

**The Relationship between HPWS and
Organizational Performance: Modelling the
Mediating Role of Managers' Trust in Different
Types of Employee Representation Systems, a Multi-
Group Analysis**

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ABSTRACT

The organizational performance is crucial for any organization to succeed and achieve its goals. Several factor can affect organizational performance, including human resource management practices, specifically the High-Performance Work Systems. This study aims to address the high performance works systems-organizational performance relationship by incorporating 2 variables: first is the managers' trust in employee representation systems as a mediator. Second is the presence of 3 different types of employee representation systems as a moderator in form of multigroup. The study employed partial least square structural equation modeling (PLS-SEM) using SmartPLS software with a formative model (Mode B) that includes mediation, based on data collected by Eurofound from 6,980 organizations in 29 European countries. The results revealed that high-performance work systems positively impact organizational performance. Additionally, managers' trust in employee representation systems plays a mediating role in the relationship between high-performance work systems and organizational performance, while the presence of different types of employee representation acts as a moderator in this relationship.

Keywords: HPWS, organizational performance, employee representation, managers' trust.

ÖZ

Örgütsel performans, örgütlerin başarılı olması ve hedeflerine ulaşması için kritik öneme sahiptir. Örgütsel performansı etkileyebilecek çeşitli faktörler arasında İnsan Kaynakları Yönetimi uygulamaları, özellikle Yüksek Performanslı Çalışma Sistemleri yer almaktadır. Bu çalışma, yüksek performanslı çalışma sistemleri ile örgütsel performans arasındaki ilişkiyi iki değişkeni de dahil ederek ele almayı amaçlamaktadır: İlk değişken, yöneticilerin çalışan temsil sistemine olan güvenleridir ve bu değişkenin aracı değişken olarak söz konusu ilişkideki rolü araştırılmıştır. İkinci değişken ise üç farklı türdeki çalışan temsil sistemlerinin çoklu grup formunda düzenleyici bir rol oynamasıdır.

Çalışmada kullanılan veriler Eurofound tarafından 29 Avrupa ülkesindeki 6.980 örgütten toplanmıştır. Veri analizinde, aracı değişken içeren biçimsel bir model (Mode B) ile SmartPLS yazılımında kısmi en küçük kareler yapısal eşitlik modellemesi (PLS-SEM) uygulanmıştır. Sonuçlar, yüksek performanslı çalışma sistemlerinin örgütsel performans üzerinde olumlu etkileri olduğunu, yöneticilerin çalışan temsil sistemlerine olan güveninin bu ilişkide aracı bir rol üstlendiğini ve farklı türdeki çalışan temsil sistemlerinin bu ilişkide düzenleyici bir rol oynadığını göstermiştir.

Anahtar Kelimeler: HPWS, örgütsel performans, çalışan temsiliyeti, yöneticilerin güveni.

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Chapter 1

INTRODUCTION

The ever-changing business environment, coupled with stakeholder expectations, competition for customers, resources, and capital, presents unprecedented challenges for organizations (Pant & Venkateswaran, 2019). Consequently, organizational performance has become essential for the survival and success of modern businesses (Richard et al., 2009). Measuring and analyzing organizational performance play crucial roles in creating competitive advantages (Popova & Sharpanskykh, 2010). Organizations, therefore, reevaluate their work structures and managerial practices to respond more effectively to competition. While there is no singular best way to improve organizational performance—each alternative has its advantages and disadvantages—managers must identify the factors that influence their organization's performance to take appropriate actions (Ismail et al., 2020).

The focus on high performance has become a dominant theme in the field of human resource management (HRM) (Vallina et al., 2019). Since the 1980s, the adoption of progressive HRM policies has been regarded as an integral component of a company's competitive strategy. A key concept in the literature is high-performance work systems (HPWS), which suggest that organizations adopting effective HRM policies and practices can achieve superior performance outcomes (Gilman & Raby, 2013). HRM practices are often viewed as “bundles” or classified under the term “HPWS” (Wang et al., 2022; Sheehan & Garavan, 2022) and their impact on organizational performance has been extensively studied. The relevant literature highlights the

success of these new HRM approaches to people management (Chukwuma et al., 2020).

Although many studies have addressed the relationship between HRM practices, HRM bundles, and organizational performance, multifaceted organizational performance outcomes remain underexplored (Heffernan et al., 2015). Many researchers argue that our understanding of the mechanisms through which HRM practices influence organizational performance is still limited (Beltrán-Martín et al., 2008), highlighting an increasing need to further examine the impact of HPWS on organizational performance (Chukwuma et al., 2020). However, several overlooked variables in the HPWS-performance link have limited the contribution of these studies to our understanding of this relationship (Beltrán-Martín et al., 2008). Scholars have suggested incorporating mediating and moderating variables into this relationship in future studies (e.g., Shin & Konrad, 2017).

The subject of employment relations has received attention from researchers, policymakers and practitioners (Harsh, & Prasad 2020), particularly in the examination of employee voice (McDonnell et al., 2013). While the impact of employee representation (ER) on the HPWS-performance relationship has received more attention in recent literature (Shin & Konrad, 2017; Mowbray et al., 2021), the role of managers, who are important actors in the employment relationship, has been largely overlooked. Their impact on the interaction between ER systems, HPWS, and performance remains unexplored (Chadwick et al., 2015). Previous research has not sufficiently addressed the characteristics of managers as an important variable in HPWS when an ER system is present (Sheehan & Garavan, 2022). An important aspect that needs further examination is the interaction between managers and

employee representatives, as well as the influence of this interaction on HPWS and its outcomes.

Regarding the relationship between managers, ER systems and performance, scholars have overlooked the role of trust, which is a major factor in this dynamic. Organizational trust ensures the relevance of HR in the organization by coordinating the efforts of individuals and managers to achieve strategic objectives (Karim et al., 2016). Researchers have found that trust is associated with a range of important employee outcomes that are essential for organizational performance (Campagna et al., 2019). Despite extensive research on trust and its influence on organizational performance, most of the research has focused on how to develop and improve trust among employees. There is a notable lack of empirical research examining managerial perceptions of trust in employees and their representatives. Studying organization with an ER system provides an opportunity to explore a previously understudied aspect of trust: managers' trust in the employee representation system and its impact on organizational performance. A solid understanding of trust may enhance managers' ability to ensure positive organizational performance outcomes when a formal ER system is in place. (Fisher et al., 2020). Competent managers are those who set the strategic objectives of the organization using various methods and sources of trust (Hasan, 2021).

On the other hand, the role and impact of employee representation can be further addressed within the context of HPWS – organizational performance relation. A voice mechanism is the way by means of employees will be able to express their voice in employment relationship. Voice mechanism can have several forms, it can be individual or collective and formal or informal. Formal mechanisms can be in form of suggestion schemes, work councils and labor-management committees while informal

mechanisms can be in form of e-mails or one-to one meetings. Concerning individual employee voice, it includes communication between employees and management without engagement of labor unions or any other organizations which also considered as direct voice where employees directly communicate with management (Cidal, 2022). Regarding collective voice, it requires involvement of collective organization for employees to express their opinions and concerns, such as labor unions or NUOs. The notion of employee voice is being approached by several discipline, such as employment relations (ER), human resource management (HRM), through their own perspectives, concepts and definitions. These disciplines have different understanding and approaches for employee voice. The framework used by HRM to conceptualize voice involves the meaning, purpose and the effect of employee participation. In addition, HRM take into consideration the motives and goals of the management's voice strategies (Cidal, 2022).

Unions have long been recognized as the most reliable and effective mechanism of employees' voice in organizations. They advocate for members' concerns by addressing them with management through formal mechanisms like collective bargaining and grievance procedures. Specifically, grievance processes by unions aim to address individual complaints and to insure it is heard by management and treated in a fair and unbiased way (Noh & Hebdon, 2023). When unions have the ability to of reducing the negative individual outcomes of filing grievances, for instance management retribution, the grievance procedures will function as effective voice channels. Thus, stronger unions (having more workers in the workplace as members) have the ability to increase the effect of the unionized grievance procedure by promoting sense of justice in the workplace (Noh & Hebdon, 2023).

However, in many countries, union-exclusive voice arrangements have declined, with managerial strategies increasingly favoring nonunion-based voice mechanisms. NER bodies are company-based forums that provide opportunities for non-union employee representatives to have a voice. NER can include various indirect collective methods, known by different labels in different countries, such as works councils, joint consultative committees, staff associations, partnership forums, health and safety committees, quality and productivity committees, or employee representatives on company boards, among others (Dobbins & Dundon, 2020).

The literature on nonunion employee representation (NER) systems identifies various reasons why employers implement such initiatives. As a result of the decrease of union representation presence and its bargaining coverage, employers find more opportunities to experiment new forms of employee voice (Donaghey et al., 2022).

Nevertheless, Charlwood & Terry (2007) found that nonunion employee representation plans do not entirely replace trade unions, based on his observation that in many sectors of the economy, the NER channels have not replaced union representation. Having non-union forms of employee representation does not mean a company lacks trade union members. Managers might engage with unions for some employees while not recognizing them for others. With the increase in NER, researchers have noted the rise of "double-breasting" voice, where an employer acknowledges a union at one site but uses non-union representation at another location (Dobbins & Dundon, 2020).

The impact of representation mechanisms on firms has been studied in labor economics and industrial relations (IR) literatures both theoretically and empirically (Addison & Teixeira, 2019). Further, the HRM and IR literatures on employee voice have grown substantially in recent decades. Regarding the link between employee

voice and performance, both bodies of literature view employee voice as a crucial element for a firm's success, as it leads to improved employee outcomes and enhanced organizational performance (Torre, 2019). As a result, researchers have examined direct forms of employee voice within the context of the HRM system. Moreover, scholars increasingly focus on the emergence of different combinations of employee voice mechanisms in the same workplaces and their potential outcomes (Benson & Brown, 2010; Holland et al., 2012; Kim et al., 2010; McCloskey & McDonnell, 2018; Torre, 2019).

The studies examining HPWS, performance and ER have used various approaches and variables. Some studies have used only 2 of these variables (e.g. Mihail et al., 2013; Shin, 2014; Salesina & Laroche, 2017; Mowbray et al., 2021); some have considered HRM policies as control variables (Kim et al., 2010); some have included performance as a dependent variable and workplace practices and ER as independent variables (Kornelakis et al., 2017); others have considered specific types of ER as moderators between HRM and performance including union representation as a control variable (Torre, 2019).

Less discussed in the literature is different types of institutional ER systems' specific and direct contributions to organizational performance (Addison & Teixeira, 2019). Studies on whether and to what extent ER influences HPWSs are scarce as well (Salesina & Laroche, 2017). Additionally, the studies in the HRM field generally treat IR variables simply as control variables. Hence, it is suggested by researchers that future HRM research should more closely consider the role of IR at the firm level in explaining the HRM-performance relationship (Torre, 2019).

1.1 Research Purpose and Question

This study will contribute to the literature by addressing these aforementioned gaps; specifically, the need to better understand the HPWS-performance relationship by incorporating new variables, address the role of managers in these dynamics and to further examine ER's influence on the HPWSs and firm performance. We will (1) study organizational performance by selecting hard performance (HP) and soft performance (SP) indicators as dependent variables; (2) examine the impact of HPWS on both hard and soft performance; (3) consider the effect of managers by examining their trust in the ER systems as a mediating variable in the relationship between HPWS and performance, recognizing that trust and its manifestations have significant effects on individual, team, and organizational level outcomes (Zolfaghari & Madjdi, 2022) and (4) consider 3 types of ER arrangements (union, non-union and both union and non-union co-existing in the same workplace) as moderators in this relation.

Therefore, we will address the following research questions:

- Do HPWS have a positive effect on organizational performance (soft performance and hard performance indicators) in organizations with a formal employee representation system?
- Does managers' trust in the employee representation system play a mediating role in the relationship between HPWS and organizational performance?
- Does the presence of different types of ER play a moderator role in the relation between HPWS and organizational performance?

1.2 Methodology

The study's aim is achieved using quantitative data analysis and methodology.

The data set was downloaded from the European Company Survey (ECS) conducted by the European Foundation for the Improvement of Living and Working Conditions. The sample included managers that participated in the survey. Our sample comprises organizations across Europe and each organization has established employee representation (ER) mechanisms.

The data were analyzed by PLS-SEM method to perform mediation and moderation effects. The model's measurement was checked the outer loading, outer weight, cross-loading and outer VIF while structural model was assessed by standardized root mean square residual (SRMR), normed fit index (NFI), Inner VIF and R-square.

The data were analyzed using 2 programs: SPSS and SmartPLS. SPSS was used to carry out the data cleaning while SmartPLS was used to have the further analysis on the measurement and structural analysis using the Mode B model.

1.3 Significance of the Study

This research makes some contributions to the literature of HPWS and organizational performance. First, it shed light on the importance of managers and employee representations as key actors in organizations that directly influence the HPWS-Performance relation. Secondly, this paper assess the organizational performance by addressing hard and soft performance which rare in the literature. Thirdly, our study considers 3 types of employee representation (union, nonunion and dual union and nonunion representations) and analyze their effect on their HPWS-Performance relation using multigroup analyses which is not done before in the literature. Fourthly, this study incorporates a new variable that is not previously studied

which is the management trust in ER answering the call of the literature to address new variables in the relation between the HPWS and Performance.

Furthermore, this research has other contributions in terms of methodology and implication. In term of methodology, this study has used formative model incorporating mediation and moderation effects in form of multigroup analyses which provides a ground for future studies to use these forms of analysis in the HPWS and organizational performance literatures.

In terms of implications, our study provides several theoretical and practical implications. Regarding theoretical implications, theories used in this research provide strong theoretical foundation to include managers and employee representations in future studies as main actors. For the practical implications, this study provides several practical practices for managers inferred from the questionnaire.

1.4 Outline of the study

Chapter 1 provides an introduction, offering a general overview of the study. It outlines the study's purpose, research questions, and its importance to both academic literature and industry practitioners. This chapter also addresses methodology, including the sampling method, data collection process, and data analysis.

Chapter 2 focuses on the theoretical background. This part includes main theories used in the literature of HPWS and organizational performance in order to support our model. In addition, it provides an in-depth review of existing theories in the literature that can provide the foundation to include the managers and ER in the HPWS-performance relation.

Chapter 3 focuses on the literature review, conceptual framework and hypothesis development regarding the relationships between the study's constructs. It explains how the theories used in the research inform these relationships. The research's

hypotheses are mentioned in this chapter. Chapter 4, the methodology and results section, provides detailed information about the research context, sampling, data collection, construct measurement, and data analysis. In addition, this chapter presents the results from the data analysis, including direct effect of HPWS on performance, the mediation effect of management's trust in ER and the moderation effect of ER in HPWS-performance relation.

Chapter 5 covers the findings, discussion and conclusion, highlighting the study's findings along with its practical implications and contributions to existing literature. This chapter also outlines the study's limitations and suggests directions for future research.

Chapter 2

THEORETICAL BACKGROUND

To enhance our understanding of the relationship between organizational practices and performance, this research addresses two factors that could influence this relationship; managers and employee representation (ER) systems. To introduce the managers and employee representation systems as influential factors in our model, we will employ Institutional Theory. Additionally, we will utilize Industrial Relations theory to consider managers and ER systems at a strategic level, linking them to practices and organizational performance through the Resource-Based View (RBV) and Ability-Motivation-Opportunity (AMO) theories. Lastly, Social Exchange Theory will be applied to examine the interaction between managers and employee representatives (EReps), focusing on managers' trust in the ER system and its effect on organizational performance.

2.1 Institutional Theory and Industrial Relations Theory

Institutional theory helps us understand the behavior of organizations and their internal dynamics (Yang et al., 2021; Özbek et al., 2024) and is widely used to study the adoption of organizational practices (Yang et al., 2021). The theory has gained significant attention and many of its core arguments have been supported by empirical evidence. This is evident over the past two decades from the doubling of the term "institution" in keywords, titles, or abstracts of organizational studies publications (Alvesson & Blom, 2022).

The theory proposes two main notions: every institution (1) is influenced by both the institutional environment and the external environment in which it operates (Tkachenko et al., 2022), and (2) consists of actors with specific roles (Voronov & Weber, 2020). The institutional environment plays a crucial role in determining the possible actions of an organization (Tkachenko et al., 2022). Firms operate within a social framework of norms (Dubey et al., 2019) which affects the adoption and diffusion of organizational practices.

In the institutional theory literature, scholars have established a solid conceptual foundation to highlight the role of actors (individuals and organizations) in shaping, modifying, and sustaining institutions. The scope of the institutional theory has expanded to include behaviors at various levels of analysis, as well as the proactive efforts of actors to create, maintain, and drive change within institutions (Glynn & D’unno, 2023). In their emphasis on reciprocity, scholars focused on the idea of agency where actors are able to choose to play, or not to, their usual roles. The role of agency in institutional theory has been a topic of ongoing debate, mainly because the circumstances and limits of actors' ability to exercise agency define the scope of the theory (Glynn & D’unno, 2023).

Furthermore, scholars have identified organizations, individuals, and other collective entities as actors, with the notion of actorhood referring to the entities recognized by and holding a position within an institutional order of interlocking actor roles (Voronov & Weber, 2020). An ‘actor’ is an entity situated within a network of other actors in an institutional order (Meyer, 2010). Thus, actors can be individuals in specific roles (e.g., managers), but they can also be organized collectives (e.g., unions, work councils) (Meyer, 2010).

In the Strategic Choice Model, which elaborates on the systems approach in industrial relations (IR) (Adams & Meltz, 1993), management and unions are considered actors in IR, viewed as ‘agents’ who shape the environment in which they operate. The model posits that the environment does not determine behavior; rather, the actors—especially the management of large companies—have some discretion or choice in determining the courses of action or strategies to follow (Edwards, 2003). Within this context, management is regarded as a strategic actor whose actions are critical in shaping not only the primary changes occurring in industrial relations, but also the business strategies to be followed (Edwards, 2003), including strategic HR practices such as HPWS.

Based on these concepts from institutional theory and strategic approach of industrial relations theory, it could be argued that managers and EReps influence the practices of an organization.

2.2 RBV Theory, AMO Theory and Social Exchange Theory

HPWS originated in the field of strategic human resource management (SHRM) (Kaushik & Mukherjee, 2022). SHRM practices that enhance task, targets and performance are developed through the effective adoption of HPWS (Ismail et al., 2020). Such practices improve sustainable competitive advantages by enhancing organizational performance (Shin & Konrad, 2017; Seidu, 2011). The relevant literature reports that HPWS consistently lead to higher individual and organizational performance (Werner, 2011). Within this strategic framework, where managers act as strategic actors and HPWS represent SHRM practices, we will utilize the resources-based view theory (RBV) to better understand how these elements connect and interact.

The Resource-Based View (RBV) theory was originally introduced by Wernerfelt in 1984, who argued that a company can be seen as a collection of resources, including both tangible and intangible assets that are tied to the organization. In order to gain a sustainable competitive advantage and achieve exceptional performance, a company's resources must meet the VRIN criteria: Valuable, Rare, Inimitable, and Non-substitutable (Dionysus & Arifin, 2020).

From the Resource-Based View theory's perspective, performance is the result of resources that create the strengths, weaknesses and boundaries of an organization or corporate. The Resource-Based View conceptual framework helps identify resources that are able to drive the performance of a company by connecting resource strengths, capabilities, and strategic actions to achieving sustainable competitive advantages, leading to higher profits than competitors (Dionysus & Arifin, 2020).

The RBV is considered as a major influence on strategic HR research and a central pillar of theory in the field of SHRM (Gerhart & Feng, 2021). Barney (1991) argues that a firm may derive its competitive advantage from its resources and capabilities, which may be valuable, rare, imperfectly imitable, and not substitutable (VRIN). These resources and capabilities can be viewed as a bundle of tangible and intangible assets (Cohen & Olsen, 2013), including the firm's management skills, organizational processes and routines, and the information and knowledge it controls (Jeble et al, 2018). The RBV theory says by utilizing unique and inimitable knowledge-based resources (Chatsama, 2022) firm performance can be improved (Arbor, 2018). SHRM assumes business strategies can only be realized through employees' actions, behaviors, and attitudes and certain HR processes elicit unique responses from employees. These assumptions plus intangible resources show the close link between RBV and SHRM (Hani, 2021). Managing employees through SHRM practices can be

seen as an intangible resource that produces positive business outcomes. The RBV acknowledges that certain tangible resources are not productive on their own. Therefore it is the ability to deploy and use these resources in an efficient and effective way that creates value and drives business outcomes (Armstrong & Brown, 2019). So the importance of SHRM in realizing the potential of employees as a valuable resource from the RBV perspective should not be ignored. The popularity of the RBV in developing HR practices and the reason for empirical research in SHRM (Armstrong & Brown, 2019) is from the theory's point of view of human resource management as a source of competitive advantage (Barney, 1991). In this perspective where human capital is a resource for the organization, HPWS is a reasonable investment in people who are the organization specific human capital driving firm performance (Shin & Konrad, 2017). A key assumption of the RBV is that a resource is a source of competitive advantage if it adds value to the organization, is rare and difficult to imitate (Kaushik & Mukherjee, 2022). So, it can be said HPWS is of competitive advantage that can create value for the organization in a way that is rare, inimitable, and irreplaceable (Chukwuma et al., 2020).

To connect the strategic framework of HPWS with organizational performance, we will draw on AMO theory (Ability, Motivation and Opportunity) and social exchange theory. AMO theory is used by researchers because it provides a measure of performance (Tunio et al., 2023) and, and it has been used to understand the relationship between human resource management and performance (Bos-Nehles et al, 2023).

The HPWS debate has enhanced our understanding of how all HRM systems influence the abilities (A), motivations (M), and opportunities (O) of individuals to perform (MacDuffie, 1995). The AMO variables are mediators through which

management attempts to improve performance (Boxall, 2012). Every HRM system impacts employees' skills and knowledge, their willingness to exert effort, and their opportunities to utilize their talents in their work.

Ability can be recognized as an individual's cognitive and physiological capabilities that allow him to effectively perform his/her tasks. Generally speaking, ability refers to the knowledge, skills, competencies and proficiencies that employees possess. Motivation can be understood as the force that can energize, direct and sustain the behavior, the willingness and the desire of an employee to perform his/her tasks. Finally, opportunity encompasses the contextual and environmental factors in which employees perform, which are beyond their direct control. These factors can be seen as the forces that surround an individual and his/her tasks that can enable or constrain him/her to perform them. The combination of these three dimensions can support individuals to have a good performance (Bos-Nehles et al., 2023). There are three streams of AMO research: first stream considers AMO variables at the individual level while the second stream considers AMO variables at the organizational level. The third stream, which is less common, integrates both the individual and organizational level variables. At the individual level, AMO variables include the differences between individuals in AMO, such as personal characteristics, that can enhance individual performance. On the other hand, at the organizational level, AMO variables are considered as AMO-enhancing HRM practices aggregated to the organizational level, which are designed to improve performance. Therefore, AMO is seen as a successful concept that allow classifying different elements into three dimensions of performance antecedents assuming that performance can be predicted by the interaction of these elements (Bos-Nehles et al., 2023).

The flexibility of AMO framework has attracted researchers to extensively utilize it in a wide range of research contexts. The components of the AMO theory are widely accepted and proven to ascertain the influence of work systems on performance indicators. The AMO theory has been employed to explore the relationships between work practices that enhance employees' creative performance as well (Ma et al., 2021). The theory posits that performance is a function of staffing, extensive training (ability-enhancing practices), and willingness; which are enhanced through motivation-enhancing practices like rewards and appraisals. Additionally, opportunities to perform are enhanced through job designs, participative work procedures, teamwork, and social support (Appelbaum et al., 2000). The AMO theoretical framework has been used to explain the link between work practices and employee performance as well (Ikhida et al., 2022). In these studies, employee AMO has been suggested as the key linking mechanism that promotes high performance as a result of HPWS (Appelbaum et al., 2000; Shin & Konrad, 2017). Therefore, HPWP are employed as tools for managing the organization's human capital (Ismail et al., 2021).

To gain a better understanding of how HPWS influence performance, we will explore this relationship through the lens of social exchange theory. The theory posits that in the relationship between two or more parties, one party tends to reciprocate the good (or bad) behavior of another. This exchange relationship may be shaped by the relation between the actor and the target (Cropanzano et al., 2017). In an organizational context, the social exchange begins when an actor (e.g., supervisor, manager or a co-worker) treats a target individual (e.g., a subordinate or a co-worker) positively or negatively. In return, the target may choose to respond with corresponding behaviors known as reciprocating responses. The social exchange theory assumes that targets will react to positive actions by producing positive responses or reducing negative

responses (Cropanzano et al., 2017). Following this logic, employees are expected to respond favorably to the implementation of HPWS practices that support them in their jobs.

In summary, managers play a key role in strategy implementation and act as essential agents for encouraging and engaging employees to implement a coordinated HPWS (Chadwick et al., 2015). Studies utilizing the RBV theory have highlighted the importance of HR managers in helping organizations achieve their objectives and sustainable competitive advantage (Sharma & Limaye, 2021). Therefore, managers have an important role in creating and strengthening the relationship between HPWS and performance. They must provide the clarity and support necessary to help employees perform their jobs successfully by identifying and working to remove the barriers to performance. All of these behaviors can help stimulate high performance in others (Sharma & Limaye, 2021). In response to the practices implemented by managers, employees are more likely to reciprocate with positive behavior, ultimately leading to better individual and organizational performance.

To complete our model by incorporating trust into the strategic framework (which includes managers, ER systems and HPWS) and its relationship with organizational performance, as well as including employee representation forms into the HPWS-performance relations, we will utilize social exchange theory (SET). According to SET, trust is considered a relational mechanism that affects a company's behavior (Zhou et al, 2024). Trust is recognized as a crucial factor in achieving organizational stability and is viewed as a source of competitive advantage, highlighting its importance for organizations. In recent years, trust has received increased attention and has been shown to have a positive relationship with performance (Anturi et al.,

2019). In our study, we focus on managers' trust in ER systems as a factor influencing the success of HPWS.

EReps also play a role in the relationship between HPWS, managers and organizational performance by providing a means for employee voice. Employee voice is seen as a mechanism for raising concerns about work-related issues and participating in decision-making processes that influence the work environment (Kougiannou & Mendonça, 2021) and it is analyzed using SET (Blau, 1964). When employees foster valuable social exchanges with their employers, they tend to act in pro-organizational ways (Stamper et al., 2009). Cotton et al. (1988) affirm that employee voice can be effective in increasing employee satisfaction and organizational performance. Organizational policies that provide employees the opportunity to voice their concerns, reconcile discrepancies, and contribute to decision-making processes have the potential of enhancing organizational productivity (Ashiru et al., 2021). As demonstrated by the work of Freeman and Medoff (1984), employment relations institutions also have 'voice' effects that can enhance firm performance. Employee voice can be expressed via direct representation such as union membership or company-sponsored participation mechanisms, such as work councils, joint consultative committees and direct employee involvement (Millward et al., 2000). Indeed, there is evidence to suggest that, depending on the quality of employment relationship in an organization, unions and collective bargaining can have a positive impact on productivity (Fakhfakh et al., 2011; Lucifora & Origo, 2015; Braakmann & Brandl, 2016). Employment relations institutions also affect other factors that have an influence on productivity, such as reduced job turnover and more access to increased number of training opportunities (Heyes & Rainbird, 2011). Hence, the presence of different forms of employee representation systems should be taken into consideration

when examining the relationship between HR practices such as HPWS and organizational performance.

Employee voice is grounded in social exchange theory (Ashiru et al., 2021). Using the lens of SET, which is frequently employed to explain the relationship between HRM practices and performance (Wanyama & Eyamu, 2021; Nachmias et al., 2021), this paper examines the interaction between managers and employee representatives by researching managers' trust in employee representation systems and how this trust influences the implementation of HPWS in a way that positively affects organizational performance. The social exchange theory studies the interaction behavior between two parties (Tarkang et al., 2020). Examining the reciprocal interdependence is particularly important within the social exchange literature because it emphasizes interpersonal transactions in which an action by one party leads to a response by another. Reciprocity is, therefore, one of the key principles of this process (Prouska et al., 2023). Many studies have utilized social exchange theory to explain how employees will reciprocate their voice behavior as a result of interactions with their managers or due to working conditions (Wu et al., 2020). In this paper, the two parties directly considered are managers and employee representatives. We argue that managers' trust in the employee representation system will lead to a more successful implementation of HPWS, ultimately enhancing organizational performance. In addition, within the same context of social exchange theory and its potential to address voice mechanisms, we will use this theory to investigate the effect of different types of employee representation systems (union, nonunion employee representation and hybrid form of union and nonunion) on the HPWS-performance relationship.

Chapter 3

LITERATURE REVIEW, CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

3.1 Literature Review

3.1.1 Organizational Performance

Performance is crucial for any organization, regardless its type. It is also essential for managers to understand the factors that affect the performance of their organizations so they can leverage them effectively and take appropriate actions to implement them. There are many views among researchers regarding definition of performance and factors influencing performance as it is a contentious topic.

In the literature, there are several definitions for organizational performance. It can be defined as the organizational ability to achieve its goals using the resources in effective and efficient way (Daft, 2000). Another similar but simpler definition by Richardo (2001), cited by Akpa et al, (2021), considers performance as the organizational ability to achieve its goals and objectives. As defined by to Cascio (2014), organizational performance is seen as the degree to which the work mission is attained based on measurement in terms of quality services, work outcome, customer link and intangible assets. Another definition by Kaplan & Norton (2001) is that organizational performance is the capacity of the organization to effectively and efficiently accomplish its objectives using the physical and human available resources. The last definition underlines the use of objective performance criteria by organizations in order to assess the work base performance of their employees. It also

helps the organizations evaluate the achievement of their goals in addition to developing their strategic plans regarding future performance (Armstrong et al, 2012).

According to the literature, organizations from different countries identify different objectives. However, financial profitability and growth are more commonly used to measure organizational performance. For this reason, it is argued that researchers should adopt the definition of organizational performance depending on the disciplinary framework used for the study as no definition has superiority to other definitions.

After addressing the definition of organizational performance, it is important to discuss how it is measured. Measuring performance plays a key role in supporting decision-making and monitoring action plans aimed at achieving strategic goals and objectives. It is challenging for managers to put indicators that are able to measure the progress to achieve the objectives.

Hefferman & Flood (2000) stated that organizational performance has struggled with definition problem as well as conceptual problem. They argued that organizational performance as a concept in management faced problems in terms of clarity in several areas.

The definition was the first area and the measurement was the second one. The performance was in many cases confused with productivity. It is being suggested that the organizational performance measurement should be different between the fields of study as they have differences in their research questions (Akpa et al, 2021).

As pointed by Ricardo (2001), performance and productivity are not the same as they have several differences. Organizational productivity is a ratio that reflects the completed volume of work in a specific period. On the other hand, performance is much broader, it is an indicator that can include several criteria such as productivity,

results, quality, consistency and behaviors. Also, it encompasses training and education including leadership training and management development in order to improve needed skills and attitudes regarding performance management (Rehman, 2012).

Several researchers considered the subjective perceptions of managers as a measurement of beneficial outcomes of organizations while other researchers used objective such as organizational data (e.g. return on assets). Researchers found that there is a correlation and validity between subjective and objective performance data, which means that both types can be considered when evaluating the performance of firms (Dess & Robinson, 1984).

According to the organizational performance literature, performance is related to the achievement of the objectives set by organizations. These objectives can be financial objectives such as profit-making or non-financial objectives such as making awareness concerning a specific issue in the community. Thus, we can categorize organizational performance into 2 categories: financial and non-financial performance.

Regarding financial indicators, the organizational profitability is considered an important indicator as it shows the efficiency of the ability of organizations and managers in increasing the sales while the variable costs remain low. Financial profitability can be measured using different measures such as profit margin, return on investment, return on equity, return on assets and return on sales. On the other hand, the job satisfaction, employee turnover and organizational commitment are considered as non-financial measures (Zulkifli & Jamaluddin, 2000). There is a broad range of other behaviors that can be considered to measure performance.

Also, Armstrong et al, (2012) indicated that the organization performance is a broad concept that not only covers productivity, consistency, quality and efficiency, but also

covers relative measures including training and development for building skills and attitudes of workers.

Furthermore, the organizational performance can be considered in terms of financial sustainability, market share, physical expansion, revenue, net income and number of employees (Kotter, 2012). According to Akpa et al, (2021), performance can include financial performance indicators such as return on assets, profits, return on investment, market share, shareholder return and market share. In strategic management research, the organizational performance conceptualization focused on financial indicators, which indicate the use of financial indicators by researchers in the field.

According to Smith (2019), organizational performance relies on several factors including employee productivity, alignment between business functions and with the strategy of the organization, objective achievement and the culture of the organization. These factors can affect the performance of the organization in the marketplace and the efficiency of its operations.

In addition, managerial trust can have an influence on Organizational performance. research that studied the effect of managers trust on performance are few. For instance, Paliszkievicz (2012) investigated the relation between Managers' orientation on trust and organizational performance and argued that when supervisors consider their employees' concerns, value their work and provide support for their career improvement, they signal by this to their employees that they are seeking a close and social exchange relationship which make the employees feel the obligation to reciprocate the good behaviors of their supervisors. Her study shows a positive correlation between managers' orientation on trust and organizational performance and concluded that increased level of trust is associated with better organizational performance.

Recent research by Wang et al., (2024) studied managerial trust from employee perspective and its effect on employee creativity, considering it critical to an organization's longer-term performance. They mentioned that trust can be actively managed by leadership and that when it provides support and empowerment this will reflect the trust of leadership in employees. They argued that when employees feel trusted by management this will lead to reciprocity from them and suggested that when subordinates feel trusted by their superiors this will motivate them to improve their performance. Their study showed that employees feeling trusted by their managers has a positive significant effect on employee creativity.

3.1.2 High Performance Work Systems

In order to perceive a sustainable competitive advantage, it is important for the organizations to create a system that involve interrelated human resources (HR) practices to provide outcomes by fostering and retaining performance and capabilities. Considering the strategic role of human resource management (HRM), it has to be applied in an advanced way of system thinking. Having the best HR practices is not enough for the organization, it is important to align between these practices by analyzing the way each of these practices is working in the system to support goal achievement (Shahriari & Allameh, 2020). The approach of systems thinking in the field of human resource management is conceptualized as high performance work systems (HPWS) (Edgar et al., 2020).

In a high-performance work system, individual HR practices are aligned with the strategy of the organization. The HPWS provide support for employees to enhance learning and performing, which will lead to knowledge exchange with external sources (Zheng et al., 2020). Human resources department plays a role in designing, implementing and developing the HPWS (Ananthram et al., 2018). Despite its

popularity, it is not clear how the HPWS can affect performance (Han et al., 2019). Therefore, it is important to examine the practices within HPWS that impact performance (Edgar et al., 2020).

High-performance work systems originally emerged in the field of Strategic Human Resource Management (SHRM). During the 1980s, industries from different countries developed their work systems to enhance their efficiency. For instance, Japan was leading providing its lean system of production, while Germany offered diversified quality production systems and Sweden developed its socio-technical systems whereas the USA were not yet involved. Applebaum and Batt (1995) have drawn the attention in their book “The New American Workplace” that the USA had to reconsider its variant of the advanced work system that compete in international markets which led to the development of HPWS in the US.

The main focus of the literature before developing the HPWS was on the synergy between HRM and the organizational and employee performance. Guest (1987) pointed out that there is a need for human resource management to maintain and sustain a high degree of it in both internal and external environments. During this period, several studies argued that HR practices that are part of the overall strategy of a company can promote commitment, which consequently improves performance. In addition, many studies focused on the internal integration of HR practices known as high involvement work practices or high commitment work practices.

Later, Huselid (1995) offered a framework that consider the HR practices as bundles that should be aligned with the organization strategy and conceptualized it as HPWS. The HR practices in this system are connected and aligned with the organizational strategy, and strategic goals and objectives as well (Huselid & Becker,

1995). Thus, the HPWS can be seen as an integrated system of HR practices that are internally and externally consistent (Evans & Davis, 2015).

Therefore, the human resource management practices such as hiring candidates that have appropriate skills for the right job, evaluating employees' performance, paying compensation and providing performance-based rewards and incentives according to performance, and training programs to address the needs of employees should be in line with the organizational strategy. When these human resource management practices are properly aligned, the effectiveness of organizations and employees will be enhanced.

More specifically, the HPWS is designed by the integration of ability-enhancing practices (such as training and performance assessment), motivation-enhancing practices (such as job security and rewards) and opportunity enhancing practices (autonomy and involvement in decision making) and consequently enhances the ability, motivation and opportunity of employees that leads to a better organizational performance (Edgar et al., 2020).

Given its comprehensive nature, it was challenging for researchers to describe the HPWS in the past. After a review of the literature, 3 characteristics can be utilized to describe HPWS: system, performance and synergistic effects.

Starting with the first characteristic, a system is considered as a combination parts that undertakes a complex activity and as a complex whole. As a system, the HPWS is a complex system that link employees, work practices and processes to the strategy of the organization.

As each system is designed with a purpose and structure, the HPWS is designed with the purpose of performance at the level of employees and the organization. The

HR practices bundles should be considered within the context of the strategy of the organization.

The HPWS is conceptualized as a system within internal and external alignments. The internal alignment is mainly among the HR practices of the organization while the external alignment is the HR practices alignments with the strategy of the organization.

The alignment of the HR practices should be consistent among the system's components. The previous studies have pointed that there is no fix dimensions regarding the HPWS and propose that specifying the dimension depends on the strategy of the organization and the type of business (Han et al., 2019).

The second key characteristic of HPWS is performance. Establishing a performance-oriented workplace is the main objective of the HPWS by selecting set of work practices that enhance the effectiveness of employees. We can perceive performance in different ways and it depends on several factors. The employees' performance is improved through the enhancement of the human capital value, specifically their ability, skills, motivation and commitment that consequently improve the organizational performance (Karadas & Karatepe, 2019). Thus, HPWS can enhance the performance of firms as it is developed by the integration of HR practices as bundles and the alignment of these practices with the strategy of the company (Zhai & Tian, 2019).

The HPWS practices have several positive consequences on the organization such as having strong process for recruitment that will allow them the select the best of available talents. In addition, such organization will be able to better motivate its employees with suitable training and development, autonomy and participation in decision making, job design and security. The effort of employees in such workplace will be associated with compensation practices and appraisal practices.

The synergistic effect is the third characteristic that is created by HPWS. The effect of the human resources practices as a system showed more significant results comparing with the effect of the individual practices of human resources on the performance of the organization.

Adopting complementary work practices on the ability of employees to create values can create high performance (Zhai & Tian, 2019). Designing the HPWS in a careful way will have a complimentary effect on work practices. These work practices are formed using specific bundles and combination that will have synergistic influence by a mutually reinforcing and interactive process (Huselid & Becker, 1995). This influence has a positive impact on the individual practices which will help the ability, motivation and opportunity link to be active, and as a result, enhancing the performance (Karadas & Karatepe, 2019).

3.1.3 Employee Representation

Employee voice has been one of the subjects of much research over the past several decades from various disciplines (Noh & Hebdon 2023).

The goals of labor relations, conceptualized as a triad, are identified as 'efficiency,' 'equity,' and 'voice.' When a balance is achieved between these three elements, positive outcomes are likely. While economic 'efficiency' is the main objective for the employer, 'equity' in both procedural and distributive aspects, as well as 'voice' in areas like work-related autonomy, are key objectives for the employee (Özyavas, 2022). This balance can be assured with the presence of effective employee representation mechanism.

Several factors can influence employee voice. The implementation of HPWS symbolizes that management values employees' voice and cares about their well-being (Noh & Hebdon, 2023).

Employee representation systems have several impacts on organizational performance and received attention from researchers. Employees representation can take several forms in organizations as employee-led formal voice mechanisms (e.g., work councils and trade unions) (Huang et al 2023). In our study, we will consider three types of employee representations: union, nonunion employee representation mechanisms and a hybrid (existence of union and nonunion representation in the same workplace) employee representation system.

The first known union was started in 1872 when a group of shoemakers, the Philadelphia Cordwainers organized a local trade union to bargain for higher wages (Carrell & Heavrin, 2013). Union mechanism first was limited to private sector companies and expanded later to include public sectors (Mendoza, 2022). Historically, unions were the most reliable mechanism that provided employees with a voice to express their needs, demands, expectations and concerns (Noh & Hebdon, 2023) in the workplace.

The main goals for a union are improving the working conditions in a workplace and to increasing the welfare of employees (Özyavas, 2022). Salary/wages, job security, and fringe benefit are among the main issues that trade unions bargain with employers. Unions have had a hand in bargaining for competitive wages, healthcare benefit plans, job security, and lucrative retirement pension plans (Mendoza, 2022).

It is generally argued that unions can improve living conditions of employees, and consequently increase their job satisfaction. Trade unions could also be instrumental in resolving conflicts with management or among employees (Özyavas, 2022).

In addition, Carrell & Heavrin (2013) indicated that unions address topics such as benefits, wages, hours of work, safety, working conditions, grievance procedures, and job security. Union activists play a crucial role in framing grievances and promoting

collective interest among workers in the face of organizational wrong doings (Noh & Hebdon, 2023). Unions seem to make an impact on more than just higher wages, there also seem to be some effects on employee motivation and job satisfaction. The stronger the union is the stronger will be its effect (Noh & Hebdon, 2023).

Despite the important role of unions, they have been facing a decline as a primary voice mechanism since 1980s (Huang et al., 2023) in favor of other mechanisms such as nonunion employee representation systems.

There are several reasons that can explain the decline of union representation and the rise of nonunion representation. From employers' perspective, a nonunion employee representation system will give the employer the flexibility to structure the representation system and determine what types issues can be discussed or bargained with employees in the company-established system (Kaufman & Taras, 2016). Such an employee representation system will give employer more authority and flexibility when dealing with the employment relationship in their organization. Although employers can be influential in structuring the nonunion employee representation systems, they do not have full authority control in such systems.

Kaufman and Taras (2016) argue that employees' reaction to the nonunion employee representation systems matters because it has the potential to determine the impact and success of the system. Donaghey et al., (2022) conceptualize nonunion employee representation systems as an 'offer' for voice by employers that employees can accept or reject.

Ramsay (1977), argued that the motivation to establish such systems could be influenced by whether employees challenge authority of managers. When employees decide to act collectively to challenge authority of management in a company,

employers resort to nonunion employee representation plans to satisfy voice needs of employees.

Given the decline in union representation, nonunion employee representation plans continue to attract the attention of researchers. Kaufman & Taras (2016) argue that employers might have different motivations to form nonunion employee representation plans/ The first motive is simply preventing unionization in their organizations while the second one is creating a platform for where employer and employee representatives will work towards creating mutual gains can be achieved.

Despite studies focusing on the second aspect, there is a need for a more thorough examination on whether or not these representation systems can be successfully used to create a mutual gains platform.

It should also be noted that despite the rise of nonunion representation, it did not completely replace the union representations. Although many workplaces combined both union and nonunion representation, there is a lack of research on such arrangements, which are dubbed “hybrid representation systems” (Dobbins & Dundon, 2017). Hybrid systems can exist within the same company, as it is the case in Germany where unions and work councils are allowed to coexist in a company (Kaufman & Taras, 2016). Braakman & Brandl (2016) stated that there has been an increase in the number European countries utilizing “hybrid employee representation systems”. However, the studies that addressed the hybrid system of representations are relatively scarce, and these few studies focus on the macro environment.

3.2 Conceptual Framework and Hypothesis Development

3.2.1 Organizational Performance

A performance indicator is a quantitative or qualitative marker that reflects the state or progress of a company, unit or individual. Performance indicators can be

categorized as soft or hard. Soft indicators are qualitative markers that are not directly measurable, such as customer satisfaction, company reputation, and employee motivation. In contrast, hard indicators are measurable, quantitative markers, such as the number of customers, defect rates, time to produce a plan or a new product design (Popova & Sharpanskykh, 2010). Researchers have utilized both non-financial metrics (e.g., efficiency, quality, productivity) and financial metrics (e.g., sales, profit, and market share) to measure organizational performance (Khan, 2010). Other researchers have used the employment relationship as a measure of organizational performance, alongside other items developed in various studies (Ittner et al., 1997; Perera et al., 1997). Behavioral and attitudinal measures such as satisfaction, intention to quit, and commitment (Al-Damoe et al., 2011) have also been used. There are multiple ways to assess and measure performance. In the HPWS and industrial relations literature, studies usually do not explicitly differentiate between these measures, although doing so may provide a better understanding of the effect of HPWS on organizational performance. For this reason, our model will use productivity and profitability as hard performance (HP) indicators, along with motivation and management-employee relations as soft performance (SP) indicators, treating both of these indicators as dependent variables.

3.2.2 HPWS and Managers

HPWS refer to a work system through which an organization benefits from its employees' utmost performance by leveraging their knowledge, skills and commitment. Increased individual performance eventually leads to greater organizational performance. HPWS comprise systems of managerial practices that enhance employees' empowerment and develop the knowledge and skills necessary to motivate them in their jobs (Mattersah, 2019). Managers play a crucial role in HPWS

as they implement an organization's HR practices. However, variability may exist within and across organizations regarding how these HR practices are implemented by managers, depending on their skills and motivation (Mowbray et al., 2021). There is no consensus in the literature about the best model for HPWS practices that would yield the highest performance (Mahdy & Alhadi, 2021). Initially, the effects of individual HRM practices (e.g., selective hiring, training, compensation, internal promotions, and employee involvement) on specific HR outcomes were assessed (Chuang & Liao, 2010). The Ability-Motivation-Opportunity (AMO) framework proposed grouping HRM practices into ability-, motivation- and capability-enhancing bundles (Edgar et al., 2021). This framework synthesizes the effect two dimensions of performance in organizations: the internal one, which includes ability and motivation; and the external one, which is opportunity (Doshi & Nigam, 2022). This framework has been extensively utilized to study the impact of human resource management practices on employee performance. Past research has established the relationship between an employee's AMO and work performance (Blumberg & Pringle, 1982). Thus, HPWS practices can be measured using the AMO model, which includes three main dimensions - ability, motivation, and opportunities for participation (Mahdy & Alhadi, 2021).

Appelbaum et al. (2000) proposed that firms can positively influence organizational performance by ensuring that all employees possess the AMO necessary to perform their jobs effectively and efficiently (Bhatti et al., 2021). Previous research in the literature has shown the crucial role AMO plays in providing employees with opportunities to participate in the processes employed to develop HPWS (Bailey, 1993). The proposed model is based on psychological concepts and includes components of AMO. According to the model, employees working in a system that

has been developed by employers to encourage productive and effective behavior (motivations) need to have required abilities and skills sets (abilities), where employers establish a system to provide employees with different venues and channels to achieve strategic goals and objectives (Harney & Jordan, 2008).

To view the situation from the employees' perspective, we will consider social exchange theory and rely on the mutual gains perspective, which argues that HPWS positively affect both the organization and its employees by integrating them into the business strategy (Dorta-Afonso et al., 2023). Additionally, the norm of reciprocity suggests that one party will respond to the benefits received from another party by providing something in return (Kloutsiniotis & Mihail, 2020). Applying these two notions in the organizational context, where organizations and employees are the interacting parties, employees will feel the need to reciprocate by displaying positive behavior in response to the perceived positive actions initiated by the organization through the implementation of HPWS (Kloutsiniotis & Mihail, 2020). Based on this rationale, we will expect that the implementation of HPWS practices by managers will improve organizational performance. Thus, we propose the following hypotheses:

H1a: Providing training will have a direct and positive impact on soft performance.

H1b: Providing training will have a direct and positive impact on hard performance.

H2a: Variable pay will have a direct and positive impact on soft performance.

H2b: Variable pay will have a direct and positive impact on hard performance.

H3a: Practices aimed at motivating and retaining employees will have a direct and positive impact on soft performance.

H3b: Practices aimed at motivating and retaining employees will have a direct and positive impact on hard performance.

H4a: Internal hiring will have a direct and positive impact on soft performance.

H4b: Internal hiring will have a direct and positive impact on hard performance.

H5a: Employee involvement in organizing work will have a direct and positive impact on soft performance.

H5b: Employee involvement in organizing work will have a direct and positive impact on hard performance.

3.2.3 Managers' Trust in the Employee Representation System

The positive effect of cooperative labor relations on organizational performance has been documented in the past research (Derry & Iverson, 2005). Cooperative labor relations are mainly influenced by the willingness of management to be open and trustful with employee representatives (EReps). Derry & Iverson (2005) have shown that a cooperative labor relations climate is associated with higher levels of performance. Therefore, managers, EReps and the nature of their relationship could influence HPWS.

There are few studies on the role of trust in the employment relationship and whether a trustful one can be a strategic advantage leading to successful performance (Brandl, 2021). Since the level of analysis in our study is the firm level, trust in this context refers to the between EReps and managers (Brandl, 2021). It is argued that arrangements that provide employees with representation mechanisms can be influential to create high levels of trust between managers and employees (Ilsoe, 2010). Trust and distrust can exist in an employment relationship, where EReps and managers represent different and conflicting interests on a wide array of issues (Brandl, 2021). Each party in an employment relationship must offer something the other sees as valuable, and each must see the exchange as reasonably equitable and fair in order to continue it. Managers and EReps usually meet in different formal bodies, such as the work councils or unions, to negotiate collective issues related to working conditions,

manage conflict, and make organizational decisions. In the European Union, work councils have legal authority and an important say in strategic organizational decisions. In these representation systems, trust is a sensitive and essential issue (Dirks & Ferrin, 2001). While some studies focused on the determinants of trust relationships in organizations and considered trust to be the dependent variable, others used trust as an independent variable and analyzed the effect trust has on companies. Nienhueser and Hossfeld (2011) investigated the role of trust between managers and work council members in German firms for the implementation of different structures of collective bargaining and found that trust facilitates implementation. Brandl (2021) argued that a high level of organizational trust could positively influence the assessment of HRM reform efforts. Creed & Miles (1996) found that employers' willingness to invest in employees provides the context in which trust influences managerial philosophy and actions. Tzafrir (2005) argued that managers' trust in their employees could have a great impact on managerial decision-making processes such as the design of the HRM system. These studies showed that there are significant relationships between trust and HRM practices.

In addition, social exchange theory can provide us with better insight into how trust may affect the HPWS-performance relationship. Managers who use AMO framework and provide means for employee voice are offering support to employees, which is a positive action that reflects and enhances the trust managers have in both their employees and the voice mechanism. In return, given that reciprocity is a key principle in interactions between two parties based on SET (Prouska et al., 2023), employees are likely to respond with positive behavior and improved performance.

A review of the literature revealed that trust was studied in different contexts. However, more studies are needed to further investigate the role and effect of trust in

the relation between HPWS and performance. There is a lack of research on managers' trust in the ER system. Hence, we study trust in a different context in our research. Given that managers and EReps are the main actors in an employment relation in an organization, and that trust affects both HR practices and organizational performance, we argue that management's trust in the ER system in the workplace can create a competitive advantage, leading to improvements in organizational performance and motivating employees to reciprocate with better performance. We examine managers' trust in the ER system and consider it as a mediator between HPWS and organizational performance to further explore its effect and role in this relationship. Thus, we propose the following hypothesis:

H6: Management's trust in the ER system will mediate the relationship between HPWS practices and organizational performance.

H7: There are differences in the effects of HPWS practices and trust on organizational performance depending on the type of ER

Chapter 4

METHODOLOGY AND RESULTS

4.1 Methodology

4.1.1 Data Collection

The data set was downloaded from the European Company Survey (ECS) conducted by the European Foundation for the Improvement of Living and Working Conditions. The survey aims to map workplace policies and practices at the organizational level in the European Union and to survey the views of the different actors at organizational level on these policies and practices. The sample included 6,980 managers that participated in the survey. Our sample comprises organizations across Europe, varying in size—small, medium, and large—and spanning sectors such as construction, manufacturing, and services. Each organization has established employee representation (ER) mechanisms.

SPSS was used to carry out the data cleaning while SmartPLS was used to have the further analysis on the measurement and structural analysis using the Mode B model.

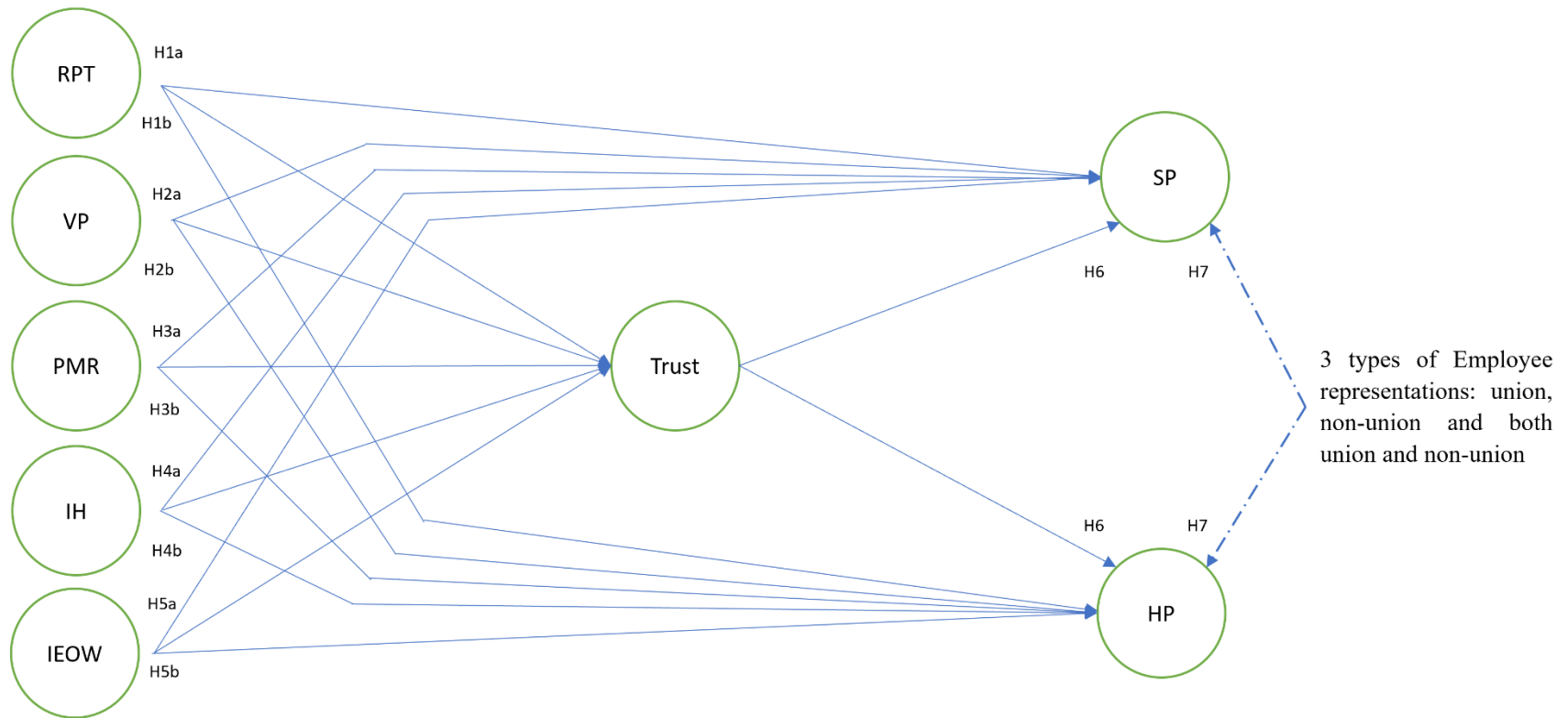
We used the partial least square structural equal modeling (PLS-SEM) method and Smart PLS software for several reasons. First, this method and software have recently gained more attention in the HRM field (Behraves et al., 2021; Alpkhan & Gemici, 2023; Roldan & Cabrales, 2021). Second, PLS-SEM can simultaneously predict the outcomes of the designed model and reveal relationships between variables, including the moderators and mediators (Tian et al., 2023). Third, PLS-SEM has the

capability to analyze both reflective and formative constructs (Legate et al., 2021). Fourth, it can process complex models with multiple constructs and indicators (Hair & Alamer, 2022). Fifth, Smart PLS software is suitable for large sample sizes, providing more reliable estimates (Garson, 2016; Ringle et al., 2020). Sixth, PLS-SEM is robust to non-normality (Shahzad et al., 2020).

Based on the nature of the items for the latent variables, we treated our model as formative, where each indicator represents a dimension of the latent variable. The set of indicators collectively represents all dimensions of the latent variable. In formative models, the indicators are assumed to represent "reality" and include all dimensions of the factor (Garson, 2016).

From the European Company Survey (ECS), we selected latent variables with appropriate item scales that are supported and frequently used in the literature for our model. For the HPWS, we selected 5 practices: 1) Motivation, widely used as motivation-enhancing practices in the literature (e.g., Mowbray et al., 2020; Keramatyazdi et al., 2023; Li et al., 2021), is labeled "practices to motivate and retain employees" and measured by three items with four measurement scales. 2) Recruitment, also known as selection, staffing and internal mobility (e.g., Dorta-Afonso et al., 2021; Ghafoor et al., 2021; Salin et al., 2023) is labeled "internal hiring" in the survey and measured by three items with three measurement scales. 3) Involvement (e.g. Abboh et al., 2022; Khan & Iqbal, 2020; Rubel et al., 2020) labeled "involve employee in organizing work" is measured by three items with three measurement scales. 4) Compensation and benefits or rewards (e.g. Kim et al., 2022; Agirre-Aramburu et al., 2023; Ramaprasad et al., 2018) labeled "variable pay," is measured by three items with seven measurement scales. 5) Training (e.g. Wojtczuk-Turek & Turek, 2021; Abotaleb & Elnagar, 2022; Salin et al., 2023) labeled "reasons

for providing training,” is measured by three items with four measurement scales. Regarding trust, this variable is generally studied from the employee’s perspective, such as “trust in management”, “trust in employer” and “trust in organization” (e.g. Jalali et al., 2023; Mehmood et al., 2023; Jaskeviciute 2021). In our study, we focus on management’s trust in ER system, which has not been previously explored in the literature as a mediator between HPWS and organizational performance, using one item with four measurement scales. For organizational performance, we use productivity and profitability as two items that form hard performance (HP), as they are key organizational performance measures (Cyril & Singka, 2020). We also use motivation and management-employee relations as two items that form soft performance (SP), as they are not directly measurable (Popova and Sharpanskykh, 2010). Regarding employee representations, we have categorized the sample based on 3 types of voice mechanism: union representation, nonunion representation and both union and nonunion representation together in the same workplace as dual form of representation (Cidal 2022 and Donaghey et al., 2022). This categorization serves to perform the multigroup analysis to measure the moderation effect of the 3 types of employee representations.



Note(s): RPT: Reasons for providing training; VP: Variable Pay; PMR: Practices to motivate and retain; IH: Internal Hiring; IEOW: Involve employee in organizing work; SP: Soft Performance; HP: Hard Performance.

Figure 1: Conceptual framework

4.1.2 Model Measurement Assessment

To assess the model's measurement, we checked the outer loading, outer weight, cross-loading and outer VIF. For formative models, path coefficients in the measurement model should be significant (Henseler et al., 2012).

Table 1: Results of outer loading, outer weight and outer VIF.

Variables	Items	Outer Loadings		Outer Weights		Outer VIF
		Coefficient	P	Coefficient	P	
Practices to motivate and retain	PMR1	0.893	0	0.591	0	1.456
	PMR2	0.669	0	0.239	0	1.337
	PMR3	0.789	0	0.396	0	1.417
Internal Hiring	IH	1		1		1
Involve employee in organizing work	IEOW1	0.756	0	0.498	0	1.16
	IEOW2	0.424	0	0.229	0	1.048
	IEOW3	0.848	0	0.621	0	1.185
Variable Pay	VP1	0.817	0	0.422	0	1.469
	VP2	0.795	0	0.344	0.007	1.559
	VP3	0.847	0	0.451	0	1.569
Reasons for providing training	RPT1	0.759	0	0.373	0	1.399
	RPT2	0.784	0	0.437	0	1.384
	RPT3	0.761	0	0.492	0	1.175
Trust	Trust	1		1		1
Hard Performance	HP1	0.911	0	0.831	0	1.037
	HP2	0.577	0	0.42	0	1.037
Soft Performance	SP1	0.897	0	0.653	0	1.304
	SP2	0.82	0	0.505	0	1.304

Note(s): PMR: Practices to motivate and retain; IH: Internal Hiring; IEOW: Involve employee in organizing work; VP: Variable Pay; RPT: Reasons for providing training; HP: Hard Performance; SP: Soft Performance.

To ensure that the indicators are relevant to the measurement of their factors, we checked the outer loading and weight (Table I). The path loading of the indicators is significant and considered high (>0.5 (Hair et al., 2014)). The measurement weights of the indicators are all significant (Garson, 2016). Thus, the indicators are relevant to the measurement of their factors, and the measurement model is reliable. Next, we checked for multicollinearity problem using the Outer VIF test (Table I). We found that all Outer VIF values are less than 0.4 (Hair et al., 2014), indicating that the formative measurement model is well-fitting.

4.1.3 Structural Model Assessment

After assessing the measurement model, we evaluated the structural model using the following tests: standardized root mean square residual (SRMR), normed fit index (NFI), Inner VIF and R-square (Table II).

Table 2: Results of SRMR, NFI, Inner VIF and R-square.

Inner VIF	Trust	Hard Perform	Soft Perform
Practices to motivate and retain	1.347	1.364	1.364
Internal hiring	1.109	1.11	1.11
Involve employee in organizing work	1.231	1.273	1.273
Variable pay	1.041	1.041	1.041
Reasons for providing training	1.228	1.236	1.236
Trust		1.115	1.115
R-square	0.103	0.033	0.313
SRMR:	0.023		
NFI:	0.968		

The SRMR value is less than 0.08 (Hu & Bentler, 1998), indicating that our model has a good fit. The NFI test result is higher than 0.9, further confirming that the model is well fitted. The Inner VIF values are less than 4, which also supports the model's good fit. The R^2 value for SP is 0.313, which is considered acceptable, while the R^2

for HP is 0.033, which is considered low. For trust, the R^2 is equal to 0.103, which is also relatively low.

4.2 Results

4.2.1 Direct and Indirect Effect

To examine the path results of our model, we generated the path coefficient and mediation analysis for the overall model.

Table 3: Direct and Indirect path of the model

Direct and indirect path	Coefficient	T Statistics	P- Values
Direct relations			
PMR -> HP	0.124	8.961	0
IH -> HP	-0.011	0.925	0.356
IEOW -> HP	0.012	0.937	0.349
VP -> HP	0.076	5.689	0
RPT -> HP	0.017	1.212	0.226
Trust -> HP	0.048	3.918	0
PMR -> SP	0.301	23.884	0
IH -> SP	0.054	4.548	0
IEOW -> SP	0.134	11.374	0
VP -> SP	-0.025	2.132	0.034
RPT -> SP	0.034	3.027	0.003
Trust -> SP	0.284	25.86	0
PMR -> Trust	0.123	8.999	0
IH -> Trust	0.034	2.641	0.009
IEOW -> Trust	0.193	15.352	0
VP -> Trust	0.02	1.66	0.097
RPT -> Trust	0.08	5.919	0
Indirect relations (Trust as mediator)			
PMR -> Trust -> HP	0.006	3.562	0
IH -> Trust -> HP	0.002	2.172	0.03
IEOW -> Trust -> HP	0.009	3.7	0
VP -> Trust -> HP	0.001	1.481	0.139

RPT -> Trust -> HP	0.004	3.286	0.001
PMR -> Trust -> SP	0.035	8.365	0
IH -> Trust -> SP	0.01	2.618	0.009
IEOW -> Trust -> SP	0.055	12.892	0
VP -> Trust -> SP	0.006	1.648	0.1
RPT -> Trust -> SP	0.023	5.827	0

PMR: Practices to motivate and retain; IH: Internal Hiring; IEOW: Involve employee in organizing work; VP: Variable Pay; RPT: Reasons for providing training; HP: Hard Performance; SP: Soft Performance

Table III presents the direct and indirect effect of the model. The results indicate that the HPWS and trust directly impact soft performance, as the direct effect between HPWS and SP, as well as between trust and SP are significant ($P < 0.05$).

However, the same is not true for HP. We found that only the practices related to motivating and retaining employees, variable pay and trust directly affect HP ($P < 0.05$), while the effects of internal hiring, employee involvement and reasons for providing training on HP are not significant ($P > 0.05$). Regarding trust, the results show that HPWS practices affect trust ($P < 0.05$) except for variable pay ($P = 0.097$).

Concerning the mediation role of trust, the results in Table III show that trust acts as a mediator in the relationship between HPWS and both SP and HP, except for variable pay ($P = 0.1$ and $P = 0.139$ respectively), which means that trust is not a mediator in the relationship between variable pay and both types of indicators.

Based on the results, H1a, H2a and b, H3a and b, H4a, H5a were confirmed, while H1b, H4b and H5b were not supported. On the other hand, H6 was supported for all HPWS practices except for variable pay. Thus, managers' trust in ER system has a mediating role between HPWS practices and both HP and SP, except for variable pay.

4.2.2 Multi-Group Analysis

In order to analyze the moderation effect of the 3 types of employee representations we have used 2 types of analyses: the PLS-MGA analysis and bootstrapping analyses.

Table 4: The direct effect based on PLS-MGA analysis

	Only Union - Only non union		Only Union - both ER together		Only non union - both ER together	
	Path Coefficients-diff	p-Value new	Path Coefficients-diff	p-Value new	Path Coefficients-diff	p-Value new
Hard Performance						
IH -> HP	0.039	0.287	0.080	0.046	0.041	0.155
IEOW -> HP	0.040	0.332	0.039	0.383	0.000	0.984
PMR -> HP	-0.037	0.338	0.002	0.984	0.039	0.265
RPT -> HP	-0.035	0.424	-0.034	0.513	0.001	0.975
trust -> HP	-0.017	0.718	-0.007	0.902	0.010	0.743
VP -> HP	0.021	0.543	0.039	0.377	0.018	0.653
Soft Performance						
IH -> SP	-0.016	0.613	0.024	0.489	0.040	0.116
IEOW -> SP	0.003	0.932	-0.034	0.310	-0.038	0.149
PMR -> SP	-0.030	0.371	-0.016	0.663	0.014	0.641
RPT -> SP	0.032	0.344	0.070	0.057	0.038	0.157
trust -> SP	0.046	0.114	-0.033	0.310	-0.079	0.001
VP -> SP	-0.036	0.460	-0.027	0.584	0.009	0.709
Trust						
IH -> trust	-0.074	0.022	-0.070	0.053	0.004	0.873
IEOW -> trust	0.009	0.812	0.011	0.774	0.003	0.920
PMR -> trust	0.014	0.702	-0.063	0.102	-0.078	0.013
RPT -> trust	0.034	0.353	0.006	0.896	-0.028	0.381
VP -> trust	0.048	0.163	0.105	0.019	0.057	0.086

Note(s): PMR: Practices to motivate and retain; IH: Internal Hiring; IEOW: Involve employee in organizing work; VP: Variable Pay; RPT: Reasons for providing training; HP: Hard Performance; SP: Soft Performance.

In direct effect, for HP, there is only one significant difference in the effect of internal hiring between Union and both ER types in favor of Union as the difference of coefficient is positive (Coeff-diff=0.080, $P=0.046$). For SP, there is only one significant difference in the effect of trust between Non-Union and both ER types in favor of both ER types because the difference of coefficient is negative (Coeff-diff=-0.079, $P=0.001$). For trust, there are 3 significant differences between groups. First one is with internal hiring between union and non-union in favor of non-union (Coeff-diff=-0.074, $P=0.022$). The second one is with practices to motivate and retain employees between non-union and both ER types in favor of both ER types (Coeff-diff=-0.074, $P=0.013$). The third one is with variable pay between union and both ER types in favor of union (Coeff-diff=0.105, $P=0.019$).

Table 5: The indirect effect based on PLS-MGA analysis

	Only Union - Only non union		Only Union - both ER together		Only non union - both ER together	
	Specific Indirect Effects-diff	p-Value new	Specific Indirect Effects-diff	p-Value new	Specific Indirect Effects-diff	p-Value new
IH -> trust -> HP	-0.003	0.074	-0.003	0.182	0.001	0.664
PMR -> trust -> HP	-0.001	0.800	-0.004	0.582	-0.002	0.638
RPT -> trust -> HP	0.000	1.000	-0.001	0.918	0.000	0.871
IEOW -> trust -> HP	-0.003	0.750	-0.001	0.939	0.002	0.724
VP -> trust -> HP	0.001	0.805	0.004	0.322	0.003	0.096
IH -> trust -> SP	-0.020	0.033	-0.022	0.049	-0.002	0.798
PMR -> trust -> SP	0.009	0.411	-0.025	0.054	-0.034	0.000
RPT -> trust -> SP	0.013	0.230	-0.002	0.900	-0.015	0.140
IEOW -> trust -> SP	0.011	0.337	-0.003	0.827	-0.014	0.190
VP -> trust -> SP	0.016	0.119	0.031	0.022	0.016	0.134

Note(s): PMR: Practices to motivate and retain; IH: Internal Hiring; IEOW: Involve employee in organizing work; VP: Variable Pay; RPT: Reasons for providing training; HP: Hard Performance; SP: Soft Performance.

In the indirect effect, the results show no differences between groups concerning the effect of HPWS on HP by the mediation of trust. On the other hand, the results show 4 differences for SP. First one is with internal hiring between union and non-union in favor of non-union (Coeff-diff=-0.020, P=0.033). The second one is with internal hiring between union and both ER types in favor of both ER types (Coeff-diff=-0.022, P=0.049). The third one is with practices to motivate and retain employees between non-union and both ER types in favor of both ER types (Coeff-diff=-0.034, P=0.000). The fourth one is with variable pay between union and both ER types in favor of union (Coeff-diff=0.031, P=0.022).

For more detailed and more accurate results between groups, we also considered the Bootstrapping results of the model of the 3 groups.

Table 6: The direct effect based on bootstrapping results

	Only Union		Only non union		both ER together	
	Coefficients	P-Value	Coefficients	P-Value	Coefficients	P-Value
Hard Performancce						
IH -> HP	0.034	0.307	-0.006	0.753	-0.047	0.047
IEOW -> HP	0.045	0.224	0.005	0.798	0.005	0.847
PMR -> HP	0.111	0.001	0.149	0.000	0.110	0.000
RPT -> HP	-0.018	0.652	0.017	0.352	0.016	0.635
trust -> HP	0.034	0.368	0.052	0.003	0.042	0.082
VP -> HP	0.102	0.003	0.081	0.000	0.063	0.055
Soft Performance						
IH -> SP	0.054	0.051	0.071	0.000	0.031	0.131
IEOW -> SP	0.125	0.000	0.122	0.000	0.159	0.000
PMR -> SP	0.282	0.000	0.312	0.000	0.299	0.000
RPT -> SP	0.071	0.015	0.040	0.016	0.001	0.949
trust -> SP	0.293	0.000	0.248	0.000	0.326	0.000
VP -> SP	-0.044	0.395	-0.008	0.604	-0.016	0.384
Trust						
IH -> trust	-0.026	0.338	0.048	0.005	0.044	0.065
IEOW -> trust	0.199	0.000	0.190	0.000	0.187	0.000
PMR -> trust	0.118	0.000	0.104	0.000	0.181	0.000
RPT -> trust	0.101	0.002	0.067	0.000	0.095	0.000
VP -> trust	0.086	0.004	0.038	0.018	-0.019	0.522

Note(s): PMR: Practices to motivate and retain; IH: Internal Hiring; IEOW: Involve employee in organizing work; VP: Variable Pay; RPT: Reasons for providing training; HP: Hard Performance; SP: Soft Performance.

For HP, the results show that trust has effect only in non-union representation ($P=0.000$) in addition to 2 practices (practices to motivate and retain employees and variable pay, $P=0.000$ for both), while in the group of union, practices to motivate and retain employees and variable pay also have significant effects ($P=0.001$ and $P=0.003$ respectively). For both ER types, internal hiring and practices to motivate and retain employees have significant effects ($P=0.047$ and $P=0.000$ respectively)

For SP, the Non-Union group has most significant effects with internal hiring (0.000), involve employee (0.000), practices to motivate and retain employees (0.000), reasons for providing training (0.016) and trust (0.000). The second group is the group of Union with involve employee (0.000), practices to motivate and retain employees (0.000), reasons for providing training (0.015) and trust (0.000). And the last group is both ER types with involve employee (0.000), practices to motivate and retain employees (0.000) and trust (0.000).

For trust, the non-union group has the most significant effects ($P=0.000$ for all practices except reasons for providing training ($P=0.016$)). The second group is the union one, where all practices have significant effects except internal hiring ($P=0.338$). The last group is both ER types where 3 practices have significant effects (involve employee, practices to motivate and retain employees and reasons for providing training with $P=0.000$ for all of them).

We also considered the Bootstrapping results in the indirect effects of HPWS on performance by the mediation of trust.

Table 7: The indirect effect based on bootstrapping results

	Only Union		Only non union		both ER together	
	Coefficients	p-Value	Coefficients	p-Value	Coefficients	p-Value
IH -> trust -> HP	-0.001	0.616	0.003	0.047	0.002	0.240
PMR -> trust -> HP	0.004	0.403	0.005	0.012	0.008	0.093
RPT -> trust -> HP	0.003	0.427	0.003	0.029	0.004	0.123
IEOW -> trust -> HP	0.007	0.378	0.010	0.004	0.008	0.090
VP -> trust -> HP	0.003	0.418	0.002	0.074	-0.001	0.572
IH -> trust -> SP	-0.008	0.340	0.012	0.006	0.014	0.067
PMR -> trust -> SP	0.035	0.000	0.026	0.000	0.059	0.000
RPT -> trust -> SP	0.030	0.003	0.017	0.000	0.031	0.000
IEOW -> trust -> SP	0.058	0.000	0.047	0.000	0.061	0.000
VP -> trust -> SP	0.025	0.006	0.009	0.020	-0.006	0.522

Note(s): PMR: Practices to motivate and retain; IH: Internal Hiring; IEOW: Involve employee in organizing work; VP: Variable Pay; RPT: Reasons for providing training; HP: Hard Performance; SP: Soft Performance.

For HP, the HPWS practices, except variable *vay* ($P=0.074$), have significant indirect effects only in the group of non-union.

For SP, HPWS has most significant indirect effects in the non-union group ($P<0.05$ for all practices). The second group is the union one, where all practices have significant indirect effects except internal hiring ($P=0.340$). The last group is both ER types where 3 practices have significant effects (involve Employee, practices to motivate and retain employees and reasons for providing training with $P=0.000$ for all of them).

The PLS-MGA and bootstrapping results show that the types of ER have an impact on the effect of HPWS on performance and on the mediation role of trust especially for SP in favor of non-union representation, which support H7.

Chapter 5

FINDINGS, DISCUSSION AND CONCLUSION

Every organization operates within a specific environment that affects its performance. There are main actors—managers, employees and EReps—who play important roles in organizations. The actions of these actors can affect both individual and organizational performance. Additionally, HRM practices, such as HPWS, can impact employee performance, influence their voice behaviors, and positively affect organizational outcomes. However, researchers have generally overlooked the direct role and impact of managers when studying HPWS-organizational performance relationship. Given the critical role of managers, it is essential to consider their influence when studying this relationship. The present study contributes to the literature by providing a theoretical foundation for the role of managers, specifically considering their trust in ER systems as a mediator between HPWS and organizational performance as well as for the presence of employee representatives as a main actor in this relation rather than a control variable.

Our findings indicate that HPWS practices positively affect SP in the presence of an ER system. Regarding HP, we found positive effects not only for practices aimed at motivating and retaining employees, but also for variable pay. These findings provide an answer for the first research question—whether HPWS positively affect SP and HP in organizations with ER systems—by identifying the practices that positively affect SP and HP. Regarding the mediation of managers' trust in the ER system, the results show partial mediation between HPWS and both SP and HP, with the exception

of variable pay. These results address the second research question—whether managers' trust in the ER system mediate the HPWS-organizational performance relationship—showing that this is the case, except for the variable pay practice. The lack of support for variable pay may suggest that managers in organizations employing HPWS should focus on more than financial incentives, even when pay is tied to performance through variable pay.

Our findings are in line with the literature that examined the effect of HRM practices without considering EReps and managers. Several studies have shown the positive direct effect of HPWS on organizational performance (e.g., Noopur & Dhar, 2018; Kaushik & Mukherjee, 2022; Park et al., 2023). Our results that show positive effect of ER on HPWS are also in line with other studies' conclusions (e.g., Salesina & Laroche, 2017). When different types of ER are considered, our findings suggest that the presence of non-union representation may benefit the organization, which contradicts Laroche's (2020) argument that 'the best-performing workplaces are those with both HPWP and unions.'

There have been many attempts to investigate the effects of employee representation, both union and nonunion, separately within specific country contexts. Concerning the studies that included union representation, several studies found positive effects of unions on performance in country-based contexts such as in Norway and Britain (Bryson & Dale-Olsen, 2020) which are in line with our results, while other studies showed negative effect of union in such countries as Argentina (Lamarche, 2013) which contradict with our findings, and other studies showed both negative and positive effects of unions such as in US and Italy (Laroche, 2020 & Torre, 2019). In general, the literature shows positive effect of union on performance (Kosasih et al., 2022) which supports our results. The studies that included nonunion representation in

their models also investigated the relationship within a specific country context. For instance, in line with our findings, work councils had a positive effect on organizational performance in Germany, Belgium, India, and Russia (Addison, 2009, Berg et al, 2017, Harsh & Prasad, 2020), while the impact is negative in France (Fairris & Askenazy, 2010), which contradicts our findings.

Furthermore, our results show that nonunion representation has more positive effect on performance than unions. This finding is similar to the findings of Addison and Teixeira (2019), who stated that “the works council model is suggestive of a potentially more positive role for this institution than for analogous union bodies”. There is a lack of research examining the co-existence of union and nonunion representation mechanisms, and when it is studied, it is typically under specific conditions and within a particular context. In one of the few studies on this topic, Theunissen & Ramioul (2005) found that a works council reduces the positive effects of unions. Our findings revealed a less positive impact of both types of employee representation compared to the effects of union-only and nonunion representations. Emelifeonwu & Valk (2018) showed positive effect of voice mechanism on performance.

Regarding managers, few studies have considered their influence (which is generally positive) on performance (e.g., Dasgupta et al., 2013; Nachmias et al., 2021). However, to our knowledge, no study has included managers as a direct variable in the relationship between HPWS and organizational performance. Our research highlights the mediating role that managers’ trust in the ER systems plays in the relationship between HPWS and organizational performance.

In addition, our findings offer valuable insights for managers, highlighting which HPWS practices they should prioritize based on the ER system in their organization to

achieve better performance. Our results also indicate that the non-union representation system has a stronger positive effect on the HPWS-performance link compared to the other two forms.

In the European context, most previous research has focused on samples from a single European country or a specific region of Europe. For example, Camps & Luna-Arocas (2010) investigated the HPWS-organizational performance relationship in Spain, incorporating organizational learning capability as a mediator, but treated HPWS as a single variable. Another study by Tsironis (2021) examined the HPWS-organizational performance relationship in the South Eastern European periphery, adding two consecutive mediators – job satisfaction and organizational citizenship behavior – showing that HPWS has a positive impact on organizational performance and partial mediation.

Furthermore, with regard to studies that investigated the HPWS-performance relationship in European organizations more broadly, our paper aligns with the study by Ferreira et al. (2012) on European companies. That study did not confirm a positive relationship between all high-performance practices and organizational performance, but it did report a positive effect of training on performance, without considering any mediators in this relationship. A more recent study by Curzi & Ferrarini (2024), which examined the HPWS-performance relationship—specifically innovation—in European organizations, found that HPWS positively affect innovation, though there were differences in the practices selected to form the HPWS variable compared to those in our model. In that study, HPWS was treated as a single dependent variable, which prevented the assessment of each practice's individual effect, and no mediators were considered in the relationship.

Few studies in the HPWS-performance literature have considered organizations in European countries as part of a cross-sectional sample, and none have included a mediator in this relationship. Our study addressed this gap by examining the HPWS-performance relationship in organizations across 29 European countries, introducing a critical mediator variable. This approach responds to calls in the literature (Seeck & Diehl, 2017) to incorporate diverse mediators when exploring this relationship and to include new performance indicators. These contributions highlight the significance of our research.

5.1 Theoretical Implications

Our study shows that HPWS positively influence organizational performance through the practices they implement, aligning with the prevailing findings in the HPWS literature (e.g., Shin & Konrad, 2017; Noopur & Dhar, 2018; Kaushik & Mukherjee, 2022; Park et al., 2023; Wang et al., 2022). It provides strong theoretical support for recognizing the importance of both managers and EReps in the strategic context (Chadwick, et al., 2015; Edwards, 2003) of organizations implementing HPWS, as they interact with organizational performance.

This study offers a valuable theoretical contribution by examining the roles of managers and employee representatives as important actors (Edwards, 2003; Meyer, 2010) influencing the relationship between high performance work systems and organizational performance through the integration of institutional theory and industrial relations theory. It broadens the traditional focus of industrial relations by demonstrating that the impact of HPWS on organizational performance can be amplified by the cooperative engagement between these two actors (Derry & Iverson, 2005). ER systems play a vital role in ensuring that motivational practices are fair and equitable (Armaroli 2022). EReps can advocate for better wages, benefits, and reward

systems (Addison & Teixeira, 2019; Burdin & Pérotin, 2019) that enhance employee motivation. When ER systems work alongside HPWS, they help ensure that motivational practices are perceived as fair, thereby increasing employee satisfaction and motivation. This collaboration can prevent the demotivation stemming from perceived inequality or unfairness in rewards and recognition, ultimately fostering higher employee performance. The integration of ER systems with HPWS emphasizes the strategic alignment between HRM and organizational goals. This alignment can lead to a competitive advantage and improved business performance. Moreover, the degree of trust that managers have in ER systems can influence the development and implementation of industrial relations policies. High levels of trust can lead to more progressive policies that prioritize employee welfare and engagement, while low trust may result in more adversarial approaches.

Furthermore, this paper makes a novel contribution by integrating RBV theory, the AMO framework and social exchange theory to investigate how HPWS affect organizational performance, specifically focusing on the mediating role of managerial trust in ER systems and the moderating role of ER forms.

Our paper reaffirms the importance of RBV theory and AMO framework as strong theoretical foundations for explaining and determining the characteristics of HPWS needed to influence performance (Mahdy & Alhadi, 2021; Chukwuma et al., 2020). The RBV posits that an organization's resources and capabilities are central to achieving a competitive advantage (Kaushik & Mukherjee, 2022). By integrating managers' trust in ER systems and the presence of different forms of ER within the RBV framework, we expand the understanding of human capital as a valuable resource. Managers' trust in ER system can be conceptualized as a unique organizational resource. This trust can enhance employee commitment and

engagement, further strengthening the firm's resource base. It can foster cooperative behavior and reduce conflict, creating a more collaborative work environment (Macey et al, 2009; Duan et al, 2010). Thus, trust may contribute to the organization's ability to leverage its human capital effectively (Brandl, 2021), aligning with RBV principles. Furthermore, managers' trust in ER systems aligns with SHRM practices that emphasize the role of HR in achieving organizational goals. This trust can be instrumental in informing strategic HR decisions, leading to the effective implementation of HPWS and the optimization of human capital resources.

The integration of the AMO framework, ER systems, and HPWS has significant theoretical implications for understanding how organizations can optimize individual and organizational performance. The AMO framework provides a clear pathway to improving performance by focusing on ability, motivation, and opportunity (Edgar *et al.*, 2021; Mahdy & Alhadi, 2021), while ER systems that managers trust can help ensure that these efforts are aligned with employee interests and needs. This combination suggests that HPWS can be more effective when employee voice, trust, and participation are supported by ER systems. In such a workplace, employee engagement level will be high and employees will be motivated to reach high performance levels. This alignment enhances not only individual performance but also organizational outcomes, making the AMO-ER system-HPWS approach a powerful model for achieving sustained high performance.

Additionally, this study confirms the significant role of SET in understanding the interaction between high performance work systems and organizational performance, which is commonly addressed in the literature using this theory in similar contexts (Wanyama & Eyamu, 2021; Nachmias et al., 2021). SET provides a valuable framework for understanding the theoretical implications of HPWS in an

organizational setting (Cropanzano et al., 2017). HPWS are designed to improve employee performance and organizational outcomes (Chukwuma et al., 2020) through human resource management practices aimed at enhancing employee motivation, skills and opportunities (Mattersah, 2019; Doshi & Nigam, 2022). By integrating SET, we can explore the reciprocal relationships between organizations and employees, emphasizing the social and relational dimensions of these systems. Trust is a core element in social exchanges (Zhou et al, 2024), where the quality of interactions between employees and management influences long-term cooperation. In HPWS, trust is built through transparent communication, participative decision-making, and fair treatment (Jiang & Luo, 2018). Trust becomes a mediating variable in the relationship between high performance work systems and performance (Kloutsiniotis & Mihail, 2018; Jalali et al., 2023; Ramadhan & Fajarwati, 2024). Employees who trust their organization are more likely to reciprocate positively, further enhancing the implementation of HPWS. Conversely, lack of trust may weaken the impact of HPWS by reducing employee participation (Kloutsiniotis & Mihail, 2020). As Brandl (2021) argued a high level of organizational trust can result in a more favorable evaluation of human resource management efforts. In organizations with formal ER systems (such as unions or work councils), trust between management and employee representatives is therefore crucial for the successful implementation of HPWS. When managers trust that employee representatives will act in good faith, they are more likely to implement HPWS practices effectively. This trust promotes collaboration, reduces conflict, and creates a positive work environment where employees are more likely to reciprocate (Kloutsiniotis & Mihail, 2020) with increased commitment and performance. A lack of trust, however, may hinder the success of HPWS, as employees and their representatives may feel disengaged or mistrustful of management's intentions.

Our study contributes to the literature and theory by extending the implications of SET, introducing managers' trust in ER systems as a mediator variable in addition to ER forms as moderator, which, to our knowledge, have not been explored before. SET provides a solid framework for explaining the role of trust in social exchange dynamics (Kloutsiniotis & Mihail, 2020), particularly the trust of managers in ER systems, within the HPWS-performance relationship. The theoretical implications of managers' trust in ER systems, presence of different forms of ER and HPWS center on the enhancement of cooperation, employee engagement, and organizational performance. When employees observe that managers trust the ER system in their workplace, and that their voices are valued, they reciprocate by contributing to the organization's success. This leads to behaviors such as cooperation, creativity, and altruism, which further bolster organizational performance. Trust serves as a critical mediator that influences the effectiveness of HPWS by fostering positive relations between management and employee representatives. The application of theories like SET helps explain how managers' trust in ER systems can amplify the benefits of HPWS, leading to higher performance, employee satisfaction, and competitive advantage. In essence, trust is the foundation that allows HPWS and ER systems to work synergistically, creating a more harmonious and productive work environment.

In summary, the multi-theoretical approach adopted in this paper highlights the importance of these theories as key frameworks in the literature (Kloutsiniotis & Mihail, 2020; Yang et al., 2021; Gerhart & Feng, 2021; Tunio et al., 2023), enhancing the understanding of how HPWS improve organizational performance. Furthermore, it extends their application by introducing managers' trust in ER systems as a novel mediator and examining the presence of different forms of ER as a moderator, providing fresh insights into the HR-performance relationship.

5.2 Managerial Implications

Several managerial implications can be derived from the variables, items (Appendix 1), and findings of our research. Involving employees in organizing work will positively impact performance. Managers' trust in ER systems signals to employees that their managers are open to two-way communication and confident in employees' ability to make sound decisions about organizational processes. Managers can promote employee involvement by conducting meetings between employees and their immediate supervisors and discussing their work directly with them. Additionally, to improve performance, managers can benefit from employing practices that motivate and retain employees, such as providing financial rewards, employing practices that meaning to work, and providing opportunities for training and development. Managers can positively influence hard performance through variable pay mechanisms. Examples include payment-by-results systems (e.g., piece rates, provisions, brokerages, or commissions), variable extra pay linked to individual performance based on management appraisals, and variable pay tied to the performance of teams, working groups, or departments. These are effective strategies for enhancing hard performance. However, as our results suggest, managers should avoid assuming that variable pay alone can serve as the sole instrument for improving performance. As noted earlier, financial incentives should be supplemented with a broader focus when implementing HPWS to ensure sustained performance improvements.

Furthermore, our findings indicated a positive impact of managers' trust in ER systems on the effectiveness of HPWS practices mentioned in our study, except for variable pay and performance. This suggests that when investing in HPWS, managers

should consider the existing ER system and foster a collaborative environment, which would enhance the benefits of HPWS.

Managers might find NER systems more helpful in improving organizational performance. These systems provide both employees and managers with opportunities to work together in a collaborative environment, where they are more likely to solve performance-related problems and produce innovative solutions. Such nonunion voice arrangements could be instrumental in improvements to work systems that would lead to increases in both individual and organizational performance. Therefore, it is more beneficial for managers to create an environment where employees have better opportunities for participation and involvement, leading to improvements in both individual and organizational performance. It should be noted that this finding does not mean that other types of employee voice mechanisms are not appropriate for HPWS practices. Even when companies have other forms of ER, managers can still implement the HPWS practices that would suit the existing form of ER. In case of union representation, for instance, managers should focus on persuading the union, increasing employee involvement, improving motivation and retention practices as well as providing training to maintain and sustain better performance at both individual and organizational level. Unions could be quite instrumental to establish an effective and efficient structure, to ensure fairness and consistency, and to convince reluctant employees about the benefits of HPWS.

By focusing on HPWS practices that are most effective within the ER system, such as encouraging employees to become active participants in the system and motivating them with the previously mentioned practices, organizations can improve their performance. As Appelbaum et al. (2000) stated, managers in successful firms

argue that the combination of HRM and IR practices, accompanied by mutual trust, yields better results.

When both forms of ER co-exist, managers should consider involvement and employees' motivation and retention practices. In case of non-union presence, managers should implement internal hiring, employee involvement practices, motivation and retention practices and providing trainings for employees. By considering the HPWS practices that would have significant effect with the existing ER system, organizations will be able to improve their performance.

Trust has a positive effect on efforts to build a cooperative environment. It is essential for fostering open and supportive communication between managers and EReps. This strengthens their relationships and encourages them to collaborate on mutually beneficial solutions. Trust can also be instrumental in generating new ideas and solutions for resolving conflicts and problems in organizations. A continuous interaction between parties in such an environment would make HPWS more effective.

5.3 Strengths, Limitations and Future Studies

The present study has its strengths and limitations. In terms of strengths, we used the PLS-SEM model, which provides more accurate results (Garson, 2016; Ringle et al., 2020) and can account for the mediation effect (Tian et al., 2023) of management's trust in the ER system as well as the moderation effect of different ER types on the relationship between high performance work systems and performance. Our study highlights the role played by both managers and EReps as key actors (Meyer, 2010, Voronov & Weber, 2020; Agirre-Aramburu et al., 2023) that significantly affect the HPWS-performance relationship, rather than merely treating them as control variables. In terms of limitations, our findings show significant results mainly for SP, with less significant results for HP. This may be due to the specific items used for HPWS and

HP. Additionally, the study analyzed data from European countries, which limits the generalizability of our findings to non-European contexts. Furthermore, our paper aggregates data across organizations without distinguishing between them in terms of industries and organizational size, factors that are often used in the literature to provide specific contexts (Gilman & Raby, 2013; Tsironis, 2021; Sheehan & Garavan, 2022) to studies. Although the cross-national sample provides important insights (Ferreira et al. 2012; Curzi & Ferrarini, 2024) and significant results, a sector-specific or organizational size-specific sample may reveal outcomes that are not identifiable in a broader cross-national sample. Lastly, our model considered one mediator and one moderator, meaning other potential moderating or mediating factors were not included, which could provide additional insights.

This present research provides insights for future research. It attempts to understand the role of managers' trust in ER systems as well as ER forms in HPWS-organizational performance relationship and highlights opportunities for future studies. First, we join the call from other researchers and emphasize the need to consider new mediators and moderators (Seeck & Diehl, 2017; Shin & Konrad, 2017; Jalali et al., 2023; Wang, et al., 2022; Mehmood, et al., 2023) when examining the HPWS-organizational performance relationship, particularly in the European context, where research on this topic remains scarce.

Additionally, our model can be tested in different contexts. The effect of managers' trust in ER systems and different types of ER should be studied in different contexts other than European countries, such as Canada, where union and nonunion representation mechanisms can co-exist in a workplace, to produce more generalizable results. Investigating our model in different geographic contexts could help broaden the applicability of our findings. Moreover, future research could examine the effect

of HPWS under specific organizational characteristics such as type of sector and organizational size. Our data were collected across industries, making it valuable to test our model using sector-specific or size-specific samples, which could provide additional insights about the HPWS-performance relationship. Lastly, future studies should consider using different measurement tools for HPWS and hard performance outcomes, especially considering managers and ER forms as direct actors, since our findings indicated a stronger effect on soft performance. Refining the items used for HPWS and HP may yield stronger results and clearer insights. Selecting different HPWS practices or alternative hard performance indicators could offer better insights into the impact of HPWS on hard performance. In terms of measurement, future research may also assess HPWS as an aggregated measure to examine its effect as a complete system on organizational performance.

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APPENDIX

List of Variables, Items and Questions

Variables	Items	Question of each item
Practices to motivate and retain	PMR1	Providing interesting and stimulating work
	PMR2	Providing opportunities for training and development
	PMR3	Communicating a strong mission and vision, providing meaning to our work
Internal Hiring	IH	When recruiting, how often does management start by looking whether there are any suitable internal candidates?
Involve employee in organizing work	IEOW1	Meetings between employees and their immediate manager
	IEOW2	Discussions with employees through social media or in online discussion boards
	IEOW3	Meetings open to all employees at the establishment
Variable Pay	VP1	Payment by results, for example piece rates, provisions, brokerages or commissions
	VP2	Variable extra pay linked to the performance of the team, working group or department
	VP3	Variable extra pay linked to individual performance following management appraisal
Reasons for providing training	RPT1	Increasing the capacity of employees to articulate ideas about improvements to the establishment
	RPT2	Improving employee morale
	RPT3	Ensuring that employees have the skills they need to do their current job
Trust	Trust	In your opinion, to what extent does management at this establishment trust the employee representation?
Hard Performance	HP1	Since the beginning of 2016, how has the amount of goods or services produced by this establishment changed?
	HP2	In 2018, did this establishment make a profit?
Soft Performance	SP1	Overall, how motivated do you think employees in this establishment are?
	SP2	How would you describe the relations between management and employees in this establishment in general?