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Mediating Effect of Innovative Work Behavior in Relationship between High Performance Work System and Sustainable Organizations Performance: Evidence from Service Sector of Pakistan

Abstract:

Main objective of this research was to investigate the Impact of High Performance Work Systems on Sustainable Organizational Performance. While investigating the impact research has also taken Innovative work behavior as mediator because in current situation of global competition organizations cannot survive without being innovative. To bring innovation or to motivate employees to show innovative behavior at work place their active engagement is required, to actively engage the employees organizations need to give them a sense of wellbeing. So this research has also taken employee engagement and employee wellbeing as mediator in relationship between high performance work system and innovative work behavior. This study has collected data from 820 employees working in service providing SMEs in Pakistan. SMEs have been chosen because it is contributing more than 35% towards GDP of Pakistan. Service providing SMEs has selected because they need to be more innovative and productive to sustain in the global competitive environment. Manufacturing organizations can survive by cutting their cost or by offering new products into the market but service providers has only way for their survival and though which they can sustain is to be innovative. Data was collected through self administrative questionnaires that were adopted from well known researchers and all the instruments were tested again for reliability through Cronbach's Alpha and for discriminant validity through Fornell and Larcker test. All the instruments were found reliable and valid to run the further statistical analysis. Structure Equation Modeling was run through Smart PLS and in the light of results all the hypothesis were accepted. One of the hypotheses was partially accepted due to some statistical values. Results of this research clearly indicates that organizations that implement high performance work system can sustain their organizational performance because high performance work system give a sense of wellbeing to employees and in result employees gets more engaged with their work and shows positive and innovative work behavior which ultimately leads the organizations towards sustainable performance. This research contributes to the literature of management science by discussing the phenomenon of sustainable performance from the lens innovation and high performance work system. It is also a good read for the practitioners associated with SMEs and service industry.

Keywords: High Performance Work Systems; Employee Engagement; Employee Wellbeing; Innovative Work Behavior; Sustainable Organizational Performance; Small and Medium Enterprises; Service Sector of Pakistan

Introduction

In today's globalized economy and dynamic environment organizations have to satisfy all of their stakeholders and at the same time enhance all dimensions of their performance. Managing performance is quite easy but sustaining that performance is the real challenge for organizations in 21st century. Sustaining the higher performance is only possible through continuous effectively monitor and measure company's performance. A famous saying of (Eccles, 1991); (Kaplan and Norton, 1992) 'What you measure is what you get' or 'What gets measure gets attention' has acknowledged both practitioners and academicians. Sustaining performance is a challenge for every organization regardless of industry and nature of business so organizations should keep performance measure system updated. However services industry is more vulnerable and competition is much higher in services industry. More specifically Small and Medium Enterprises here and after will be written as SMEs are facing more problem in sustaining their performance because of the lack of management expertise and lack of resources (Garengo and Bititci, 2007).

Organizational performance is majorly being measured on two aspects. One is financial performance and the other one is non financial performance. According to (Kaplan and Norton, 1992) some managers in industry focus on financial measures while others say focus on nonfinancial measures and the financial results will follow. In fact, single measure cannot offer desired outcomes for critical business areas. Therefore, it is an intense need that managers focus on balance score-card that explains to focus on both financial and non-financial performance measures to get the optimal results. This study considers both financial and non-financial performance measurement of the organizations.

Nonfinancial measures deals with the internal process, improvement, innovation, customer satisfaction and drives financial performance measures that report regarding the actions that are already taken by the organization. Financial performance can be measured through: cash flow, increased market share and ROE, quarterly sales growth and operating income by division, while nonfinancial performance can be measured through: percent of sales from new products, share of key accounts purchases, ranking by key accounts, on-time delivery (defined by customers), number of cooperative engineering efforts, manufacturing geometry vs. competition, new product introduction vs. competition, and percent of products that equal 80% sales.

This research particularly focuses on sustainability of non financial performance i.e. improving internal processes, continuous improvement in services and customer satisfaction, and innovation. Continuous improvement is crucial element in services industries. Because in 21st century organizations are facing cut-through competition in dynamic globalized environment so they need to be more innovative. Innovation can come through process or individuals itself. This study basically focused on achieving sustainable performance through individual innovation / innovative work behavior that is being majorly triggered by High performance work systems HPWS implemented in the organizations.

Objective of this research

SMEs in Pakistan are playing very important role in boosting the economy of Pakistan as these enterprises contribute over 35% to the gross domestic product (GDP) of the country out of which 25% earning is coming from services oriented SMEs. Although SMEs are contributing a lot towards GDP of the country and overall economy but it still remain ignored, State Bank of Pakistan (SBP) is making efforts to develop SMEs in country. Very limited research has been conducted on the SME's needs and requirements especially when it comes to the innovations and sustaining the performance of SMEs is service sector of Pakistan a greater gap exists. This research tries to address the gap by measuring the role of innovative work behavior on sustainable performance when triggered by HPWS implemented.

Main objective of this research is to

Investigate the impact of HPWS on sustainable performance.

Investigate the mediating role of innovative work behavior.

Investigate the mediating role of employee's engagement.

Investigate the mediating role of employees well being.

Research Significance

This research tries to investigate that how the service providing SMEs in Pakistan can sustain their performance through turning the innovative work behavior of individuals into organizational creativity, innovation, and continuous learning can help the organizations to achieve sustainable performance. Meanwhile it also studies the mediating mechanism of employees wellbeing and employees work related engagement among the relationship of HPWS and employees' innovative work behavior and achieving sustainable organizational performance.

Literature Review

This section explains in details about the relationships of all the variables that were used in this research.

High Performance Work System

High Performance Work System is defined as: *“A system that seeks to align organizational structure, environment, with team structure, organizational processes to achieve innovation and operational effectiveness which ultimately leads towards better products or service quality for the customers”*. According to (Evans and Davis, 2005) certain human resource (HR) practices that enhance performance of the organization are called high-performance work systems (HPWS); further, this claim is now supported by a large body of research as well as the meta-analysis of this literature (Gittell, 2009) (Bamber et al., 2009) (Gittell et al., 2010) The phenomenon of HPWS describe that by adopting group of key human resource (HR) practices that enhance knowledge, skills, and abilities (KSA's) of employees organizations can achieve high performance which create value for the organization (Takeuchi et al., 2007).

HPWS has its roots in management history as; organizations have always been striving for improving performance through effective management of people and resources. It has its roots throughout in scientific management, industrial democracy, human relations movement, evolution of management and job enrichment (Nonaka and Takeuchi, 2007) (Watson 1986).The concept has been used in Japanese Lean Production systems in 1970's in production industries. Recently the concept has been seen in of off shoring to china and India for low cost production. Work related to HPWS can contribute in the existing HRM literature in two ways: first by addressing the diversity existing at workplace and developing understanding about what strategies are suitable depending on a specific business environment, which leads to “best practices or “High Performance Practices”.

Human Resources Management HRM has been considered as an important function and it has been found that it affects organization in terms of different outcomes, out of which organization performance is an important component. In recent years HRM outcomes has been wrapped up around HPWS. (Walsh et al., 2004)(Appelbaum et al., 2000) wrote in his book Manufacturing advantage: The terms High Performance Work Systems HPWS has not only been used in academia only rather it has also been widely and in and industrial context. The term has

become widespread not only in industry but also widely used by government in different ministries, trade unions and professional associations in developed countries. For example in United Kingdom term “High Performance Working” has been used in official reporting(see UK Commission for Employment and Skills 2010).Term “High Performance Workplace Programs” has been used in Australia by Queensland government to help manufacturers lift their performance (Queensland Government2010). In New Zealand, it has also been used as ‘high-performance working partners’ (Haworth, 2011) (Tookey, 2011).

HPWS aims at creating a culture of employee commitment, employee engagement, strives for excellence and need highly qualified employees and commit to continuous improvement. Researchers have explored HPWPS and have summarized seven practices to gain competitive advantage, to survive in the market and to sustain performance. First, organizations that ensure sense of security among their employee and build trust among them are more committed towards success. Second organizations that focus on selective hiring and hire employees based on specific skills and aptitude requirements suitable for a particular kind of job are better than other hiring people based only on academic qualifications. It improves long term employee orientation and turn these companies into great rather than being good. Third: decentralized decision making creates a sense of empowerment among employees and results in increased customer and employee satisfaction and high firm performance.

Fourth: compensation system in which employees at all levels are rewarded results in satisfaction and better performance. Fifth: training employees about problem solving, quality initiatives and linking these training programs with organization vision, goals and strategies leads to better performance. Sixth: 6. Stephen R. Covey states that culture of high trust leads organizations towards success by means encouraging and nurturing people in spite of controlling them. Employees are valued at all levels of organization policies practices and rewards system which provokes dignity and respect among them seventh: if employees have all kind of necessary information available at all level or organization, it will strengthen their trust and create a sense of ownership among them. Organizations need to assimilate all these seven practices and develop an integrated employee focused structure in order to sustain performance.

This research focuses on seven key human resource practices that help to achieve higher organizational performance – selective staffing, comparatively high compensation, flexible job assignments, team work, performance appraisal, training and development, and clear

communication (Huselid, 1995). These practices are considered to engage employees in innovative work behaviour by enhancing their knowledge, skills and abilities (KSA's) and motivate them to ultimately contribute for the competitiveness and sustainable performance of the organization.

Innovative Work Behavior

Innovative Work Behavior is defines as *“individuals’ behaviors directed toward the initiation and intentional introduction of new and useful ideas, processes, products, or procedure within a work role, group or organization”*(De Jong and Marsili, 2006). Innovative Work Behavior is all about generating, presenting and applying new ways of doing the things at work for performing work roles with intentions towards improvements in terms of individual and organizational performance (Janssen, 2000). Innovation work behavior is carried out in sequential steps. An individual generates some new idea or solution for work related issues, if the idea is novel he/she needs support for implementation of the idea and for the acceptance of idea, idea promotion is needed (Scott and Bruce, 1994), (Van der Vegt and Janssen, 2003).

Innovative world behavior usually revolves around work related issues and problems, fulfilling needs of individuals, (De Jong and Den Hartog, 2007), knowledge sharing, finding solutions of existing problems and new ways of dealing with the problems (Woodman et al., 1993). In today's competitive business environment, organizations encourage work related innovativeness which is a key to survive in the competitive climate. Many researchers have explore the impact of leadership and group and organization climate in determining innovative employee behavior and it was confirmed that supportive and empowering leadership, smooth communication and organization climate are positively linked with innovative employee behavior (Oldham and Cummings, 1996), (Bakhshi et al., 2008), (Martins and Terblanche, 2003).

(Yidong and Xinxin, 2013) proposed their multilevel model based on Cognitive Evaluation Theory and found the influence of ethical leadership on employee innovative behavior via intrinsic motivation as a mediator at both group and organizational level. Innovative work behavior is associated with individual and group ethical leadership and intrinsic motivation mediates the relationship. According to Innovation theory Innovation not only about generation of creating idea, but it is not only idea generation which is important, implementation of the ideas is equally important. To get desirable results from innovative behavior it is necessary to

accept and implement the new ideas well and organizations need to provide all the necessary support and resources to get maximum benefits of innovation (King and Anderson, 2002). Innovation is considered as an important element in attaining and maintaining competitive advantage, which leads towards sustainable organizational performance.

Performance of an organization is influenced by innovation (Damanpour and Evan, 1984); (Damanpour et al., 1989). The concept of innovation is not limited to find new ways of creating products and providing services by companies however, it includes new and diverse ways of managing people as well ((Tajeddini et al., 2006); (Shin et al., 2018); (Sindakis and Kitsios, 2016). Innovation is very important for attaining competitive advantage and managing the environmental change and implementing the change management process ((Wang and Chung, 2013);(Damanpour and Evan, 1984)Role of innovation also depends on the type of business i.e innovation is more important for high tech firms as compared to low tech firms (Laforet, 2009). Innovation has positive relation with market orientation in both small and medium size enterprises (Kirner et al., 2009). A number of studies confirm that innovation has positive effects on new product development (Kohli and Jaworski, 1990); (Farrelly and Quester, 2003).

Innovation is very important for organization performance if it is carried out with an appropriate plan of action. It also depends on firm's orientation (Kholi and Jaworski, 1993); (Dibrell et al., 2011); (Nasution et al., 2011); (Naidoo, 2010). Innovative and creative organizations have better opportunities as compared to those with less innovation. Many researchers have precedent that there is significant relationship between innovation and performance along with a perceived level of associated risk (Ferraresi et al., 2012); (Hassim et al., 2011); (Pisano and Teece, 2007). Organizations need to develop their innovation strategy within general business strategy to attain a stable base for attaining ultimate level of performance (Rosenbusch et al., 2011).

The relation between innovation and performance is stringer in large organizations due to availability of more resources and investment. Innovation has been studied in production firms and very few studies are available that deals with services sector. A number of studies are conducted on organizational performance; few researches have investigated the relationship between Innovative behavior and High Performance Work Practices in context to Sustainable

Performance. It is will very useful for researchers and practitioners to measure the impact Innovation Management in relation to Organizational Performance.

Sustainable Organizational Performance

Performance of a Firm plays decisive role in business success. There are many factors which affect organizational performance and it can be predicted in different ways such as market share, sales volume, profits and many internal factors including improvements in organization systems (Ferraresi et al., 2012); (Hassim et al., 2011); (Teece, 2007); (Erdil et al., 2004); (Herath and Mahmood, 2013); (Roberts, 1999). There are different approaches for measurement of organization performance. Innovation at organizational level, including innovation in terms of new product/ service development, administrative and marketing innovation b. innovation in the process of knowledge development c. developing creative capabilities and d. enhancing origination performance through innovation by differentiation. Basically organizations need to adapt changes through innovation management to meet the changing need of market and environment (Baker and Sinkula, 2002), (Balkin et al., 2000), (Lyon and Ferrier, 2002), (Wolfe, 1994).

Many researchers have linked innovation with organization performance and resulted that there exists a positive relationship between them (Damanpour and Evan, 1984), (Damanpour et al., 1989), (Caves and Ghemawat, 1992), (Brown and Eisenhardt, 1995), (Thornhill, 2006) , (Kitsios and Grigoroudis, 2014) However most of the researchers were of the view that innovation is related to development of new products. Organizational Performance is difficult to measure, particularly when it is fluctuating at a rapid pace. The scope for measurement of sustainability has been widened by different concepts of sustainability, but there is lack of consensus via specified reporting standard. It is necessary to simplify and conceptualize sustainability in order to measure it.

Organizational performance can be describes in three scenarios: First shareholders are enjoying high profits but employees are being treated as burden and liabilities the firm does not have good reputation in terms of employee relations and going through serious legal and environmental concerns. Second Firm is very famous among community and won Best Employer award three times in past ten years but financial performance is worse. Third the Firm is using the slogan of “being Green” but bearing heavy financial costs due to green advertising campaigns and increased manufacturing costs due to production efficiencies. These are different

scenarios which craft clear picture of multi faceted existence of organizational performance. It becomes even more complex if depending upon expectations of stakeholders.

Employee Engagement

Employee Engagement has become important concern in business organizations in last few years while it been a neglected field in academia and relatively little research has been done on its antecedent and consequences and its impact in different relation to different factors in an organizational context (Baumruk, 2004), (Saks, 2006) have revealed that employee engagement leaves meaningful employees outcomes i.e. organizational performance, organizational success and many financial and non-financial outcomes performance (e.g. total shareholder return) (Harter et al., 2002), (Richman, 2006). Some researchers have found that employee engagement is lacking in most of the organizations due to diversified interests of employee (May et al 2004), (Bakker and Demerouti, 2008).

Engagement can also be considered as a determinant of job involvement, the individuals who are keenly engaged in their jobs it results as job involvement Limited research has been done in terms of mode and theory development with engagement while there are two models that provide empirical understandings. First Kahn (1990) came out with the results that, there are three physiological conditions including: safety, availability and meaning fullness that yield to engagement or disengagement at work. If the workers are psychologically available at work and they feel a sense of safety and they feel meaningful, they will be more engaged in their work and vice versa. May et al (2004) tested Kahn's model and found that, safety availability and meaningfulness have significant relationship with engagement.

Job enrichment is positive determinant of meaningfulness; supportive supervisor and rewards from coworkers were positive determinants of safety and self consciousness and obeying co-worker norms are negative determinants and availability of resources comes out as positive determinant of psychological availability. Second: other model of job engagement is related to burnout literature and states that job engagement is exactly the opposite of burnout (Maslach et al., 2001). Maslact et al 2001 states that engagement is supposed to mediate the relationship between these six areas of work-life; choice and control, community and social support, sustainable workload, recognition and reward, fairness and justice and value and meaningfulness of work. Kahn's (1990) and (Maslach et al., 2001) describes psychological factors that are

necessary for engagement while they do not explain why and how individuals respond to these factors in terms of employee engagement.

Employee Well-Being

Well being is considered very closely related to happiness in relation to work and performance (Renee Baptiste, 2009), (Blanchflower and Oswald, 2011) and employee well being is considered to be an important component in maintaining sustainable organizational performance. Employee well being and organizational performance influence each other (Van De Voorde et al., 2012), while relationship between performance and health related well being is not very clear. In some cases it has been found there is conflict between the negative relationship between employee health and organizational performance. (Emilkamayana, 2017), carried out their research in determining the impact of leadership styles on various organizational outcomes including job satisfaction, organizational commitment and turnover intention (Brunetto et al., 2012), (Ann Rowland and David Hall, 2013), (McCarthy and Takei, 2011) through mediation effect of employee well being through various leadership and organizational theories.

Employee well-being is perceived as important from both ethical and performance standpoints (McCarthy and Takei, 2011) found that for appraisal to be considered as a contributor to organizational performance as HPWPs, organization need to consider the purpose of appraisal and needs to know why appraisal is being conducted and how it useful for organization in terms of organizational strategy, culture and philosophy. They found that it is useful to carry out appraisal process through lenses of organizational justice and organizational ethics, which creates equity and equity has significant impact on performance. Organizations need to develop sustainable strategies. Equity and fairness and well being initiatives play a vital role in planning the culture of organizations and competitive advantage, in this way business organizations can meet the challenges faced in maintaining sustainable performance.

(Renee Baptiste, 2009), studied the link between HRM Practices, employee well being and organizational performance in the public sector organizations in the United Kingdom and found that there is significant positive impact of HRM practices on employee well-being. Most of the past studies were focused mainly on organizational outcomes while employee outcomes remained neglected. Current study is aimed at exploring the relationship of employee well-being in relation to many employee (employee engagement, innovative work behavior) and organizational outcomes (organizational performance, HPWS).

Theoretical Framework

This study conceptualizes that the performance of the SMEs in Pakistan can be enhanced especially service oriented SMEs, if they focus on motivating their employees to be more innovative by implementing high performance work system (HPWS) in organizations. HPWS will lead SMEs towards sustainable performance in presence of innovative work behavior that comes through employees' active engagement at their work. In today's globalized economy, industry highly depends on the knowledge, skills, abilities (KSA's), and commitment of employees. Therefore, an investment on employees should not be treated as an expense; since, they are the source of firm's competitiveness. Hence, the efficiency and effectiveness of systems can be gained through well competent workforce an organization acquires.

The review of the literature made it clear that HPWS has a relationship with firm performance and HPWS have an impact on innovative work behavior of employees in presence of employees well being and engagement as mediator. Therefore, in the theoretical framework HPWS practices are taken as independent variables, innovative work behavior as the mediator variable and firm sustainable performance as an outcome variable. Employee well being and employee work engagement has taken as mediator between HPWS and innovative work behavior. Stakeholder theory explains the whole model in the light of resource based view RBV.

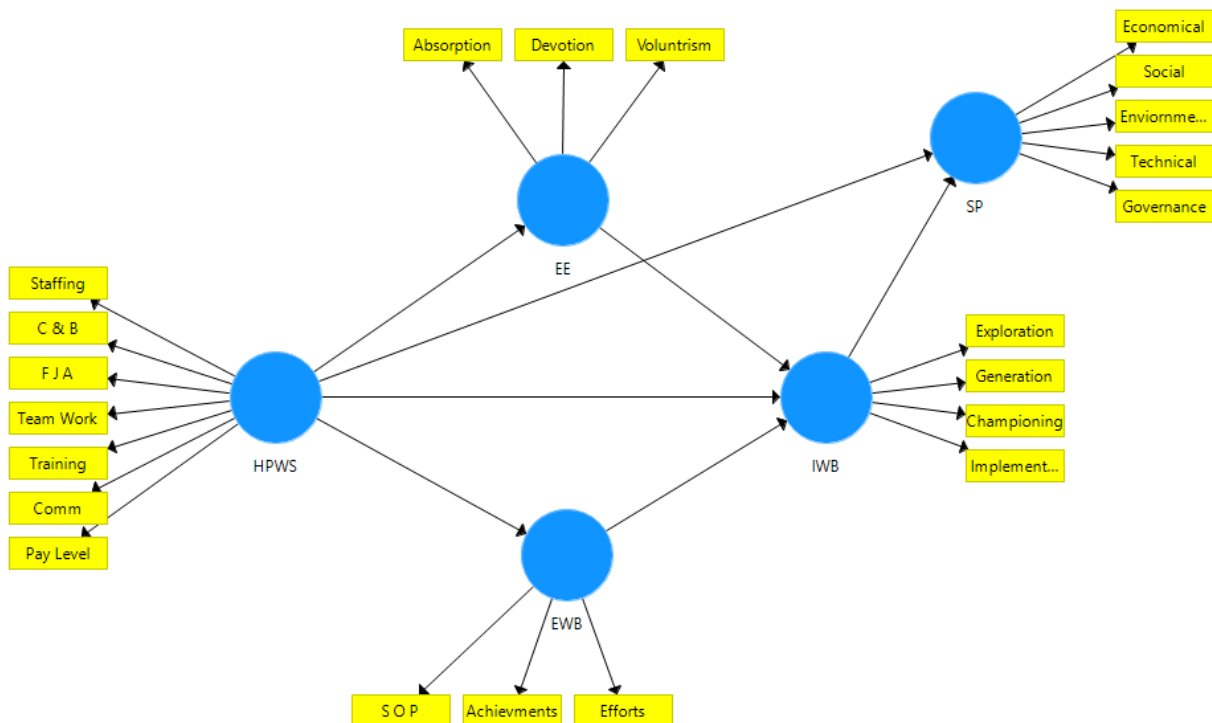


Figure 1 Proposed Theoretical Model

Hypothesis Development

In the light of prevailing literature and above theoretical model following hypothesis were formulated which was further tested for acceptance or rejection through statistical analysis.

H1. HPWS positively influence the sustainable performance of the organizations.

H2. HPWS positively influence the Innovative work behavior of the employees.

H3. HPWS positively influence the employee's engagement at work.

H4. HPWS positively influence the employee's well being.

H5. Employee's well being positively influence innovative work behavior.

H6. Employee's engagement positively influence innovative work behavior

H7. Innovative work behavior positively influences the sustainable performance.

H8. Employee's engagement mediates the relationship between HPWS and innovative work behavior.

H9. Employee's well being mediates the relationship between HPWS and innovative work behavior.

H10. Innovative work behavior mediates the relationship between HPWS and sustainable performance.

Research Methodology

Current study is quantitative in nature and data has been collected and analyzed, hypothesis developed and empirically and finally evaluated the outcomes using numerical data. Positivist Paradigm has been used in current research. The study is descriptive as well as explanatory as, it provides explanations about the relationship between variables. Quantitative research approach is more useful and efficient as it for testing the set hypothesis as it enable the researcher to investigate and validate the objectives of study and research assumptions with the help of research questions followed by hypothesis and explains the characteristics of a larger population with the help of sample data. Data has been collected through self administrative questionnaire as it is considered as a reliable source for data collection, as compared to interviews. These are less chances of bias due to influence of researcher's own judgment in the study. Data has been collected from 820 employees of service providing SMEs through questionnaires that were adapted from well known researchers.

Analysis and Findings

This section of the papers deals with the statistical analysis their results and interpretation of these results.

Reliability

This research opt for VB-SEM statistical approach while using Smart-PLS 3 software on 820 samples gathered from employees working in service providing SMEs of Pakistan. This approach helps to analyze reliability, composite reliability, average variance extracted, and convergent validity. Reliability of all the items/ variables, are above the 0.7 which is threshold level as recommended by Hair et al. (2009). Reliability has measure through Cronbach's alpha and the convergent validity has been measured through AVE. Hair et al. (2014), suggested that AVE shows the degree to which the latent construct explains the indicators' variances. Basic rule for convergent validity is this could only be accepted satisfactory if each construct explains at least 50% of the allocated variance of the indicator (Bagozzi and Yi, 1988; Hair et al., 2014). The AVE obtained for all the constructs in this study are greater than 0.5, suggesting a satisfactory level of convergent validity (Fornell and Larcker, 1981). Moreover, all the constructs have CR and Cronbach's alpha greater than 0.80, satisfying the rule of thumb suggested by Hair et al. (2013). Table 1 shows the final results of the measurement model.

Table 1 Reliability Statistics

Construct Reliability			
	Cronbach's Alpha	Composite Reliability	(AVE)
Employee Engagement	0.916	0.947	0.856
Employee Well Being	0.916	0.947	0.856
High Performance Work System	0.923	0.939	0.687
Innovative Work Behavior	0.959	0.971	0.892
Sustainable Performance	0.927	0.945	0.775

Validity

After test the instruments that were used in this research for internal consistency and reliability second step is to test it for discriminant validity. The square roots of AVE should be greater than the off indirect elements in their associated row and column to accept that instruments are valid. The discriminant validity is established for every construct's square root of AVE (Fornell and Larcker, 1981), which is higher than the construct's inter-correlations with other constructs in the model. Table 2 shows that results are satisfactory for discriminant validity.

Table 2 Discriminant Validity of Measurement Model

Discriminat Validity					
	EE	EWB	HPWS	IWB	SP
EE	0.925				
EWB	0.723	0.925			
HPWS	0.702	0.762	0.829		
IWB	0.793	0.703	0.674	0.944	
SP	0.761	0.842	0.729	0.748	0.88

Note: Bold numbers represent the squared root of AVE while the other entries represent the correlations.

Hypothesis Testing

After going through the reliability and validity test current study measures the path coefficients which also denotes as Beta coefficients for the research model while applying a bootstrap analysis up to 10000 samples to test the structural model regarding the significance of the direct effects path coefficients. In result of this test it was revealed that all the direct hypothesis has accepted as they all have positive beta coefficient values t values is also in prescribed limit and the model is significant at 95% confidence interval. The results in table 3 which is provided below show that a there is a HPWS has significant and positive effect innovative work behavior ($\beta = 0.674$, t-value = 15.544, $p < 0.01$) and HPWS has positive significant relationship with sustainable performance ($\beta = 0.729$, t-value = 19.729, $p < 0.001$). As relationship of innovative work behavior and sustainable performance is positive and moderately supported ($\beta = 0.47$, t-value = 7.55, $p < 0.001$). HPWS also positively influence the employee engagement and employee wellbeing ($\beta = 0.702$, 0.762 t-value = 18.316, 22.544, $p < 0.001$). Hence we concluded that the entire direct hypothesis were accepted/ supported as shown in table 3. This research also takes confidence interval test into consideration while testing the hypothesis. All the confidence interval values are positive, no interval contains value 0. So this also helps us in accepting the hypothesis. The study uses variance inflation factor (VIF) to test for multicollinearity. Standard VIF is 1.8 to 2.8 but in some cases it can be relaxed up to 5 (Hair et al., 2011). In this study multicollinearity is not a problem among the predictor constructs in the structural model.

Table 3 Hypothesis testing for direct effect

Hypothesis	Path	Beta	T Statistics	P Values	CILL	CIUL	VIF	Decision
H1	HPWS -> SP	0.729	19.729	0.00	0.669	0.789	2.4	Accepted
H2	HPWS -> IWB	0.674	15.544	0.00	0.596	0.741	1.96	Accepted
H3	HPWS -> EE	0.702	18.316	0.00	0.639	0.76	2.34	Accepted
H4	HPWS -> EWB	0.762	22.544	0.00	0.705	0.814	2.80	Accepted
H5	EWB -> IWB	0.202	2.538	0.00	0.085	0.34	1.8	Accepted
H6	EE -> IWB	0.556	7.268	0.00	0.428	0.672	2.23	Accepted
H7	IWB -> SP	0.47	7.554	0.00	0.364	0.571	2.19	Accepted

Hypothesis testing for Mediating Variables

After testing the direct hypothesis and the results were satisfactory as the entire direct hypothesis were accepted. So we introduce mediators among this research model. At first we measure the mediating effect of employee engagement in relationship between HPWS and innovative work behavior. As an individual mediator it partially mediates the relationship. Reason why we claim that it partially mediates the relation is because the effect of HPWS on innovative work behavior has reduced from 0.674 to 0.232 when employee engagement mediates but path still remains significant as t value is 3.286 it should reduce to the threshold limit 1.96 to prove full mediation. This can be viewed in figure 2. So we again introduce another mediator named employee well being. After adding the employee well being as moderator the direct relationship between HPWS and innovative work behavior become insignificant as beta coefficient has reduced to 0.130 from 0.232 and significance level (t value) drops to 1.46 which is below than the threshold level 1.96. This can be observed in fig. 3. Therefore, it is concluded that Hypotheses 8 and 9 are supported.

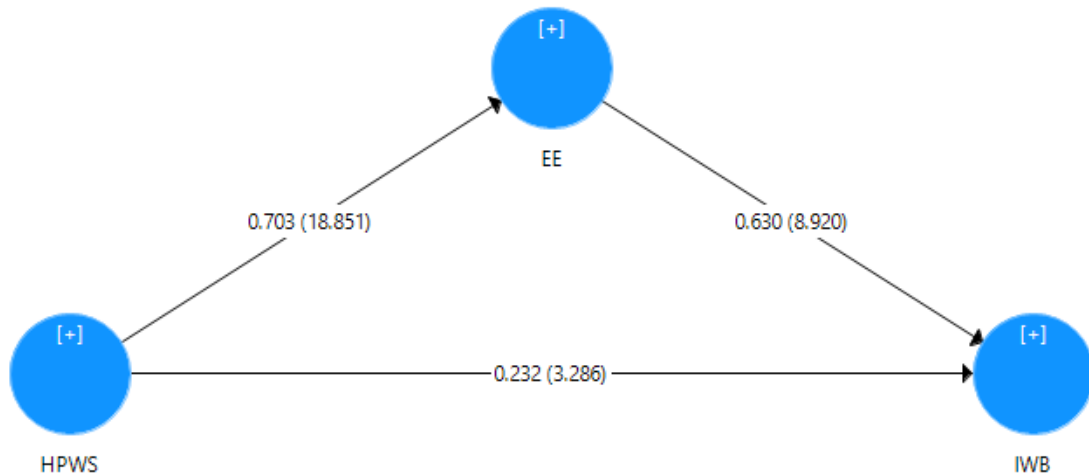


Figure 2 Employee engagement as Mediator

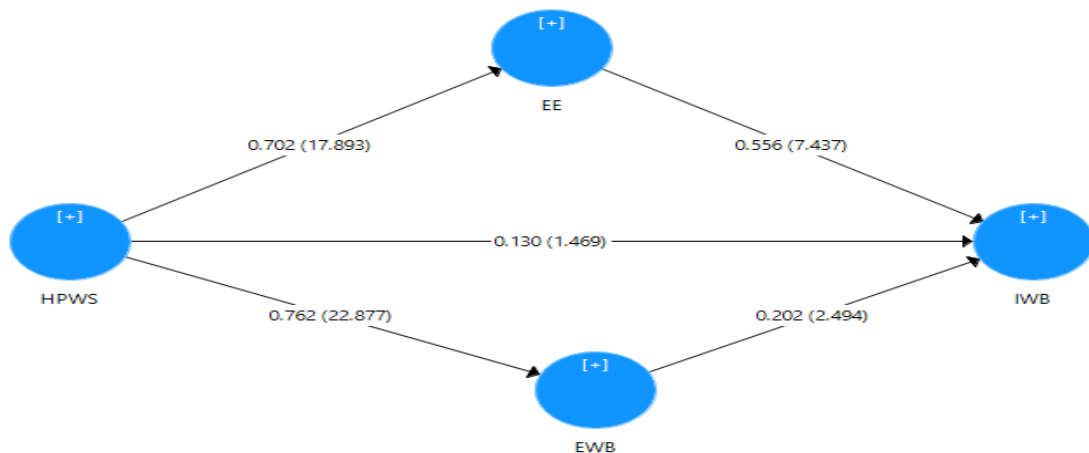


Figure 3 Employee Engagement and Employee well being as mediator

Moving towards the final step/stage where mediation of innovative work behavior was tested among the relationship of HPWS and sustainable performance. Innovative work behavior partially mediates the relationship between HPWS and sustainable performance. Although Beta coefficient is (0.061) that means it has very lesser influence on the relationship and significance (p value is 0.05) which is also on higher side but still we would like to accept the hypothesis on the basis on the other test which indicates that confidence interval values does not contains 0. Both the confidence interval values are on the positive side which clearly indicates that confidence interval values do not contains zero (0) which gives leverage to researchers that we could have accepted our hypothesis partially. Table 4 and Figure 4 clearly indicate the results of mediation and full model respectively.

Table 4 Hypothesis Testing for Mediation

Hypothesis	Path	Beta	T Statistics	P Values	CILL	CIUL	VIF	Decision
H8	HPWS -> EE -> IWB	0.39	6.316	0	0.293	0.492	2.79	Accepted
H9	HPWS -> EWB -> IWB	0.154	2.382	0.00	0.044	0.259	2.35	Accepted
H10	HPWS -> IWB -> SP	0.061	1.56	0.05	0.001	0.129	1.89	Partially Accepted

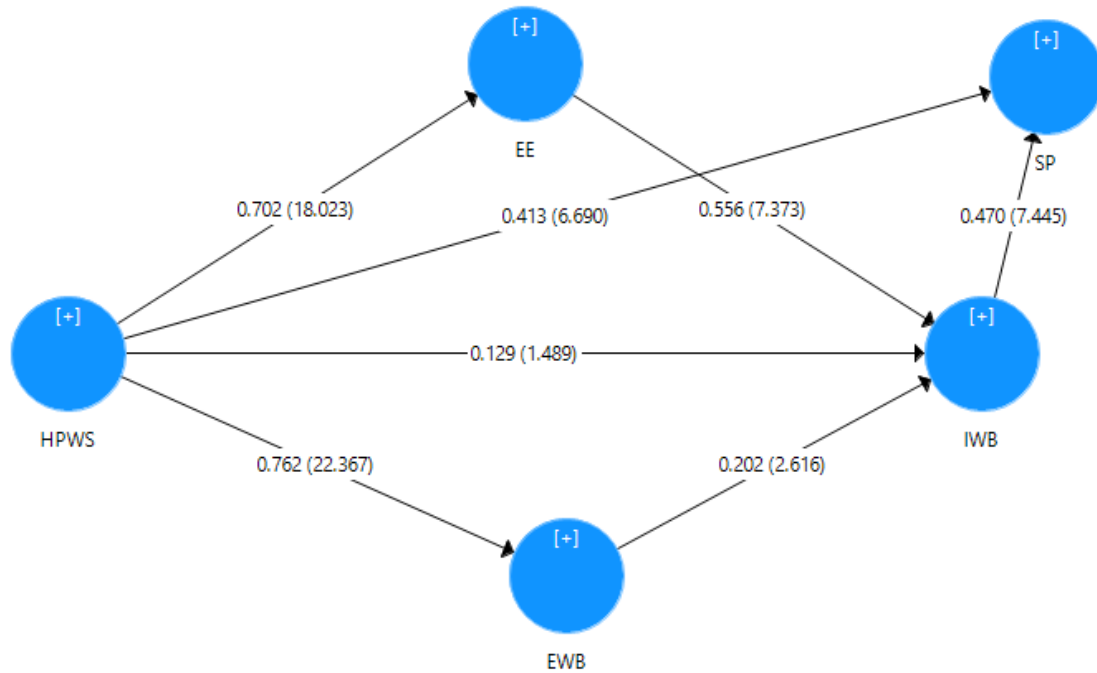


Figure 4 Results of Final Model

Discussion

This study reveals that High performance work systems when placed in the organizations can lead the organizations towards sustainable performance. High performance works system engages the employees towards their work by giving them a sense that organization is working hard for their wellbeing. Employees when feel that they are being taken care by their organizations they feel motivated and energetic and they solely engage with their work and bring innovative ideas at workplace to implement and to make the organization progressive and competitive in the local and global market. Researches on organization studies have broadened its scope by recognize and unfolding psychological capacities in order to help facilitate business managers to coup with expected outcomes regarding organizational performance. Morgan (1986) gave his metaphor of the executive as catalyst/individual according to which individuals act as catalyst and enhance performance of others. The theory of self creates link between executive meaning making and the propensity to design a message which can engage people and at the same time creates self aimed complexity.

According to Adam's Equity theory, employees compare themselves in terms of inputs and output ratios with others and intend to rebalance them; as a result their behaviors and attitudes tend to change. Individual's motivation and well being have become matter of interest with relevance to fairness perspective (Blanch flower and Oswald, 2011; Clifton and amran, 2011). Sustainability or sustainable performance now a day is considered as vital element in gaining competitive advantage and improving innovation capacity of the organizations (Hubbard, 2009). High Performance Work system (HPWS) is considered as determinant of Sustainable Performance by researchers over time.

Conclusion

Major contribution of this research towards management literature and practices is to bring discuss the issues of sustainable performance is service oriented SMEs operating in Pakistan. As SMEs are largely contributing towards Gross Domestic Product of the country and also contribute towards the overall economy. This research will only benefit to SMEs of Pakistan but also other Asian countries as many of the Asian countries are relying on SMEs especially Malaysia, Singapore, India, China, and so many other countries. So this research will help a large number of SMEs and it will attract a larger readership as people are keener towards studying the researches on SMEs especially on SMEs of service sector in developing countries. Findings of

this research can be generalized among all the countries sharing the same characteristics. Sustaining performance is the major issue of the organizations now a day's especially of SMEs.

A large number of studies have focused to determine the relationship between sustainable performance with innovation (Kleindorfer et al., 2005; Linton et al., 2007). It has also been linked with environment, cultural, social and economic dimensions (Wood, 2010). Studies have also explored the relationship between sustainability and different factors like HR Processes, social responsibilities, leadership, resources, organizational strategy, competitiveness (Fatima Al Hammadi, Matloub Hussain, 2017). Researchers have not comprehensively explored sustainable organizational performance through innovative work behavior, especially when organizations bring that innovative work behavior out of employees by engaging them towards their work by giving them a sense of wellbeing by implementing High performance works systems in the organizations. Current research study has taken the employees well being and employee engagement as mediator between high performance work system and innovative work behavior because employees will never shows positive and innovative behavior till the moment they feel that organization is doing something for their wellbeing. And innovative work behavior will lead the organizations towards sustainable organizational performance.

Organizations are using different means including hiring part time employees for reducing labor cost and using lean and mean management approach to sustain performance in today's tough and competitive business environment. It is unwise to consider human resources o an organization as a burden and treat them as liability. Evidence from research has precedential that "High Performance Work Systems" HPWS are useful investment of time and resources. Managing Human Resources in way to value them and consider them as owners motivates them and add value and leads organization towards better performance. There are seven most common and famous practices that are key components of HPWS helps in evolving the sense of partnership among employees. HPWS examined relation between management practices and performance directly. However recent studies are focused on diverse outcomes and investigate what are the mechanisms through which HPWS affects organization performance.

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