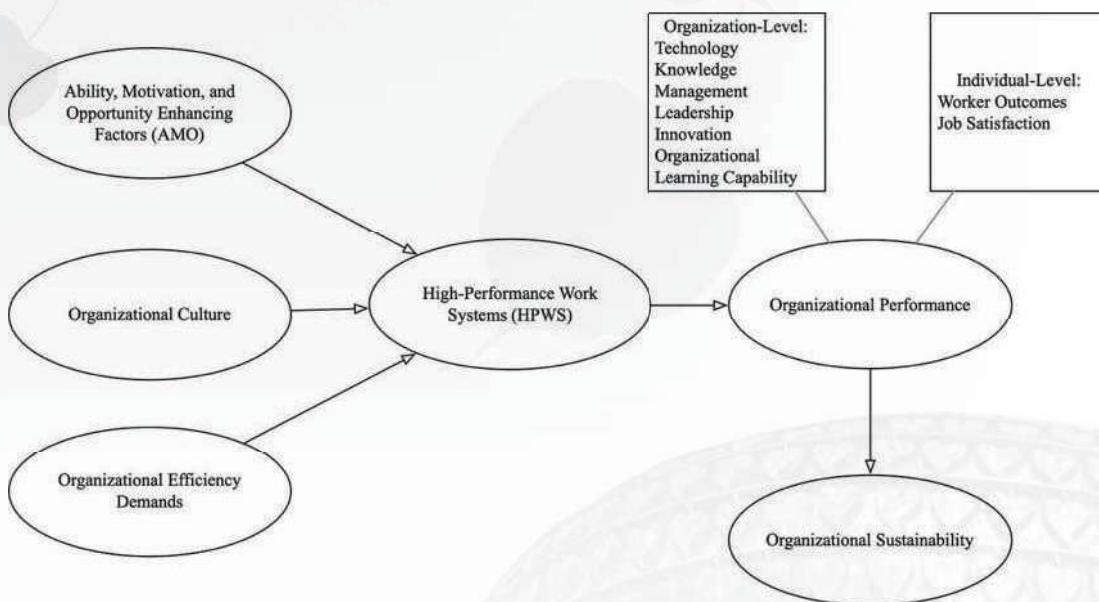


Figure 1 Conceptual Model

The conceptual model proposes that AMO variables, organizational culture is a determinant of whether HPWS will be implemented (and to what extent). There have been several studies that have previously investigated the connection between organizational culture and HPWS implementation. These studies have additionally shown that high organizational culture-HPWS fit intensifies the HPWS-organizational performance relationship, in effect serving as a moderating variable, and operational efficiency contribute directly to an HPWS implementation, which in turn directly affects organizational performance, as indicated by technology adoption, knowledge management, leadership effectiveness, innovation, organizational learning capability,

job satisfaction, and other worker outcomes. Organizational performance outcomes also directly affect organizational sustainability within this theoretical framework. Five hypotheses derived from the conceptual model were tested during the quantitative research phase:

Hypothesis

- Hypothesis 1: AMO contribute to HPWS.*
- Hypothesis 2: Organizational culture affects HPWS implementation.*
- Hypothesis 3: Operational efficiency demands within the organization influence the adoption HPWSs.*
- Hypothesis 4: HPWSs contribute to organizational performance.*
- Hypothesis 5: Organizational performance contributes to organizational sustainability.*

Methodology

The research was conducted as a mixed-methods study that included both qualitative and quantitative research. The research was qualitative-led, in keeping with the theory-development objective of the research. The study was conducted at the firm level, using a cross-sectional time horizon.

Qualitative Research Phase

The qualitative research phase was used Quantitative Research Phase data collection was conducted using focus group discussions and semi-structured interviews. Focus group discussion is a form of focus group interview, which the researcher acts as a caregiver but most were discussions between participants (Guest et al., 2013). There were 8 divisions of non-life insurance companies, interviewing only department managers and deputy managers in all departments. Focus group discussions with a group of middle managers ($n = 8$ in both groups) were used to create discussion and see if consensus could be reached. Semi-structured interviews are individual interviews recommended by the researcher, but no suggestion Using the interview guidelines (Table X above) (Galletta, 2013), semi-structured interviews were conducted. This is not limited to rigorous interviews or free, unstructured interviews. It is a compromise model that offers effective data collection while allowing participants to challenge, modify and redirect researchers (Guest et al., 2013). Semi-structured interviews were used with senior managers ($n = 7$) Because many lower-level managers have expressed concerns about participating in group discussions.

Both focus groups and semi-structured interviews were conducted using online conferencing (Zoom) software, either as individual or group meetings. Record the meeting for later transcription. The researcher also took notes during the interview process to facilitate later analysis. Transcripts from the audio recordings were provided by third parties to avoid the researcher's unintentional bias in interpretation.

Quantitative Research Phase

The quantitative research phase was used to test the conceptual framework and hypotheses developed through the qualitative research (as summarized above). The quantitative phase used a survey-based research design, with a self-reporting survey used to collect data from managers in Thai insurance companies. This data was then analyzed using confirmatory factor analysis (CFA) and structural equation modeling (SEM).

The population of interest is insurance company managers in Thailand. The size of this population is unknown, but estimated at less than 10,000. Therefore, a standard structural equation modeling (SEM) calculation was used to determine an appropriate sample size based on the latent variables used in the research model, with the assumption of medium effects (0.30), which gave a recommended minimum sample size of 200 (Soper, 2020). The sample was selected randomly using internal corporate email lists for recruiting purposes. The actual sample in the final study was 252 members, which is slightly lower than the required 360 members to detect full effects.

Results and Discussion

Qualitative Results

A total of 15 participants took part in the qualitative research stream of the study. There were two separate groups of participants, including Focus Group participants (FG1 to FG8) and individual interview participants (IN1 to IN7). The two separate groups were divided by seniority and responsibility, with junior administrators and managers taking part in the focus group and senior and department managers taking part in individual interviews. This was a deliberate choice, which was made with the intention to shield junior participants in the study from possible repercussions from their bosses and make sure they felt comfortable speaking freely.

Overall, the study participants supported the definitions and relationships proposed in the conceptual model for this research, though several adaptions were suggested, including

combining certain constructs (for example, technology and innovation). However, the choice was made to maintain them as separate variables because the technology was conceptualized as adoption while innovation referred to the development of new goods, services, or processes. Several participants also suggested adding new relationships, such as organizational preconditions (culture and efficiency) directly affecting sustainability or a direct HPWS effect on organizational sustainability. the expert evaluation of the research model, which was mainly done in individual interviews, was positive. Several of the interviewees did not suggest any significant changes or additions to the model (IN3, IN5, IN6). There were a few suggested changes or adaptations to the model that were suggested by other participants, either to the individual constructs within the model or to the relationships within the model itself. The main recommended changes included collapsing multiple constructs into a single construct and adding additional relationships to the proposed model. These suggestions were taken into consideration when conducting exploratory analysis for the research model, the expert review of the research model was helpful as it provided insight into the differences in expert opinion about HPWS and its effect on the organization's performance. However, none of the recommended changes were ultimately adopted, either because they were not in line with the objectives of the study or because they did not deliver an empirical improvement to the study outcomes. Therefore, the quantitative study was conducted based on the model proposed from the literature review, rather than making significant changes based on this brief review.

Quantitative Results

The final sample size was $n = 252$ managers. This was somewhat larger than the minimum sample size estimation, which was based on the requirements of the structural equation modelling process and was 200 members (Soper, 2020). Correlations were calculated, along with reliability and validity testing using CR, AVE, MSV and AVE. Correlations show that there are moderate to strong and significant correlations between all variables. Therefore, the initial assessment of reliability was sufficient. Confirmatory factor analysis (CFA) was used to assess the model fit prior to the structural modeling process. The measurement model is based on the reflective perspective, as the causal effects were assumed to go from individual items to full constructs and items were distinct and could not be removed without potentially changing the model structure (Coltman, Devinney, Midgley, & Venaik, 2008; Sarstedt, Hair Jr, Cheah, Becker, & Ringle, 2019). The PCA process used varimax rotation with eigenvalue > 1 as the determining

factor. This resulted, as expected, in the extraction of four factors, which were broadly consistent with the expected structures (Table 1).

Table 1 Summary of PCA component matrix

Rotated Component Matrix^a

	Component					
	1	2	3	4	5	6
Ability	.548	.496	.410	.433	.173	-.037
Motivation	.557	.440	.424	.242	.449	.074
Opportunity	.613	.451	.406	.338	.245	-.021
Adhocracy	.555	.495	.396	.410	.251	-.007
Clan	.602	.438	.421	.256	.361	-.045
Hierarchy	.559	.447	.460	.407	.196	.099
Market	.625	.479	.394	.285	.285	.033
HPWS1	.478	.521	.406	.328	.401	.053
HPWS2	.496	.425	.354	.568	.255	.073
HPWS3	.502	.486	.443	.393	.328	-.107
HPWS4	.537	.440	.403	.346	.417	.039
HPWS5	.479	.494	.407	.403	.390	-.051
HPWS6	.606	.483	.454	.336	.144	-.017
HPWS7	.640	.448	.412	.238	.260	.128
HPWS8	.611	.492	.447	.304	.181	-.043
HPWS9	.644	.464	.438	.258	.246	.014
HPWS10	.669	.443	.417	.242	.244	.093
HPWS11	.607	.500	.427	.303	.240	.020
HPWS12	.634	.471	.450	.278	.209	-.048
HPWS13	.691	.466	.388	.210	.230	.119
HPWS14	.622	.445	.435	.361	.168	.015
Technology	.616	.494	.418	.280	.222	-.069
KM	.648	.438	.400	.288	.290	-.011
Leadership	.614	.470	.420	.357	.173	-.002
Innovation	.603	.438	.411	.347	.274	-.011
Organizational Learning Capability	.605	.506	.376	.304	.269	.000
Worker Outcomes	.586	.471	.412	.351	.241	.044
Job Satisfaction	.635	.479	.395	.276	.269	.009
OS1	.614	.497	.440	.269	.209	.019
OS2	.597	.505	.402	.307	.243	-.071
OS3	.583	.495	.456	.326	.214	-.035
OS4	.490	.642	.429	.268	.207	.047
OS5	.467	.653	.391	.263	.228	.110
OS6	.438	.678	.417	.270	.259	.001
OS7	.444	.700	.388	.297	.201	.092
OS8	.457	.645	.411	.293	.224	-.046
OS9	.475	.651	.347	.197	.284	-.030
OS10	.541	.611	.376	.250	.123	-.018
OE1	.351	.376	.775	.174	.195	-.012
OE2	.381	.335	.717	.301	.186	.224
OE3	.416	.351	.735	.220	.198	-.118

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

The factor loadings resulting from the CFA process are shown in Table 2. To evaluate the measurement model, a cut-off of .60 was used, as a factor loading of .60 indicates a relatively high level of consistency with a given scale (Brown, 2015). Overall, the final model as indicated in Table 2 was well fitted and there was no need to change the structure of the model.

Table 2 Hypotheses test results (**p < 0.001)

Hypothesis	Relationship	β	p	Outcome
1	AMO - HPWS	.431	***	Supported
2	Organizational culture - HPWS	.539	***	Supported
3	Efficiency - HPWS	-.032	.260	Not Supported
4	HPWS - Organizational Performance	.991	***	Supported
5	Organizational Performance - Organizational Sustainability	.977	***	Supported

The structural model's regression effects were used to assess hypotheses. Table 2 provides a summary of the hypotheses test results. The first hypothesis was supported, as all the AMO factors were positively associated with HPWSs ($p < 0.001$ in all cases). The second hypothesis was also supported ($p < 0.001$), as organizational culture contributed to HPWS implementation ($\beta = 0.539$). The third hypothesis, which suggested a relationship between organizational efficiency and HPWS implementation, was not supported ($p = 0.260$). The fourth hypothesis, which proposed that HPWSs would contribute to organizational performance, was fully supported ($p < 0.001$, $\beta = 0.991$). The fifth hypothesis was also confirmed, with organizational performance having a statistically significant, positive effect on organizational sustainability ($p < 0.001$, $\beta = 0.977$).

Discussion

This research provides empirical support for the AMO model proposed by Appelbaum et al. (2000), as ability, motivation, and opportunity all contributed to HPWS practices. The outcome

supported the effect of the Ability-, Motivation- and Opportunity-enhancing factors in HPWS (Hypothesis 1). This is consistent with the foundations of AMO theory and the foundations of HPWS. These theories, beginning with the initial formulation of the opportunity, capacity, willingness (OCW) model of work formulation (Blumberg & Pringle, 1982). As for Hypothesis 2, while organizational culture affected HPWS, organizational culture fit did not mediate the HPWS-organizational performance relationship. since the mediation test in H2b did not show any mediation effect, this suggests that these differences may not result in a practical difference in the organization. Overall, this supports the idea that an organizational culture that promotes sustainability can contribute to HPWS, regardless of the specific value orientation. The test of Hypothesis 3, which was concerned with the effect of HPWS on organizational efficiency, was not supported. Efficiency, (which is why it was not tested in Hypothesis 4). There was some empirical evidence for an effect of HPWS on operational efficiency in the organization. Hypothesis 4 concerned the effect of HPWS on several dimensions of organizational performance, including technology implementation, knowledge management, leadership effectiveness, innovation performance, organizational learning capability, worker outcomes and job satisfaction. The findings were also supported by several empirical studies, although some dimensions had more support than others (Avgar et al., 2012; Bashir, 2011; Camps & Luna-Arocas, 2012; Edgar et al., 2019; Fu et al., 2015; Garcia-Chas et al., 2016; Jo et al., 2018; Jyoti & Rani, 2017; L'Ecuyer et al., 2019; Mahmood et al., 2019; Martin-de Castro, 2015; Michaelis et al., 2015; Shahriari et al., 2017; Shahzad et al., 2019; Wahid & Hyams-Ssekasi, 2018; Zhu et al., 2018). Finally, the findings of Hypothesis 5 supported the relationship of organizational performance and organizational sustainability. showed that the firm's technology adoption performance contributed to long-term financial sustainability of the organization.

Conclusion and Recommendations

This research was conducted to identify the factors that influence HPWS implementation, the effects of HPWS practices on performance outcomes, and the impact of performance on organizational sustainability. The results indicate that organizational culture and bundled HRM practices designed to enhance abilities, motivation, and opportunities for employees both contribute to HPWS implementation, which in turn affects non-financial performance outcomes,

including technology adoption, knowledge management, leadership effectiveness, organizational learning capabilities, innovation, job satisfaction, and other worker outcomes. On the other hand, the need for process efficiency does not contribute to HPWS implementation, though this finding may be specific to Thailand's Non-Life insurance industry. Thus, the findings from this study indicate that it is not necessarily pre-determined that organizations can or should introduce HPWS, as they may either not need to or may find that it does not lead to positive outcomes overall. To date, HPWS has been justified primarily empirically, as a result of observing what organizations actually do and the apparent cause. This could be an area for further research. The limitations of this research suggest a few possibilities for future studies, such as investigating the link between HPWS practices and individual dimensions of organizational sustainability (financial, environmental, and social). Such a study could generate a new theoretical model for sustainable HRM and identify best practices for achieving organizational sustainability. Another suggestion is to conduct comparative research in different industries, to investigate whether industry dynamics, competition and levels of innovation and regulation or other industry-level differences influence how HPWS is implemented and how it influences the organization's outcomes. This could lead to a better understanding of how HPWS implementation varies between firms and industries in response to external conditions, one of the remaining gaps in the current research.

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