

**The link between perceived High Performance Work Practices,
employee attitudes and service quality: The mediating and
moderating role of trust**

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Abstract

Purpose: The present study focuses on the Greek banking sector and examines the indirect effects of High Performance Work Systems (HPWS) on service quality. Specifically, this study examines the effects of employees' perceptions of HPWS on their trust towards their managers, as well as on service quality, through the mediating role of employee outcomes (measured by job satisfaction and affective commitment). In addition, trust is also tested for its role as a potential mediator and moderator in the relationship between HPWS and employee outcomes.

Design/methodology/approach: Partial Least Squares Structural Equation Modeling (PLS-SEM) was used on a sample of 350 front-line employees working in the Greek banking sector.

Findings: The findings showed that employee outcomes mediated the relationship between HPWS and service quality. On the other hand, although trust mediated the relationship between HPWS and employee outcomes, no support was found for its moderating effect. Finally, although not included in the initial analysis, trust was found to play a mediating and moderating role in the relationship between HPWS and service quality.

Practical implications: This study highlights the vital role that a 'trusting' work environment has to play on employee attitudes and outcomes. As this study shows, the positive employee behaviors along with their willingness to accept and support organizational goals influence their level of productivity.

Originality/value: This study sheds lights on the mediating and moderating role of trust in the relationship between HPWS, employee outcomes, and service quality. Finally, implications are drawn for organizations, managers, and practitioners.

Keywords: Banks; Employee outcomes; Greece; high performance work systems; HPWS; Trust

Paper type – Research paper

Introduction

Over the last two decades, there has been a vast amount of research linking High Performance Work Systems (HPWS) with various firm-level performance outcomes (e.g., Huselid, 1995) across different industries and regions (e.g., Messersmith and Guthrie, 2010). Taking a look at the past two years, HPWS research still lies at the forefront of the Strategic Human Resource Management (SHRM) literature (e.g., Chang, 2015; Cooke et al., 2016; van de Voorde et al., 2016; Zhang et al., 2016). On the other hand, and despite the positive effects with which HPWS has been attributed, there is still a gap in the literature with regard to the mechanism through which HRM practices influence performance (Takeuchi et al., 2007, p. 1069). In more detail, researchers suggest that there is a need to understand not only the ‘what’ and the ‘why’ of the impact of HRM, but also the ‘how’, which is known as ‘the black box’ problem (Messersmith et al., 2011). The latter, is considered as one of the key issues requiring further attention in the field of HRM. Thus, researchers call for more theory and research on the intervening mechanisms that may contribute to explaining the impact of HRM practices on organizational outcomes (Innocenti et al., 2011, p. 304; see also Van de Voorde and Beijer, 2015, p. 62).

With regard to the latter criticism, several dominant perspectives have been used by researchers to explain the ‘black-box’, such as the human capital path, and the behavior motivation approach (see Jiang et al., 2012). Based on the latter approach, authors (e.g., Ang et al., 2013; Zhang et al., 2013) emphasized the antecedent processes that contribute to the development of the employee attitudes, such as the social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner, 1960). However, and despite the usefulness of these theories, the mediating role of trust between employees and managers as an antecedent process has been largely neglected, with few exceptions

(e.g., Innocenti et al., 2011; Kalleberg et al., 2004; Zacharatos et al., 2005; Zhang et al., 2016).

Trust in the employer is an increasingly important element for organizations to develop and maintain themselves, as it can be a critical variable affecting the effectiveness, efficiency and performance of organizations, while it can be highly significant in the fostering of desirable work-related behaviors. The basic logic is that employees that trust the organizations they work with, stay there longer, put in more effort and work more cooperatively in contrast to those who do not share the same amount of trust. In other words, trust in an organization can provide a competitive advantage for firms (Searle et al., 2011, p. 1069). Hence, in explaining the association between HRM practices and employee outcomes, it would be wise to choose a mediating variable that can represent the ‘holistic view of an individual self’ (Alfes et al., 2012; Kundu and Gahlawat, 2016, p. 1688), such as trust.

Taking all of the above into consideration, this study uses as a framework the empirical study of Kalleberg et al. (2004), who examined the role of trust as a mediating variable in the relationships between HPWS, employee outcomes and productivity performance. The contribution of this study to the broader SHRM literature is threefold. First, and using data obtained from employees working in the Greek banking sector, this study examines the direct relationships between HPWS, trust, employee outcomes (measured by job satisfaction and affective commitment), and service quality. In addition, this study explores the direct effects of employee outcomes on service quality, as well their mediating effects in the HPWS – service quality relationship. To the best of our knowledge, research examining the HPWS paradigm in the banking sector is extremely limited (Chang, 2015; Cooke et al., 2016; Liao et al., 2009). Secondly, an additional objective of the present study is the examination of the mediating role that

trust has to play in the relationship between HPWS and employee outcomes. Although previous studies have used various theories in examining the positive HPWS effects on employee attitudes and behaviors that are essentially based on ‘trust’ - such as the ‘social exchange’ and the reciprocity theories (Blau, 1964), and the ‘psychological contract’ theory (Rousseau, 1990) – the actual role of trust between employees and employers has been largely neglected. Last but not least, this study moves a step further and examines the moderating role of trust in the relationship between HPWS and employee outcomes. Despite the vast amount of empirical studies examining the effects of HRM practices to the development of positive attitudes at work, the majority has privileged the analysis of mediating variables, such as ‘organizational climate’ (e.g., Bowen and Ostroff, 2004), ‘social and economic exchange’ (e.g., Zhang et al., 2013), ‘organizational citizenship behavior (OCB)’ (e.g., Messersmith et al., 2011) or other employee related attitudes (e.g., Ramsay et al., 2000). However, less developed is the stream of research that analyses for any possible moderating effects. To our knowledge, only a handful of studies examined the moderating effect of trust across the HRM literature, highlighting its importance (e.g., Alfes et al., 2012, p. 409; Farndale et al., 2011; Innocenti et al., 2011; Tremblay et al., 2010). Hence, our effort goes to this direction and answer the calls for further exploration. Finally, the present study takes place in the Greek context. Taking into consideration that the context in which organizations operate may indeed limit or enhance the HPWS usefulness and success (see Boxall and Macky, 2009; Den Hartog and Verburg, 2004), it would be interesting to examine the role of HPWS in the Greek banking sector, and in general to understand how employees respond to innovative work environments during the current economic turmoil.

The paper is organized as follows. The next section presents the theoretical framework of the study and stipulates the research hypotheses. In the second section, we present the methodological concerns of the study. The third section outlines the main findings of the empirical investigation. Finally, in the last part of the study we discuss the most important conclusions, along with the managerial implications for research and practice.

Theory and Conceptual Framework

The relationship between HPWS and Trust

Trust is a multidisciplinary concept. Although different descriptions have been used across the literature regarding trust, the perception of belief by employees that their employers will act upon their words is widely recognized as a definition of trust (Innocenti et al., 2011, p. 305). One of the most significant issues in the trust literature concerns the presence of multiple types of trust, which have differing effects on organizational behavior (Farndale et al., 2011). Indeed, some studies on organizational trust focus on interpersonal aspects related to trust in the employer through either immediate working relationships, or through relationships between employees and management at various levels in the organization. Others, relate trust in organizations to reliability and faith in the correctness of abstract principles (Searle et al., 2011, p. 1070). Overall, there are two perspectives to take into consideration when examining trust; the micro perspective (an employees' job and line manager) and the macro perspective (their employer / senior management) (Aryee et al., 2002; Farndale et al., 2011). Regarding the latter perspective, Costigan et al. (1998, p. 304) stated that employee trust in senior management 'is based on the outcomes of organizational decisions made by these top managers and less on direct experience of their character,

words and actions'. Whitener (2001) observed that trust in management reflects the belief that managers are competent and that their actions in seeking to attain organizational goals will ultimately prove beneficial to employees. Overall, of these two perspectives, the macro perspective is extremely important in order to understand the broader organizational context in which HRM practices are carried out (Farndale et al., 2001, p. 10). Taking the preceding discussion into consideration, in this paper, we follow Kalleberg et al. (2004) study and focus on the extent to which workers trust the management of the organization. Hence, we measure trust as the employees' perception of managerial behaviors, and then examine how this perception of trust is affected by HPWS, which can be regarded as a major determinant of trust. Overall, we assume that trust can be developed both in response to incentives as well as the result of interactions between managers and workers. Our analysis of trust treats this concept as both a dependent and an explanatory variable (Rousseau et al. 1998), similar to the study of Kalleberg et al. (2004).

Across the SHRM literature, it has been suggested that the HPWS adoption should lead to increased trust to the extent that such actions are seen by employees as demonstrating managerial competence and as reducing their perceptions of vulnerability or threat, and in general to the extent that such practices are seen to be in the workers' interests (Macky and Boxall, 2007, p. 542). A review of the HR literature suggests that employees' trust in their organization can be enhanced through the use of certain HR practices (Kalleberg et al., 2004, p. 7), the majority of which comprise the HPWS construct. For example, 'information sharing' is likely to heighten employees' trust in management, especially during turbulent and unstable times in the organization (Zacharatos et al., 2005, p. 84). 'Job security' enhances trust directly as it makes people feel less vulnerable, and indirectly via perceived organizational trustworthiness. Indeed,

offering security can be seen as a strong signal of the organization's benevolent intentions (Searle et al., 2011, p. 1073). **Performance management** provides a mechanism for communicating to employees what is expected of them and what they can expect in return. As Searle et al. (2001, p. 1073) notes, the transparency generated by a structured performance management system enhances employees' sense of control and hence, leads to a reduced sense of vulnerability. Moreover, 'training and development' can be seen as an investment in the employee which may signal to them that the organization cares about them and their career, and the organization can thus be trusted.

Overall, and following Searle et al. (2011, pp. 1073-1074), it can be argued that the combination of these HR practices – forming thus the HPWS construct – impacts trust in the employer in two ways. First, directly, by helping employees to manage their investment risks and to predict what they need to do in order to be successful in the organization. Indeed, HPWS shows what the firm expects from the employee and what the employee is likely to gain in return. Secondly, indirectly by enhancing perceived organizational trustworthiness. Indeed, HR practices convey the organizations' intentions towards its employees. Thus, employees could interpret these HR practices as trust-relevant signals.

To better understand the relationship between HPWS and trust, it could be useful to refer to the social exchange (Blau, 1964) and the reciprocity theories (Gouldner, 1960), as well as to their relationship with trust. According to the social exchange theory, one contributes to the interest of the other and expects a return at a future time, while it is believed that those receiving a service will develop a sense of obligation to reciprocate with positive attitudes and behaviors. Overall, the basic argument is that the social exchange relationship is strongly contingent on the trust of one of the parties (e.g.,

employees) with regard to the obligations of the other party (e.g., the employer) over the relatively long term. For instance, if the organization takes care of its employees and makes concrete commitments to them, employees will reciprocate with greater trust in the organization (Tremblay et al., 2010, pp. 409-410). The connection between social exchange and trust is also evident by Blau (1964, p. 98) who noted ‘since social exchange requires trusting others to reciprocate, the initial problem is to prove oneself trustworthy’. It could be said, therefore, that trust is the axis upon which social exchange revolves (Aryee et al., 2002, p. 271).

In summary, empirical studies seem to support the direct link between HPWS and trust, not only during the last decades (e.g., Appelbaum et al., 2000; Kalleberg, 2000; Macky and Boxall, 2007; Zacharatos et al., 2005), but also more recently (e.g., Alfes et al., 2012; Innocenti et al., 2011; Kundu and Gahlawat, 2016; Searle et al., 2011; Zhang et al., 2016). Taking the preceding discussion into consideration, as well as the interconnection of HPWS and trust with the social exchange and the reciprocity theories, we propose that HPWS will influence employees’ trust toward their managers.

Hypothesis 1: Employees’ perceptions of HPWS will be positively associated with their trust towards their managers.

Employee outcomes - Job satisfaction and affective commitment

With regard to job satisfaction and organizational commitment, these two employee outcomes lie at the heart of the HPWS approach. Indeed, it has been argued that discretionary effort is one of the keys to understanding the links between HR practices and organizational performance (CIPD/EEF, 2003, p. 15), which depends on

improvements in job satisfaction, organizational commitment, and motivation (see also Appelbaum et al., 2000; AMO framework).

Across the SHRM literature, it has been argued that HR practices encompassing the HPWS construct could trigger feelings of achievement, responsibility, opportunity for personal control, self-esteem and meaningfulness at work, all of which eventually increase employees' job satisfaction (Wood and de Menezes, 2011). Moreover, it is believed that HPWS improves social contact and social recognition, reduces uncertainty in the work environment, leads to perceptions of improved career prospects and enhances a personal sense of coherence (Ollo-Lopez et al., 2016, p. 623). Thus, it can be concluded that HR practices that imply a number of positive outcomes for employees will return in higher levels of job satisfaction (Latorre et al., 2016, p. 330).

Overall, there is mounting evidence across the HRM literature supporting the positive relationship between HPWS and employee attitudes and behavior, such as job satisfaction (e.g., Ang et al., 2013; Macky and Boxall, 2007; Messersmith et al., 2011; Zhang et al., 2016). For instance, Latorre et al. (2016) indicated that a high commitment approach to HRM built around a positive employment relationship and a strong social exchange (Blau, 1964) can explain significant variations in employee satisfaction. Hence, and based on these arguments, we propose the following hypothesis.

Hypothesis 2: Employees' perceptions of HPWS will be positively associated with their job satisfaction.

Organizational commitment is directly connected to the HPWS approach. This is evident by the fact that the term 'high commitment' is frequently used (although incorrectly) interchangeably with terms like HPWS (Farndale et al., 2011, p. 7) across

the HRM literature, implying that HR practices can be designed to create a particular HRM outcome, in this case high commitment. Commitment, in turn, is seen as a fundamental requirement to achieve desirable outcomes such as lower absenteeism, and higher organizational citizenship behavior (Farndale et al., 2011, p. 6).

In general, organizational commitment is comprised of three separate components, namely affective, continuance and normative commitment (Meyer and Allen 1991). Among these three, affective commitment occupies a vital position since it captures the fundamental meaning of commitment, which is ‘employees’ emotional attachment to, identification with and involvement in the organization’ according to the definition developed by Meyer and Allen (1991, p. 67). In this study we chose to examine the affective commitment component, since employees’ work experiences have been identified as the most influential antecedents of affective commitment by satisfying their needs (Meyer and Allen 1991, p. 70).

Overall, HRM practices that satisfy employees’ needs to feel competence in the work role are expected to affect employees’ level of affective commitment positively (Meyer and Allen, 1991). For instance, ‘training and development’ signal to employees that the organization considers its human capital a source of competitive advantage, and also conveys the employer’s will to establish a long term relationship with employees. In addition, ‘performance appraisal’ tells employees that the employer wishes to invest in improving their skills, whereas ‘an internal promotion policy’ may be perceived as a tangible sign of the organization’s involvement in employees’ career. Moreover, ‘information sharing’ creates a climate of trust and mutual respect, while ‘gestures of recognition’ are perceived as signs of consideration and organizational support. All these signals should motivate employees to reciprocate by displaying stronger affective commitment (Tremblay et al, pp. 412-413).

Previous research indicated that employees' perceptions of HPWS are positively related with organizational or affective (Ang et al., 2013; Young et al., 2010) commitment. For instance, Macky and Boxall (2007) showed that HPWS had an additive, and positive relationship with employee work attitudes, such as job satisfaction, affective commitment and trust in management. Similarly, Farndale et al. (2011) found a direct link between high commitment performance management practices and employees' commitment. Taking into consideration the aforementioned arguments, as well as previous research findings, we formulate the following hypothesis.

Hypothesis 3: Employees' perceptions of HPWS will be positively associated with their affective commitment.

HPWS and Service Quality

Service quality is regarded as an important antecedent of business performance, especially in the service industry (Chand, 2010, p. 553), and is essential for customer satisfaction, repeat purchases, winning customer loyalty and customer retention, while it also affects companies' profitability (Malhotra and Mukherjee, 2004, p. 165). Overall, it has been argued that service quality depends to a great extent on the effectiveness with which front-line employees deal with customers and clients (Tsaur and Lin, 2004, p. 471). In this process, effective HRM can be vital. In particular, when employees feel well treated by management's HR practices, they can devote their energies and resources to effectively treating clients (Tsaur and Lin, 2004, pp. 472, 473). Hence, it could be argued that HRM has a key role to play in securing high levels of service quality (Chand, 2010).

Indeed, studies suggest that, in service organizations, quality improvement must be focused on individual HRM practices (e.g., Chand 2010; Tsaur and Lin, 2004), as well as on high performing HR systems (Liao et al., 2009; Lee et al., 2012). For instance, ‘promotion and career development programs’ make employees feel valued by their organization, and understand that the latter is willing to invest in them in the long term. Hence, employees are motivated to reciprocate the organization’s investment in them by providing quality service to customers. In addition, ‘training programs’ provide workers with the ability to identify and resolve problems, to promote changes in work methods and to take responsibility for quality. Moreover, a ‘contingent compensation’ system serves as a motivation tool, because employees know that they will share in the results of their work. Therefore, a compensation system based on excellence will result in increased employee performance. Providing feedback to employees regarding their performance on the job along with suggestions for improvement will likely help them to focus on the evaluation of the problematic areas, which will lead to better levels of performance. In other words, employees who make efforts to improve their service performance will be more motivated if they feel that the organization recognizes their efforts (Tzafrir and Gur, 2007, pp. 1-2).

Previous studies in the SHRM field have examined the relationship between employee perceptions of HRM practices and service quality. Most of these studies have been focused on the hospitality (e.g., Chand, 2010; Tsaur and Lin, 2004), the healthcare (e.g., Batram et al., 2014; Lee et al., 2012), and the banking sector (Liao et al., 2009). Based on the preceding discussion, we expect a positive and direct relationship between employees’ perceptions of HPWS and service quality.

Hypothesis 4: Employees' perceptions of HPWS will be positively and directly related to service quality.

To continue, researchers have suggested that it is more reasonable to assume that the relationship between HPWS and service quality will be mediated by employees' behaviors (e.g., Tsaour and Lin, 2004). Indeed, research suggests that in service based industries, employee attitudes are antecedents of customer-oriented behavior. For instance, satisfied employees are more likely to be altruistic, helpful, and considerate and as a result to provide exceptional service that satisfies the customer, in contrast to unhappy and dissatisfied customer-contact employees (Malhotra and Mukherjee, 2004, p. 165). Similarly, the level of service quality delivered can be determined by employees' enhanced commitment to their organization, as well as by their willingness to engage in discretionary effort (Zeithaml et al., 1990). Indeed, committed employees willing to accept and support organizational goals influence the level of service quality an organization provides (Boshoff and Tait, 1996). In contrast, an organization's success will be jeopardized if its employees fail to accept the firm's missions, goals and objectives (Unzicker et al., 2000). Last but not least, long-term customer relationships can only be built with a long term committed workforce, and it is unlikely that loyal customers could exist without loyal employees (Malhotra and Mukherjee, 2004, p. 166).

The positive relationship between employee attitudes and service quality has been indicated by several studies (e.g., Boshoff and Tait, 1996; Zeithaml et al., 1990). For instance, Malhotra and Mukherjee (2004) found that job satisfaction and organizational commitment of employees had a significant impact on the service quality delivered. Hence, and based on the preceding discussion, we formulate the following hypotheses.

Hypothesis 5: Job satisfaction and affective commitment will be positively associated with employees' perceptions of service quality.

Hypothesis 6: Job satisfaction and affective commitment will mediate the relationship between employees' perceptions of HPWS and service quality.

The mediating and moderating role of Trust

Research suggest that the relationship between HPWS and employee outcomes is not necessarily direct nor unconditional (Tremblay et al., 2010, p. 412), but can be mediated by other variables. Trust, for example, seems to play an important role in these relationships (Innocenti et al., 2011, p. 305). Indeed, a higher level of trust in the employer will increase the employees' assurance that the organization will fulfill its obligations in the future (see the social exchange theory). Consequently, this trust in the employer may lead employees to show high levels of affective commitment (Tremblay et al., 2010, pp. 411), or, in other words, to reciprocate this trust they acquire from their employers with positive attitudes and behaviors.

The mediating role of trust is evident in the works of Appelbaum et al. (2000) and Whitener (2001), among others. Appelbaum et al. (2000) suggested that the set of HRM practices associated with HPWS has a positive effect on key employee attitudes, through their impact on employee trust, thus confirming a mediating role. Whitener (2001) showed that employee commitment and trust in management were stronger when employees believed their managers were more supportive and committed to them, while trust in management was also found to partially mediate the relationship between perceived organizational support and employees' commitment to the organization.

Other studies outside the HPWS literature have also shown that the level of trust workers show in their management is positively correlated with organizational commitment and job satisfaction (see Macky and Boxall, 2007, p. 541). Overall, and taking the preceding discussion into consideration, it is expected that HPWS acts to improve employee trust in their management, which, in turn, influences employees' attitudes, such as job satisfaction and affective commitment to their organization.

Hypothesis 7: Trust will mediate the relationship between employees' perceptions of HPWS and their attitudes and behaviors, measured by their job satisfaction and affective commitment.

Finally, less developed is the stream of research that analyses the possible moderating effects of trust. Indeed, trust in the employer may strengthen the relationship between HRM practices and employee outcomes, mainly because employees who feel trusted by their employers might interpret HPWS as an investment in them, and thus, they might put forth additional effort at work. Hence, it can be argued that the establishment of a trusting relationship with the employer might amplify the positive relationship between HPWS and employee outcomes by also activating positive affective responses in employees (Alfes et al., 2012, p. 412). In contrast, if the context is defined by mistrust, the employees may interpret HPWS less favorably, and, as a consequence, the positive impact of HPWS on performance and well-being will be reduced (Innocenti et al., 2011). This negative relationship can be explained by the norm of reciprocity. Indeed, reciprocity has a negative side as well, which includes the expectation that acts perceived as distrustful by employees will jeopardize their positive attitude towards the organization. Hence, when employees feel that they cannot rely upon the behavior of management, they may feel more vulnerable, and thus, HRM practices will not be able

to enhance employees' attitudes and behaviors towards the company (Innocenti et al., 2011 p. 305).

To our knowledge, only a few studies have examined the moderating role of trust in the relationship between HRM and outcomes. Innocenti et al. (2011) found that when trust is high, HRM practices have a stronger relationship with employee attitudes (work satisfaction and organizational commitment) than when trust is low. Farndale et al. (2011) showed that the level of employee trust in the organization is a significant moderator in the relationship between high commitment-performance management practices and employees' level of commitment. Finally, Alfes et al. (2012) found that trust in the employer moderated the relationships between perceived HRM practices and task performance, turnover intentions and individual well-being. Taking all of the above into consideration, we expect that trust will moderate the relationship between HPWS and employees' attitudes and behaviors.

Hypothesis 8: Trust will moderate the relationship between employees' perceptions of HPWS and their attitudes and behaviors, measured by their job satisfaction and affective commitment.

Method

Sample and procedure

The data reported in this paper are drawn from a survey conducted in four banks located in the broader areas of Thessaloniki and Athens, Greece, in winter 2016. These banks were all private ones, all had similar HRM practices in place, while each bank branch

occupied on average 5-8 employees. The survey questionnaire was translated into Greek from English using the back-translation procedure. The paper-based questionnaires were distributed with the help of 5 research assistants to senior managers of these bank branches, while each senior manager was asked to distribute these questionnaires to their employees with a focus on front-line staff. Following similar studies, we chose to focus on front-line employees as they deal with customers directly and have a relatively high level of performance pressure (see Cooke et al., 2016). The senior managers were informed regarding the anonymity of their employees' responses, as well as on the voluntary nature of participation.

Overall, a total of 350 questionnaires were returned, yielding a 70% response rate. Of these respondents, 44% were male and 56% female. In addition, 51% of the employees held a bachelor's degree, while 34% held postgraduate qualifications. The rest of the employees were high school graduates. Employees had worked on average for about 10 years in their current job ($M = 10.28$, $SD = 8.95$, median = 7). Finally, the majority were employed in non-supervisory positions (62%).

Measures

High-performance work systems (HPWS)

For this paper, we followed Kalleberg et al. (2004, pp. 13-14) study who argued that HPWS consists of three elements. The first element, 'Opportunity for substantive participation by front-line workers in decision' consists of participation in self-directed teams, membership in offline teams, autonomy over work tasks, and opportunities to communicate with employees outside the work group. The second element, 'skills and training (formal and informal)' ensures workers are able to perform their jobs. Finally, the third element, 'incentives that motivate workers to put forth discretionary effort'

includes performance incentives and employment security. Taking into consideration that the HPWS scale included dichotomous variables (yes / no), cronbach's alpha is not provided for this scale.

Trust

Trust was measured by a scale comprised of four items adopted by the Kalleberg et al. (2004) study. These items include 'Most of the time, supervisors in the bank treat workers fairly', 'In general, top management treats workers at this bank fairly', 'To what extent do you trust management at this bank?', and 'In general, how would you describe relations in your workplace between management and employees?'. The scale's α reliability was 0.851.

Affective commitment

Affective commitment was measured with a six-item scale developed by Allen and Meyer (1990). Principal component analysis showed that 4 of these items loaded satisfactorily into a single factor. Sample items include 'I do not feel like part of the family at this bank' (R). The Cronbach's alpha for the single index measure was 0.834. (R) means reversed item.

Job satisfaction

Job satisfaction was measured by using two items developed by Seashore et al. (1983), loaded into a single factor. Sample items include 'All in all, I am satisfied with my job' and 'In general, I like working here'. The scale's α reliability was 0.807.

Service quality

Service quality was measured by using a shortened version of the SERVQUAL instrument, following Malhotra and Mukherjee (2004, p. 167) study. Similar to their study, we relied on employees' self-responses as customer-contact employees are well placed to judge effectively the quality of the services they deliver, and they are aware of the challenges faced by customer interaction (see also Lee et al., 2012).

Overall, 11 items were used that pertain specifically to employee-related aspects of service quality. Principal component analysis showed that 9 of these items loaded satisfactorily into a single factor. Sample items include 'I can understand the specific needs of my customers' and 'My behavior instills confidence in my customer'. The scale's α reliability for the single index measure was 0.857.

Common Method Variance

To minimize the presence of Common Method Variance (CMV) we followed Podsakoff et al., (2003) procedural remedies. For instance, proximal separation was used in the questionnaire design, positively and negatively worded items were used throughout the questionnaire where possible, and finally established scales were used to keep questions simple, specific, and concise so as to avoid ambiguous items which are considered as main sources of CMV. Moreover, two additional tests were applied. First, and in line with previous studies (e.g., Bartram et al., 2014; Zhang et al., 2013) we used Harman's single-factor test. Specifically, a principal component analysis was conducted between all of the dependent and independent variables that were used in our model. We chose one fixed number of factors to be extracted for all measured variables, which, according to the results, explained only 25.4% of the variance approximately. Therefore, since this single factor did not explain the majority of the

variance in the variables, common method variance is not likely to be an issue in our analysis. Secondly, as an additional test to further assess CMV we used the Common Latent Factor (CLF) method with the help of AMOS statistical software. According to the results, the chi-square difference test between a zero-constrained and unconstrained model showed no indication of method bias.

Statistical Model

SPSS v. 22 was used to conduct descriptive statistical analysis and exploratory factor analysis. We tested our hypotheses by means of Partial Least Squares (PLS) Structural Equation Modeling (SEM) using the SmartPLS 3.2 software (Ringle et al., 2014). One of the advantages of this method of analysis is that PLS-SEM incorporates both formative and reflective constructs, as well as Hierarchical Component Models (HCMs). In our structural model HPWS was operationalized as ‘reflective-formative’ higher-order component. The Hierarchical Component measurement model was created by using the ‘repeated indicators approach’ combined with the ‘two-step approach’ (see Hair et al., 2014, pp. 230, 233; Lowry and Gaskin, 2014, p. 135). The initial conceptual model is depicted in figure 1.

FIGURE 1 near here

Validity and Reliability

Before running the PLS analysis, we had to configure the model’s reliability and validity. Since all first-order constructs used in the model were reflective, we evaluated *individual indicator reliability*, the *composite reliability* to evaluate internal consistency, the *convergent validity* of the measures associated with each construct and

their *discriminant validity* (Hair et al., 2014, p. 95). All measures are reported in table 1. With regard to ‘service quality’, the Average Variance Extracted (AVE) for measuring convergent validity was slightly below the 0.5 threshold, since some of the outer loadings were below the 0.708 point. Thus, 3 items were removed to improve the ‘service quality’ AVE (see Hair et al., 2014, p. 103). The scale’s α reliability for the final six items was 0.863.

TABLE 1 near here

To determine the *discriminant validity* of our indicators, we used the Fornell-Lacker criterion, the Heterotrait-Monotrait ratio (HTMT was below 0.85) and the HTMT_{inference} criterion (upper confidence intervals were below the 1 value), as suggested by Henseler et al. (2015). Based on these tests, we concluded that discriminant validity has been established for our model.

Next, the validity and reliability of the formative scale (HPWS) was checked by following the procedures described in Petter et al., (2007), while the formative factors were also tested for multicollinearity by calculating the Variance Inflation Factors (VIFs) of the items in the formative construct (Cenfetelli and Bassellier, 2009). In our case, all of the VIFs of the indicators were below 3.33. Hence, the results indicate sufficient construct validity for our formative indicators.

Finally, the quality of the structural model was evaluated by using the coefficient of determination (R^2 value), and the Stone-Geisser Q^2 test for predictive relevance (Hair et al., 2014, p. 167). Based on these tests, we were confident that the model was stable and the predictive relevance requirement was satisfied.

Results

Table 2 shows the standard deviations, reliabilities (in parentheses) and correlations among the study variables.

TABLE 2 near here

To analyze the hypotheses in the structural model, we ran the full model (figure 2) with a bootstrapping procedure that used 500 randomly drawn samples with replacement. The algorithm converged in 8 iterations, while the model was controlled for education, and supervisory positions. Since there were no significant effects for these control variables, we excluded them from the analysis. The path coefficients and their significance levels are depicted in figure 2 (the two-step approach model).

FIGURE 2 near here

The results show that employees' perceptions of HPWS is positively associated with employees' trust towards their managers, with employees' job satisfaction, and affective commitment, as well as with service quality. Hence, hypotheses 1, 2, 3, and 4 are supported. In addition, job satisfaction and affective commitment are positively associated with service quality. Thus, hypothesis 5 is confirmed.

Next, we checked for the mediating roles of 'job satisfaction' and 'affective commitment' on the relationship between employees' perceptions of HPWS and service quality, as well as for the role of trust as a mediating variable in the relationship between HPWS and employees' attitudes and behaviors. For this analysis, we followed Baron and Kenny's (1986) three-step approach adapted for PLS regression (Lowry and Gaskin 2014, p. 139), in combination with the 'bootstrap of the indirect effect' as

recommended by Zhao et al. (2010, p. 204). The following table (table 3) presents the path coefficients and significance levels for the mediation hypotheses.

TABLE 3 near here

As table 3 suggests, the indirect effects between HPWS and employee attitudes (job satisfaction and affective commitment), as well as between employee attitudes and service quality were significant. Thus, we conclude that job satisfaction and affective commitment mediate the relationship between employees' perceptions of HPWS and service quality, providing support for hypothesis 6. Similarly, table 3 shows that trust mediates the relationship between employees' perceptions of HPWS and employee attitudes, providing support for hypothesis 7.

Finally, with regard to hypothesis 8, the analysis revealed that trust did not moderate the relationship between HPWS and employees' attitudes and behaviors. However, although not included in the hypotheses, it was found that trust moderated the relationship between employees' perceptions of HPWS and service quality, as depicted in figure 3. In addition, figure 4 presents the simple slope for the moderating effect as this is generated by the SmartPLS software.

FIGURE 3 near here

FIGURE 4 near here

We discuss these findings in the next section of our paper.

Discussion and conclusions

The present study contributes to the growing HRM literature by shedding some additional light on the underlying mechanisms of the ‘black-box’ workings. Specifically, by following the empirical study of Kalleberg et al. (2004) as a theoretical framework and focusing on the Greek banking sector this study examines the effects of employees’ perceptions of HPWS on service quality through the mediating roles of trust and employee attitudes. Taking into consideration the scarcity of studies examining the role of trust in the broader HPWS – organizational performance relationship, the present findings provide useful insights at both a theoretical and a practical level.

To begin with, the study’s findings show that employees who perceive HPWS positively experience higher levels of well-being. Specifically, and in line with previous studies (e.g., Latorre et al., 2016), our findings support the proposition that HR practices that imply a number of positive outcomes for employees – such as HPWS – will return in higher levels of job satisfaction (H2). In addition, these HRM practices – components of HPWS – that satisfy employees’ needs to feel competence in the work role, motivate them to reciprocate by displaying stronger affective commitment (H3; see also Tremblay et al., 2010, pp. 412-413).

In addition, the findings showed that employees’ perceptions of HPWS not only had a positive and direct effect on service quality (H4), but this relationship was mediated by employee’s job satisfaction and affective commitment towards their organization (H6). Overall, these findings support the impact of HPWS on service quality via two discrete channels (see Tzafrir and Gur, 2007, p. 1). First, the HPWS implementation creates a knowledge-based channel, through which employees become more aware of the organizations’ intentions towards service quality. Secondly, the HPWS implementation seems to initiate an additional motivation-based channel, through

which the organization promotes employees' well-being. As a result, employees become more satisfied by their job and committed to the organization's aims and goals. Hence, as was suggested by the literature review in this paper and supported by the findings, satisfied and committed employees provide in turn high-quality services to customers (H5).

Moreover, this study examined the mediating and moderating role of trust in the relationship between employees' perceptions of HPWS and their attitudes. The findings first confirmed that employees' trust towards their organization's management can be enhanced through the use of HPWS, as the HR practices forming the HPWS construct are perceived as trust-relevant signals (see Searle et al., 2011, pp. 1073-1074). Moving a step further, this study shows that employees reciprocate in turn the trust they receive from their managers with positive attitudes and behaviors (see Tremblay et al., 2010), and specifically by being more satisfied and more committed towards their job. Hence, this study highlights the pivotal role that trust in management plays in explaining the effects of HPWS on employee outcomes that are important to both organizations and employees. On the other hand, and despite the mediating role that trust has to play in the aforementioned relationship (H7), the findings showed surprisingly no support for the moderating role of trust (H8). The basic logic with regard to the moderating role of trust is the argument that employees who feel trusted by their employers might interpret HPWS as an investment in them, and thus, they might put forth additional effort at work. Therefore, this trusting relationship between employees and employers should amplify the relationship between HPWS and employee outcomes. Indeed, this moderating effect of trust has been supported by previous studies (Alfes et al., 2012; Farndale et al., 2011; Innocenti et al., 2011). However, there are some critical points that should be underscored with regard to these studies. First, the work of Innocenti et

al. (2011) focuses on trust in supervisors, whereas the present study focuses on trust in management. Secondly, the studies of Innocenti et al. (2011) and Farndale et al. (2011) focused on selected HRM practices only (see Alfes et al., 2012, p. 413), whereas the present study focuses specifically on HPWS. Finally, the study of Alfes et al. (2012) measured employee well-being in general, whereas the present study measured specifically employees' job satisfaction and affective commitment. Taking all of the above into consideration, the unexpected finding regarding the moderating role of trust of the present study might be related to the different variables used and / or to the context-specific limitations that exist among these studies. All in all, further research is needed to clarify the moderating role of trust in the relationship between HRM and employee outcomes, by focusing specifically on organizations that implement HPWS in different contexts and countries.

Last but not least, although not included in the initial hypotheses of this study, the findings showed that trust not only mediates (table 3 – last row) but also moderates (figures 3 and 4) the relationship between employees' perceptions of HPWS and service quality. Hence, although HPWS may have a direct positive effect on service quality via its functional role, the positive relationship is amplified when trust in the employer is high. Indeed, and as can be evident by figures 3 and 4, high levels of HPWS in place increase the service quality that employees provide to customers. In contrast, low levels of HPWS show the opposite effect, where service quality is only slightly increased. Overall, the main argument that can be used as the theoretical explanation behind these findings is that trust results in spontaneous sociability, which includes cooperation between individuals, acts that go beyond employee roles, work toward common goals, and information-sharing (see Kramer, 1999). As a result, employees will likely engage in organizational citizenship behavior and will put forth discretionary effort beyond

what is required in their job description, while they will adapt more easily to organizational change. In addition, a high degree of trust leads to more positive outcomes for individuals, such as high satisfaction and low stress, which in turn leads to enhanced organizational performance (Kalleberg et al., 2014, pp. 1-2) and / or service quality. These results confirm previous empirical studies (e.g., Alfes et al., 2012) and not only emphasize the crucial role that trust in management plays, but also reveals a pathway so that the HRM function can be more effective. Indeed, if employees do not trust their employer, the HRM function could be less effective in improving employees' performance and well-being (Alfes et al., 2012, p. 423). Following the example provided by Farndale et al. (2011, p. 10), a negative feedback from a trusted manager will be probably considered as accurate by employees, and as a result, they will try to improve their performance leading ultimately to increased service quality. In contrast, employees will doubt the accuracy of a negative feedback by managers who are not trusted, and thus, they will not improve their performance. Hence, and as this study suggests, trust could indeed play a significant role in explaining and amplifying the relationship between HPWS and service quality.

To conclude, this research contributes to the broader HRM literature in three main ways. First of all, it is focused on the banking sector. To our knowledge, there is an extremely limited amount of studies examining the HPWS approach in this sector (e.g., Chang, 2015; Cooke et al., 2016). Secondly, this study investigates the practice of HRM in the broader area of south-eastern Europe, and specifically in the Greek context, characterized by unique labor relations and institutional conditions. To our knowledge, there is a poverty of HPWS studies focusing specifically in the Greek context with few exceptions (e.g., Katou et al., 2014; Vlachos 2008). Finally, this study sheds new light

in the significant role of trust as a mediator and moderator in the relationships between HPWS and employee attitudes, as well as between HPWS and service quality.

Implications for managers and practitioners

The findings of the present study provide important practical implications for organizations, managers, and practitioners.

First of all, employers and managers should invest in raising the levels of trust in their organization. Towards this goal, organizations should implement clear structures, roles, and guidelines to give direction about acceptable behavior at work (see Alfes et al., 2012). In addition, of great importance is the organizational culture that should be followed. Specifically, the organizational culture should integrate a high performance work system approach in emphasizing open communication, and encouraging feedback based on employees' performance (Whitener et al., 1998). Moreover, organizations should focus on creating a climate that encourages employees to participate in decision-making and to raise their concerns regarding their work or their working environment. Hence, the trust levels among managers and employees will be increased.

Equally important, organizations should place increased emphasis on line managers regarding the HPWS implementation. Indeed, the role of managers is critical in establishing relationships based on trust, as they are required not only to be consistent on their actions and decisions, but also to show equity and support to employees in an effort to maximize the impact of a company's HRM system (see Innocenti et al., 2011). Specifically, and as has been demonstrated by previous literature, any behavior that opposes perceptions of fairness and justice is likely to reduce the levels of trust in the employer, and as a result, undermine the positive contribution of HPWS on enhancing employees' attitudes, well-being, and performance (Aryee et al., 2002; Tan and Tan,

2000). Hence, increase in front-line management attention to the workforce will likely contribute to employees' job satisfaction, motivation, commitment, and extra-role behavior (e.g., Purcell et al., 2003). As a result, front-line managers have a key role to play in reinforcing the HPWS positive impact on employees (Innocenti et al., 2011)

Last but not least, although this study showed that HPWS affects positively employees' trust towards their managers, trust itself should not be considered as a consequence of the HPWS implementation. In contrast, and as has been highlighted in the preceding paragraphs, it relies on managers' shoulders to create a 'trusting' work environment. As the present study shows, a work environment encompassing trust can be vital to employees' well-being and consequently, to the offering of high levels of service quality. Indeed, under these circumstances employees will more likely perceive that their work expectations are fulfilled and thus they will develop positive job attitudes. These positive attitudes not only have an effect on employees' job satisfaction and affective commitment, but in turn influence service quality and / or organizational performance (e.g., Purcell and Kinnie, 2007; Takeuchi et al., 2007). Moving a step further, the significant role of trust is also evident by the moderating role that it has to play. Thus, managers should keep in mind that a work environment based on trust has the ability not only to mediate, but also to strengthen the relationship between HPWS and service quality.

Finally, this study underscores the vital significance of employees' well-being in explaining the underlying mechanisms of the 'black-box' issue, since satisfied and committed employees who show high levels of trust to their managers seem to produce higher service quality. Hence, organizations should seek ways to keep the workforce satisfied and committed to their job. These positive employee behaviors that are generated along with employees' willingness to accept and support organizational goals

influence in turn the level of employees' productivity (see Boshoff and Tait, 1996; Purcell and Kinnie, 2007; Takeuchi et al., 2007). One possible pathway towards this goal is through the implementation of an integrated system of HR practices, such as HPWS.

Limitations

In this study, there are some limitations. First of all, as in all cross-sectional studies, although we tested for Common Method Variance (CMV) and found none, there is the potential that CMV did influence our results. Similarly, the cross-sectional nature of the study cannot rule out the issue of reverse causality. Taking the latter into consideration, high firm performance outcomes usually translate into organizational health, which might have a positive effect on employee satisfaction and commitment, and thus onto employment security (Paauwe and Boselie, 2005). Hence, satisfied and more committed employees might indicate greater levels of HPWS in place. Thus, a longitudinal study would be preferable not only to rule out CMV, but also to uncover the dynamic influence of HPWS (Takeuchi et al., 2007). Indeed, longitudinal studies are in a better position to make causal statements and provide a stronger test of the hypothesized relationships. Secondly, in this study we examined only one level of the workforce – front-line employees. However, the different perceptions between managers and employees should be taken seriously into consideration, especially in organizations that are characterized as multi-level systems. For instance, employees might have different perceptions of the nature and extent of the HR practices used, whereas managers' perceptions might not bear any relationship to what actually occurs (Ramsay et al., 2000). Moreover, in complex organizations, there are potentially problems of agreement within the management hierarchy and between management and

operating employees. Thus, the adoption of a multi-level approach that uses multiple raters of HRM practices to elucidate the perspectives of managers and employees and the roles they play in the use of HRM is required (Ang et al., 2013, p. 3089). Third, although data was collected across four different bank branches, we chose not to perform a multi group-analysis. In detail, each bank branch provided 80 responses (on average). Hence, and based on the small sample size per bank, we believe that a multi-group analysis would not add value to the study's conclusions. Fourth, for this study we chose to use the HRM practices used by Kalleberg et al. (2004) as representative of HPWS. However, some of these practices were measured via dichotomous indicators. Thus, there is the possibility that dichotomous indicators are not in position to capture sufficiently the existence of a specific HR practice in place. Finally, the analysis was conducted using data from Greek bank employees. Taking this into consideration, although our results are consistent with most of the international literature examining the impact of HPWS on employee outcomes (e.g., Macky and Boxall 2007; Paauwe and Boselie, 2005), the generalizability of the present research might be limited to Greek banks that incorporate similar HR management practices. Indeed, as Raineri (2016, p. 24) underscores, HR practices might be sensitive to cultural or legal particularities. Hence, the further the HPWS literature moves away from a specific context, the more HPWS practices need account for legal, market and socio-cultural variations.

Conclusion

Based on a sample of front-line employees working in the Greek banking sector, this study examined the mediating and moderating role of trust between employees and management in developing and maintaining work-related relationships that ultimately

lead to enhanced productivity, as was measured by employees' perceived service quality. Taking into consideration the Greek context in which this study took place, the banking sector which is generally under-examined across the HPWS literature, and the limited investigation of the mediating and moderating role of 'trust' in the HPWS - service quality relationship, it could be argued that this specific research enriches our understanding of the 'black-box' phenomenon that links HPWS to individual performance.

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Table 1. Composite reliability, Average Variance Extracted (AVE) and convergent validity

Construct (latent variable)	Composite reliability	Loadings	T-Statistics	Average Variance Extracted (AVE)	Convergent & Discriminant Validity
Trust	0.899	Min: 0.755 Max: 0.871	***	0.690	Yes
Affective Commitment	0.866	Min: 0.543 Max: 0.885	***	0.625	Yes
Job Satisfaction	0.904	Min: 0.896 Max: 0.920	***	0.824	Yes
Service Quality	0.863	Min: 0.653 Max: 0.764	***	0.513	Yes
Autonomy	0.869	Min: 0.864 Max: 0.889	***	0.769	Yes
Self-directed team membership	1.000	--	***	1.000	Yes
Offline-team membership	1.000	--	***	1.000	Yes
Communication	0.811	Min: 0.731 Max: 0.833	***	0.590	Yes

Formal training	1.000	--	***	1.000	Yes
Informal training	1.000	--	***	1.000	Yes
Pay for performance	0.798	Min: 0.720 Max: 0.806	***	0.570	Yes
Employment security	1.000	--	***	1.000	Yes

Table 2. SDs and correlations (Cronbach's α is in parentheses)

	SD	1	2	3	4	5
1. HPWS	0.49	(--)				
2. Job Satisfaction	0.92	.352**	(0.807)			
3. Affective Commitment	0.81	.270**	.460**	(0.834)		
4. Trust	0.83	.397**	.527**	.412**	(0.851)	
5. Service Quality	0.69	.058ns	.276**	.309**	.146**	(0.857)

Note: $N=350$. SD, standard deviation, * $p<0.05$, ** $p<0.01$, *** $p<0.001$, ns = not significant

Table 3. Summary of Path Coefficients and Significance levels for the mediation hypotheses

Hypothesized relationships	IV to DV	IV to Med	Med to DV	IV to DV (with mediator)	Hypotheses Support
HPWS→JS→Serv. Qual	0.211*	0.448 ***	0.236 ***	ns	H6 supported
HPWS→AC → Serv. Qual	0.211*	0.361 ***	0.280 ***	ns	Full mediation
HPWS→Trust→JS	0.448***	0.501***	0.404***	0.246***	H7 supported
HPWS→Trust→AC	0.361***	0.501***	0.318***	0.204***	Partial mediation
HPWS → Trust → Serv. Qual	0.211*	0.501***	0.153***	0.181**	Partial mediation

*indicates significant paths: *p<0.05, **p<0.01, ***p<0.001, ns (not significant)

IV = Independent Variable, DV = Dependent Variable, Med = Mediator

JS = Job Satisfaction, AC = Affective Commitment, Serv. Qual = Service Quality

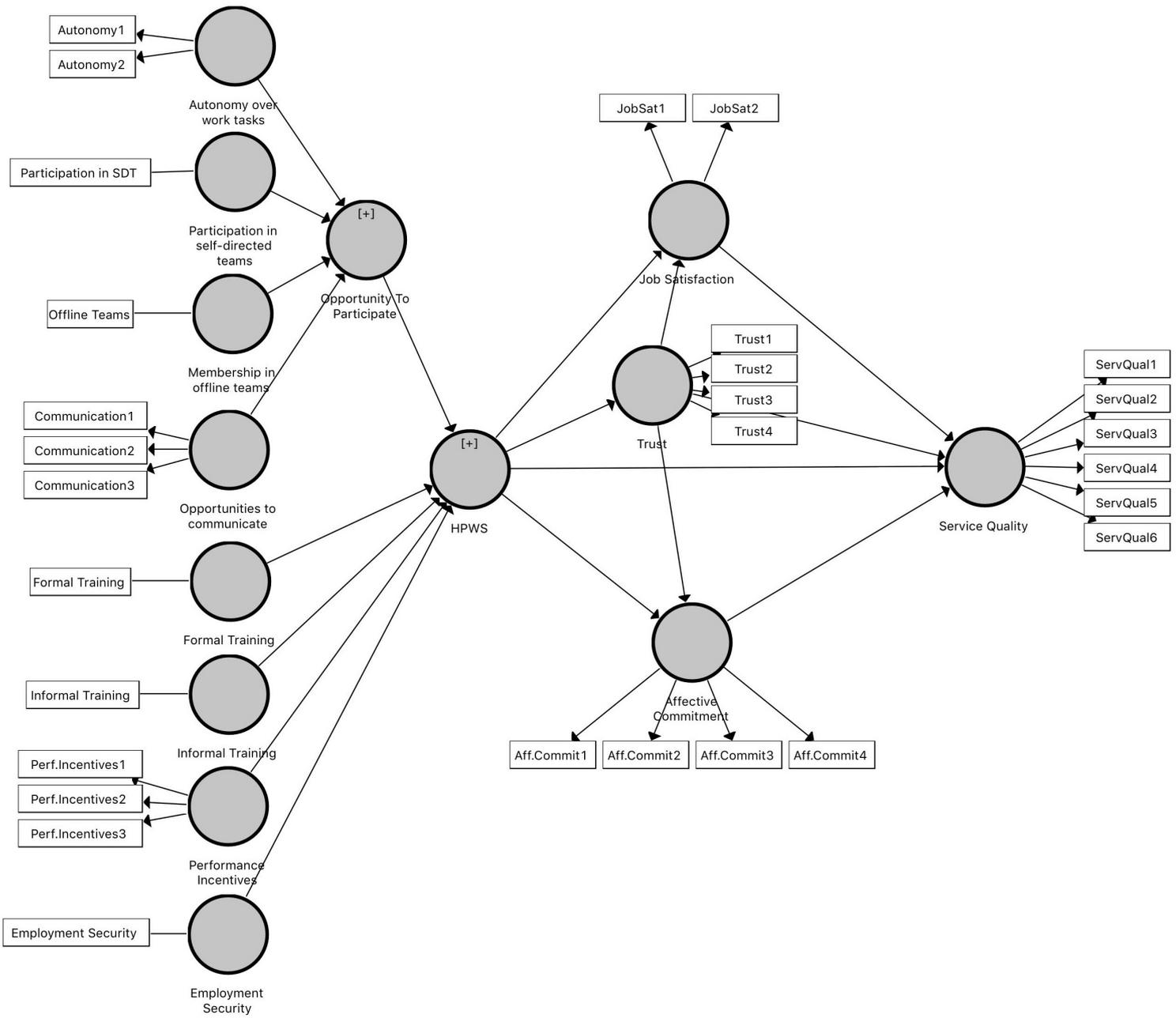
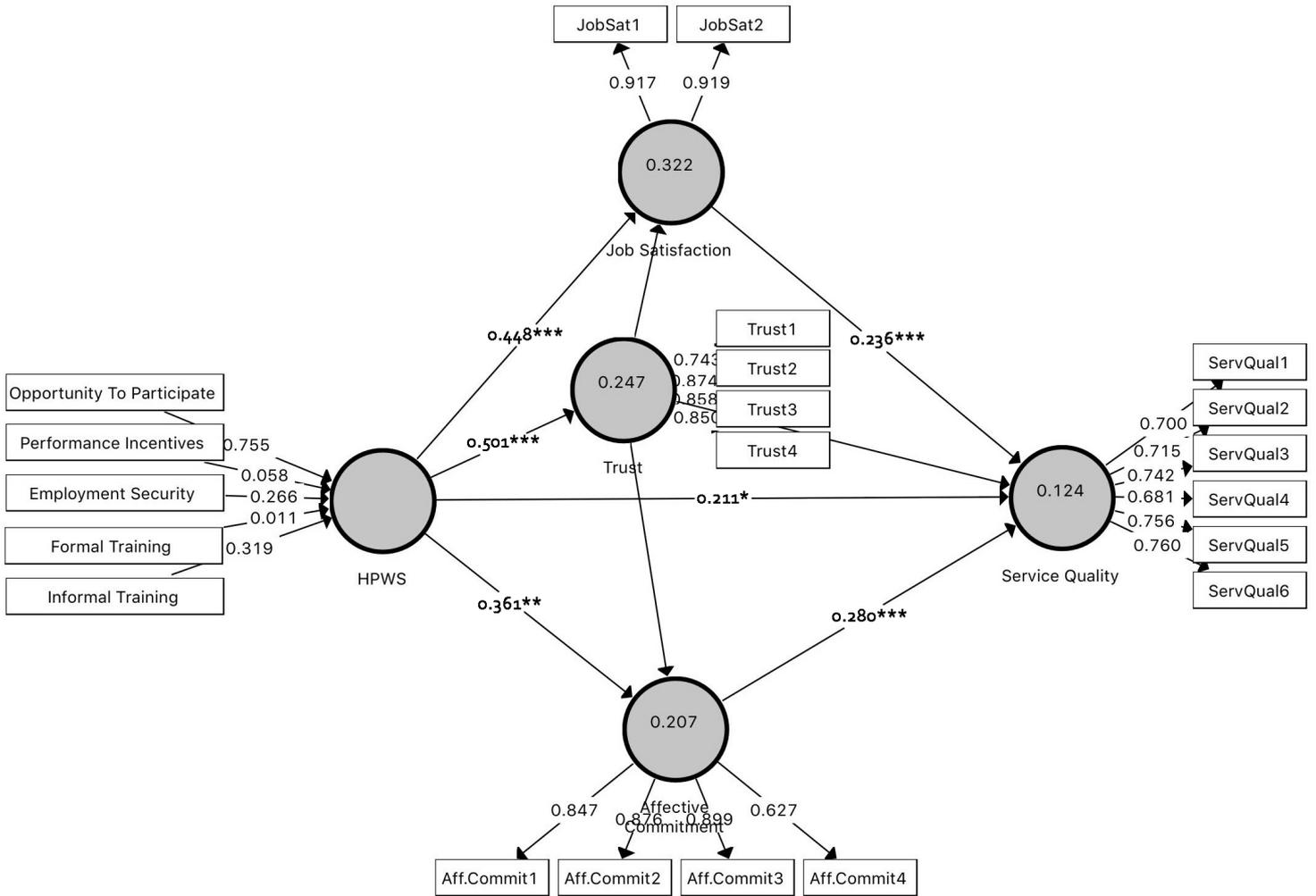


Figure 1. The conceptual model



*indicates significant paths: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, ns = not significant

Figure 2. The two-step approach model

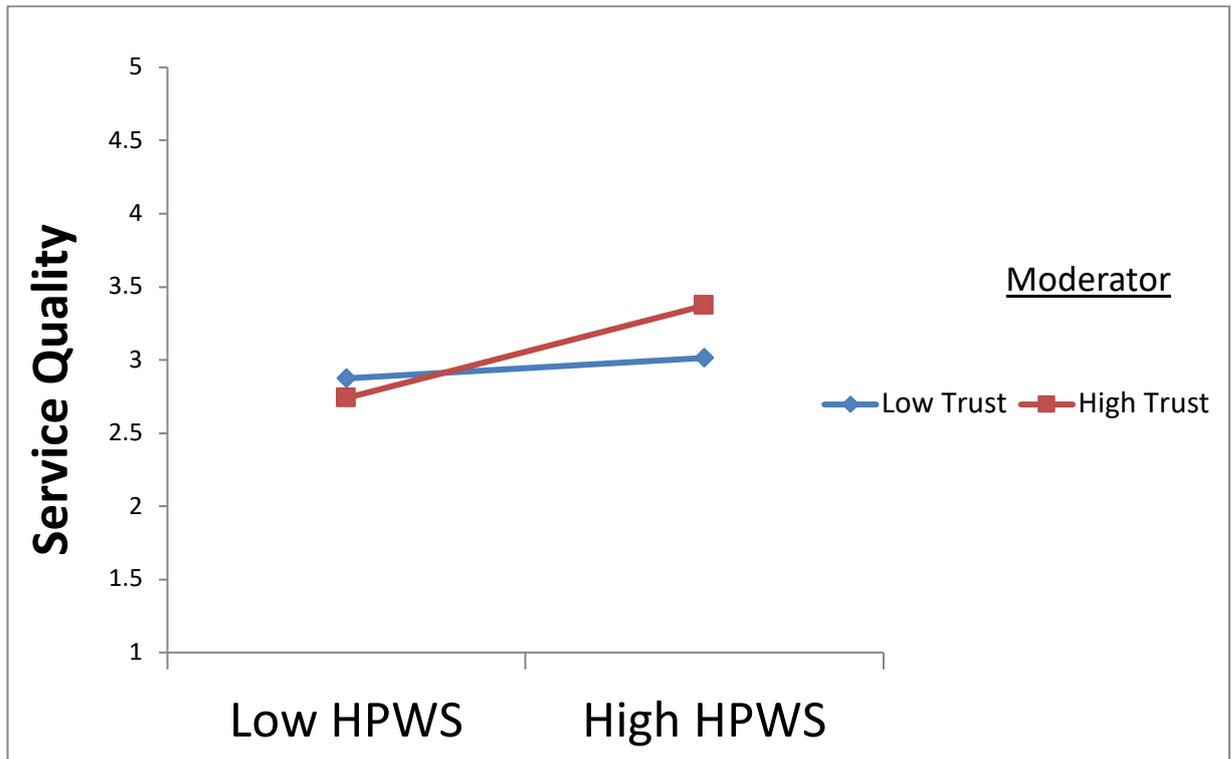


Figure 3. The moderating effect of trust on the relationship between HPWS and service quality

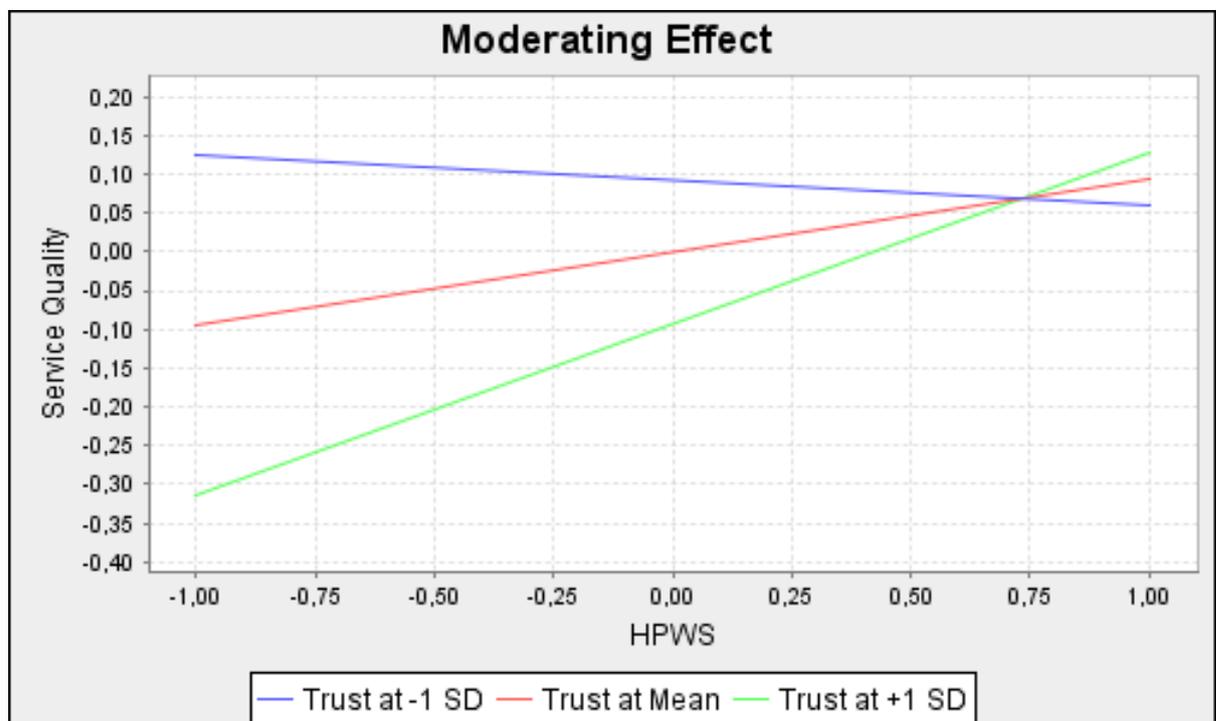


Figure 4. The simple slope for the moderating effect of trust on the relationship between HPWS and service quality