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High Performance Work Systems, Organizational Ambidexterity and Performance: A Critical Review of Literature and Conceptual Framework

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Abstract:

Organizational effectiveness, the ultimate objective of high performance organizations, is hinged on effective alignment of human resources with the strategic goals of the organization. The globalization of economies and increasing demands of a highly volatile business environment has placed considerable pressure on organizations to be flexible and innovative to survive. Maximizing and optimizing efficiency and flexibility requires organization to be ambidextrous, that is, exploit and explore. Studies on organizational ambidexterity show that high-performance work systems (HPWS) can promote ambidexterity and that this results in better firm performance the objective of this paper is to bring to the fore the underpinning theories explaining the relationship between HPWS and performance, the mediating role of organizational ambidexterity, and moderating effect of organizational climate on this relationship. The study also brings to currency the state of research in this topic by reviewing relevant studies and consequently revealing the research gaps which would inform future research. Finally, besides proposing a conceptual model, this study also suggests research methodology and measurement of variables in future research.

Keywords: High performance work systems, organizational ambidexterity, organizational climate, organizational performance

1. Introduction

High-performance work systems (HPWS) is a human resource management (HRM) paradigm that has gained prominence in the last two decades. HPWS has been variously defined by scholars (Sung, *et al.*, 2005). Some scholars such as Huselid (1995), Ramsay, Scholarios, and Harley (2000), Patel and Conklin (2012) construe HPWS as high-performance work practices (HPWPs), others like Purcell (2006) refer to it as high commitment management (HCM) while, Delaney and Huselid (1996) use progressive HRM practices. Kalleberg, *et al.*, 2006 use the term high-performance work organizations (HPWOs) to refer to HPWS.

Despite the variations in terminology, the underlying principles and concepts are the same. Therefore, HPWSs plainly refer to the integrated bundle of human resource practices adopted in an organization to upscale employee performance (Aston & Sung, 2002). Tamkin (2004) building on this definition considers HPWSs as set of practices adopted to determine the efficacy of human resources on firm's performance. Sung, *et al.* (2005) view HPWSs as constituting three complementary systems: high employee involvement practices, human resource practices, reward and commitment practices. Recently Patel and Conklin (2012) brought the behavioural aspects in the definition by describing HPWSs as those set of organizational practices that influence employees' attitudes, motivation, and performance. This description is in line with Appelbaum, *et al.*, (2000) view of HPWS as a combination of those HR practices that can facilitate employee involvement, skills enhancement and stronger. MacDuffie (1995) and Appelbaum *et al.* (2000) postulate HPWSs as a bundle of complementary practices rather than individual practices.

Extant literature posits that that successful firms are ambidextrous; that is, they are highly efficient in current operations and flexible to adapt to changes in the environment (Duncan, 1976; Gibson & Birkinshaw, 2004; Tushman & O'Reilly, 1996). Organizational ambidexterity can broadly be described as the ability of an organization to efficiently optimize the existing business opportunities while simultaneously creating and innovating to meet the challenges of future business demands (Andriopoulos & Lewis, 2009; Benner & Tushman, 2003; Duncan, 1976; Gibson & Birkinshaw, 2004; Raisch & Birkinshaw, 2008; Tushman & O'Reilly, 1996). Organizational ambidexterity focuses on the ability of the organization to both efficiently exploit its existing competencies to maximize short-term benefits and explore innovatively for future firm competitiveness and growth (Levinthal & March, 1993; March, 1991).

According to Patel *et al.* (2013), ambidexterity mediates the relationship between HPWS and organizational performance. An ambidextrous climate enables an organization to explore market opportunities and simultaneously exploit existing markets (Patel, *et al.*, 2013). Ambidexterity at employee level is referred to us contextual or behavioural ambidexterity which

for purposes of this paper is referred to as employee ambidexterity. Employee ambidexterity refers to the behavioural characteristics of employees that combine exploitative and exploratory activities in an organization (Mom, van den Bosch, & Volberda, 2009). Exploitative activities involve the utilization and optimization of current knowledge stocks and skills for organizational effectiveness, efficiency and efficacy (Gibson & Birkinshaw, 2004; Kang & Snell, 2009). On the contrary, exploratory activities comprise behaviours that involve pursuit of new knowledge and skills, creativity and innovation in new product, process and market development, search for new solutions for competitive advantage (Gibson & Birkinshaw, 2004; Kang & Snell, 2009). Employees who engage in ambidextrous behaviour have a higher level of innovative work behaviour which ultimately lead to higher organizational performance (Gibson & Birkinshaw, 2004; Rosing, Frese, & Bausch, 2011)

Organizations performance is process to enhance both the effectiveness of an organization through series of interventions whose results are measured against the intended outputs, goals and objective (Jon & Randy, 2009). Organizational performance is the most important criterion in evaluating organizations, their actions, and environments. The domain of organizational performance provides the useful potential to make meaningful comparisons across firms and industries (McGahan & Porter, 2003). The main indicators of organizational performance used in previous research includes the following: effectiveness, efficiency, development, innovation, costs reduction, competitiveness, quality of product, satisfaction of customers or clients, public image and good will, revenue growth, market share, profitability, return on assets and return on sales (Delaney & Huselid 1996; Guest & Hoque 1996; Youndt, *et al.*, 1996; Wang & Zang 2005; Katou & Budhwar, 2006, 2010). HRM studies reveal that disparate HR practices should be configured into a single bundle of HPWS which would allow the firm to achieve both alignment and adaptability requisite for ambidexterity that ultimately leads to enhanced performance (Patel, *et al.*, 2013).

The objective of this paper is to bring to the fore the underpinning theories explaining the relationship between HPWS and performance, the mediating role of organizational ambidexterity, and moderating effect of organizational climate on this relationship. The study also brings to currency the state of research in this topic by reviewing relevant studies and consequently revealing the research gaps which would inform future research. Finally, besides proposing a conceptual model, this study also recommends research methodology and measurement of variables in future research.

2. Literature Review

2.1. Theoretical Review

Strategic human resource management (SHRM) scholars have prominently focused their research on uncovering the mechanisms through which HPWSs contributes to organizational performance through the theoretical prism of three perspectives: universalistic, contingency, and configurational (e.g., Delery & Doty, 1996; Lengnick-Hall, *et al.*, 2009). From a micro perspective, however, there are other theories that enhance the understanding of the relationship between HPWS and performance. These theories include resource based view, AMO, social exchange theory, and organizational ambidexterity perspectives.

The universalistic perspective postulates a direct linkage between HPWSs and organization performance. The universalistic view assumes that some HR practices called "best practices" are more likely to produce high performance irrespective of organizational context or characteristics (Wood, 1995; Purcell, 2006). It is argued that if companies are able to identify the bundles of best fit and be able to diffuse such bundles effectively throughout the organization, the impact would be significant (Pfeffer, 1998; Purcell, 2006). Scholars who advance the universalistic view posit that there is strategic value in specific individual HRM practices or systems (Lepak & Shaw 2008). According to Pfeffer (1998), successful firms have similar HRM practices; this is despite their industrial context or micro environmental factors such as organizational strategy. Armstrong (2008) refers to these HRM "best practices" as high-performance work practices. According to Guest *et al.* (2004), the universalistic view of some superior HR practices holds, however, diffusion of the HR bundles into firm's unique environment may erode the impact the practices on firm performance.

The contingency perspective vacates the position held by universalistic view by asserting that the effectiveness of HPWS is influenced by other organizational factors including business strategy and firm size (Sung, *et al.* 2005). The Contingency perspective advances for the fit between HR practices and organizational contexts. This means that HR practices are contingent to business strategy (Tamkin, 2004). The Contingency proponents argue that high performances hinges on alignment of HR practices with the firm context and not on the bundling of the practices (Tamkin, 2004). The perspective posits that the impact of HRM practices on performance is conditioned by an organization's strategic posture (e.g., Youndt, Snell, Dean, & Lepak, 1996; Bowen & Ostroff, 2004). Therefore, the contingency perspective proposes the use of contextual factors as moderators in the study of HPWS and performance relationship (Miles & Snow, 1984; Schuler & Jackson, 1989; Snell & Dean, 1992).

The configurational perspective enhances the concept of fit. Whilst contingency perspective focus is on vertical integration, the configurational view focus on horizontal integration of the HR practices in bundling to for significant impact on organizational performance (Armstrong, 2009; Huczynski & Buchanan, 2007, Zhang, *et al.* 2014). Hence, this perspective proposes typologies such as HPWSs, high involvement HR practices and high commitment HR practices (Zhang, *et al.* 2014). The configurational perspective posits that bundles of HR practices, correctly configured, generate synergistic effects that significantly improves organizational efficiency and effectiveness (Ichniowski, Shaw, & Prennushi, 1997; Zhang, *et al.* 2014).

This theory extends the HRWS concept from universalistic or “best practice” notions and contingency or “external fit” ideas to more importantly the configurational or “internal fit” posturing among the human resource practices (Ichniowski, Shaw, & Prennushi, 1997; Zhang, *et al.* 2014).

Extending the theoretical grounding of HPWS and organizational performance, the resource based view (RBV) provides a foundation to explain the HRM domain as a source of a firm’s competitive advantage. Highly skilled, committed and productive employees are a rare and unique resource to an organization through which a firm achieves competitiveness (Datta, Guthrie & Wright, 2005). According to RBV, the uniqueness and inimitability of human resources, achieved through continuous employee development and talent management, provides a firm with sustained competitive leverage that translates into organizational effectiveness (Barney, 1991; Barney & Wright, 1998; Wright, Dunford, & Snell, 2001). To sustain the competitive edge derived from HRM, the HRWS must be characterized by specific competencies and capabilities and tacit and explicit knowledge stocks evidenced by skilled and innovative workforce (Lado & Wilson, 1994). Such a system generates an organizational climate characterized by organizational commitment, flexibility, efficiency and innovation (Dunford, Snell & Wright, 2001)

Scholars have argued that building a set of well configured, unique, synergistic and integrative HRM practices will eventually lead to employee outcomes such as employee commitment and productivity which ultimately result into enhanced performance (Youndt, & Wright, 1996). This set of high performance work systems include selective hiring, extensive training, and employee involvement in decision making (Wright, Gardner & Moynihan, 2003). The essence of HPWS and performance linkage resides in the understanding that HPWS adds value, and promotes rarity and inimitability of firm’s resources through employees’ competence, knowledge, experience and orientation which consequently delivers competitive advantage and improved performance (Wright, *et al.*, 2003).

Human resource management literature has recently been largely influenced by the Ability, Motivation and Opportunity (AMO) theory. The theory proposed and advanced by Appelbaum, Bailey, Berg and Kalleberg (2000). AMO theory proposes that firm’s performance, from HRM domain is determined by employee attitudes, motivation and opportunity to make contribution to the organization (Appelbaum *et al.*, 2000; Zhang, *et al.* 2014). The theory advances the argument that employees’ perceptions and behaviour, employee outcomes, influence the HPWS effect on performance (Zhang, *et al.* 2014). AMO theory postulates that HRM practices should be centred on developing employee’s ability (skills, competencies and knowledge), employee’s motivation and creating opportunities so that employees can make effective contribution to organizational performance (Appelbaum, *et al.*, 2000; Boselie, *et al.*, 2005; Lepak, *et al.* 2006; Katou & Budhwar 2010).

According to Macky and Boxall (2007), the AMO model spells out the roadmap to improved employee output and consequently firm performance in the sense that employee ability determines the optimal performance level, motivation drives commitment and drive to exert oneself in their role, and opportunity provides avenues and platforms to exercise role. Therefore, an integration of set of practices that develop employee’s ability, motivates and provides opportunity to perform is necessary (Macky and Boxall, 2007). These practices that should comprise such a system include selective hiring, developmental performance appraisals, comprehensive training, pay-for-performance, as well as high involvement (Lawler *et al.*, 1998; Katou & Budhwar 2010). According to Macky and Boxall (2007), high-performance work practices include the use of flat, team-based organizational structures, quality improvement or problem-solving groups, semi-autonomous teams, and effective communication among employees and with management.

The foundational work of March (1991) on organizational ambidexterity provide a strong theoretical underpinning upon which research on the mediating role of organizational ambidexterity on the link between HPWS and performance has been grounded. March (1991) asserted that sustainable organizational performance is hinged on the firm undertaking both exploitative and explorative activities simultaneously or congruently. This assertion has been echoed by other scholars including Andriopoulos & Lewis (2008) and Patel, *et al.*, (2013). In order to enhance the efficacy of the two dimensions of ambidexterity, Gibson and Birkinshaw (2004) aver that a contextual and behavioural environment should be built at employee level for ease of alignment and adaptability of the concept of ambidexterity. According to Zollo and Winter (2002), a firm’s competitive advantage is derived from innovative activities that emanate from exploitation of tacit knowledge and appropriation of relevant knowledge from external environment. Similar findings are expounded by O’Reilly and Tushman (2004) who postulate that exploitation covers the current knowledge which builds capacity for greater efficiency and stability while exploration is aims at the development of new knowledge that increases organizational innovative capability and flexibility.

As advanced earlier, ambidexterity is best executed at the employee level. At this level the focus is on the ambidextrous activities geared towards organizational performance goals. Gibson and Birkinshaw (2004), in line with this argument, describe employee level exploitative activities to comprise the application of present knowledge and skills for short-term organizational efficiency and efficacy. On the Contrary, Gibson and Birkinshaw (2004) describe explorative activities to constitute behaviours that herald new product development, process innovation and competitive solutions. This behavioural orientations require the employees to gain new knowledge and skills and be adaptable to current situations (Gibson & Birkinshaw, 2004; Kang & Snell, 2009). Ambidextrous activities are perceived to be linked to innovative work behaviour because innovation explains the relationship between ambidextrous learning and performance (March, 1991; Gibson & Birkinshaw, 2004; Tushman, *et al.*, 2004; Andriopoulos & Lewis, 2008; Patel, *et al.*, 2013). This premise is well captured by

Gibson and Birkinshaw (2004) assertion that employees' extent of exploratory and exploitative learning will influence the extent of innovative work behaviour.

2.2. High Performance Work System and Firms' Performance

The impact of HPWS on organizational performance has dominated SHRM literature for the better part of the last two decades. This onslaught has been informed by the persistent calls for HRM to demonstrate its strategic role in organizational performance and by extension effectiveness (Huselid & Becker, 2011). Early studies conducted by Huselid (1995) revealed that HPWSs has positive effect on performance by reducing employee turnover, enhances productivity and financial position. Huselid and Rau (1997) identified the determinants of HPWS to include environmental dynamism, complexity and munificence. The High-performance work systems considered by Huselid and Rau (1997) are employee motivation, employee skills, and organizational structure. Unlike previous studies, Neumark and Cappelli (1999) revealed that HPWS have a weak relationship on productivity and had reduced impact on organizational efficiency because the improved employee compensation associated with HPWS increased labour costs. However, study by Wright, *et al.* (2003), which identified four key HPWS as remuneration, training, selection and employee participation, revealed positive impact of HPWS on business. This result is echoed by Chow (2004) study which showed that complementary HPWS increase employees' productivity and organizational performance.

According to Wright *et al.* (2005) high performance work practices such as effective work designs, employee motivation, comprehensive training and development improves employee skills and competencies and generally enhances firm performance through increased sales and profits. A different approach was adopted by Kalleberg, *et al.* (2006) who avers that the adoption of HPWSs differs among profit-making, non-profit making and within the public sector. Kalleberg, *et al.* (2006) identified HPWS to include multiskilling, teamwork, committees and reward incentives and performance indicators as against flexibility, innovation, and high quality. Kalleberg, *et al.* (2006) advocates for the adoption of HPWS that are aligned to both internal and external organizational contexts such as organizations' structure, culture, strategy, technology and other environmental constraints.

Studies by Thang, *et al.* (2010) revealed that HPWS have positive impact on both financial performance (return on investment, market share, and profits) and non-financial performance (job satisfaction and turnover). Thang, *et al.* (2010) asserts that HR outcomes mediates the linkage between HR capabilities and firm performance. The HR outcomes identified include employee's abilities, skills, knowledge, motivation, behavior and attitude. Introducing the socio-cultural dimension in the debate, Liang, *et al.* (2012) affirms that cost-benefit analysis of adoption of HPWS is determined by social, cultural, economic and political factors. Therefore, the configurational and integration of HWPS should be informed by contextual consideration (Patel & Conklin, 2012). In a study by Ferreira, *et al.* (2012) revealed five bundles of HPWSs common in European context: employee representation, training, profit sharing, teamwork, ownership rewards, and communication. The study showed that teamwork, communication and training influenced performance positively while employee representation impacted performance negatively.

The common thread in HPWS-performance literature is that the HR practices should be bundled into a complementary system in order to enhance the impact of its sub-systems on organizational performance (Appelbaum, *et al.*, 2000; Guest, 2002; Macky & Boxall, 2007; Huselid & Becker, 2011). Similar sentiments are shared by Delery and Gupta, (2016) who assert that combinations of HPWS practices into bundles produce synergistic effect on firm performance that individual practices cannot achieve. However, Chadwick (2010) and Gerhart (2012) argue that there is scarcity of empirical work that spells out and tests these configurations, bundles, or synergies to determine the combinations that would lead to organizational effectiveness. The jury is still out on the practices that comprise an effective HPWS (Guest, 2011; Paauwe, *et al.*, 2012; Liu & Jiang; 2015).

2.3. HPWS and Organizational Ambidexterity

Human resource management system provides the base to achieve organizational ambidexterity (Patel *et al.*, 2013). Research on ambidexterity indicates that the use of high-performance work systems (HPWS) is an important antecedent to facilitate ambidexterity, which results in better firm performance (Patel *et al.*, 2013; Ghosal & Bartlett, 1994). Patel *et al.* (2013) avers that HPWS utilization is positively related to organizational ambidexterity. It is argued that ambidexterity conceptually mediates the relationship between HPWS utilization and firm growth. High-performance work systems build a behavioral context that promotes ambidexterity in employees' performance (Patel *et al.*, 2013). In line with Gibson and Birkinshaw (2004) such HR systems emphasize alignment and adaptability which are key elements of an ambidextrous organization. Alignment-based HR practices include job analysis, job-based staffing, performance appraisal, incentive-based compensation, and training (Patel *et al.*, 2013).

However, Wei and Lau (2010) argue that only well developed and configured HPWS would produce an ambidextrous workforce who would ultimately impact on organizational performance. This is in consonance with scholars who advance the argument that organizational ambidexterity provides an avenue through which HPWS influences firm performance (Gibson and Birkinshaw, 2004; Patel *et al.*, 2013). Building the proper context for ambidexterity through effective HR system inculcates a committed, adaptable and flexible workforce that drives the innovation and improved organizational performance (Gibson and Birkinshaw, 2004; Lubatkin, *et al.*, 2006; Patel *et al.*, 2013). Gibson and Birkinshaw (2004) asserts that HPWS creates a

context for alignment with current business opportunity (through the context of discipline and stretch) and adaptability to changing business dynamics (through the context of support and trust. Alignment and adaptability contexts is only developed through human resource base characterised by a well-integrated high-performance work practices (Gibson and Birkinshaw, 2004; Patel *et al.*, 2013; Chang, 2016)

2.4. Organizational Ambidexterity and Performance

Organizational ambidexterity has been understood to be the key avenue for contemporary organizations to survive and grow in a tumultuous business environment. However, there is a mixed empirical evidence on the effects of organizational ambidexterity on firm performance. Some research has found positive relationship (e.g. Gibson & Birkinshaw, 2004; Lubatkin, *et al.*, 2006; Raisch & Birkinshaw, 2008; Tushman & O'Reilly, 1996) while others have found negative relationship or contingent effect (e.g. Atuahene-Gima, 2005; Lin, Yang, & Demirkan, 2007; Venkatraman, Lee, & Iyer, 2007). This controversial position or lack of consensus can be attributed to methodological differences adopted by the researchers Junni, *et al.*, (2012).

Scholars have advanced that organizations that engage in exploration and exploitation activities simultaneously are more likely reap the benefits of ambidexterity than firms that undertake either exploration or exploitation exclusively (March, 1991; Raisch & Birkinshaw, 2008; Tushman & O'Reilly, 1996). It is argued that overreliance on either of the two dimensions at the expense of the other is counter-productive (Levinthal & March, 1993; Smith & Tushman, 2005). Too much emphasis on exploitation leads to organizational inertia while overemphasis on exploration leads to financial trap (Levinthal & March, 1993). An optimal mix or combination should be established for both short term and long-term benefits (Levinthal & March, 1993; Raisch & Birkinshaw, 2008). This optimal balance ensures that the firm remains efficient in current operations while simultaneously adapting to business dynamics through innovation and creativity (Simsek, *et al.*, 2009). However, some scholars have questioned the viability of achieving an optimal balance between exploration and exploitation (Junni, *et al.*, (2012; Simsek *et al.*, 2009). This position arises from the proposition that the two dimensions of ambidexterity compete for the same scarce organizational resource (Junni, *et al.*, (2012; Simsek *et al.*, 2009).

Organizational ambidexterity can be understood both structurally and contextually (or behaviorally). Contextual or behavioural ambidexterity refers to the execution of ambidexterity at the employee level efficacy (Gibson & Birkinshaw, 2004). The human resource perspective of organizational ambidexterity is drawn towards the employee ambidextrous activities. The exploitative activities comprise utilization of existing knowledge and skills for short term goals including improving organizational efficiency and efficacy, while explorative activities include creative and innovative behaviours that entail pursuit for new products, markets, technology and processes for future growth (Gibson & Birkinshaw, 2004; Kang & Snell, 2009; Mom, Van den Bosch, & Volberda, 2009). Individual employees who engage in ambidextrous activities exhibit higher levels of innovative work behaviour (Rosing, Frese, & Bausch, 2011).

2.5. Organizational Climate, HPWS and Performance

The effectiveness of high performance work systems on organizational performance is dependent on the micro and macro contexts of the organization. A micro environment characterised by a climate of autonomy, managerial support, team work, trust, integration, shared values are important for HPWS and promotes ambidextrous activities (Collins & Smith, 2006). It is argued that a positive organizational climate creates a conducive environment for knowledge sharing and information exchange, innovation and creativity, collaboration, cooperation and idea incubation (Gibson & Birkinshaw, 2004; Collins & Smith, 2006; Mayer, *et al.*, 1995; Nahapiet & Ghoshal, 1998). Some scholars (e.g., Howell, *et al.*, 1996) posit that a strong firm-level climate strengthens the positive effect of HPWS on organizational ambidexterity.

A conducive climate for HPWS and ambidexterity leads to greater levels of innovation and growth (Collins & Smith, 2006; Nahapiet & Ghoshal, 1998). A positive organizational climate secures the firm from internal vulnerabilities and uncertainties (Bowen & Stroff, 2004). This is as Dirks and Ferrin (2001) argues that employees' behaviour are to a large extent influenced by the organizational climate. A climate that cultivates ambidextrous behaviours from employees such as engaging in discretionary innovative ideas, contradictory thinking, creativity, pursuit of new knowledge and skills, continuous learning among others should be encouraged (Dirks & Ferrin, 2001; Gibson & Birkinshaw, 2004; Collins & Smith, 2006).

3. Research Gaps

The configuration and bundling of HPWS has been a source of contention in extant literature. Chadwick (2010) and Gerhart (2012) argue that there is scarcity of empirical work that spells out and tests these configurations, bundles, or synergies to determine the combinations that would lead to organizational effectiveness. The jury is still out on the practices that comprise an effective HPWS (Guest, 2011; Paauwe, *et al.*, 2012; Liu & Jiang; 2015). Macky and Boxall (2007) argue that there is an overwhelming demand for further research into the existence of complementary bundles of HR practices and their synergistic effect as part of HPWS.

According to Boxall and Macky (2009), there is contextual socio-cultural variations in HPWS practices. Practices considered "high performance" in United States of America are not necessarily so in United Kingdom (Boselie, *et al.*, 2001; Boxall & Purcell, 2008). This disparity is replicated in other socio-cultural economies in the world and HPWSs in which researchers aggregate their perceptions of 'best practices', without regard to a specific context, are therefore fundamentally

contentious (Boxall & Macky, 2009). Work systems and employment practices vary significantly across occupational, hierarchical, workplace, industry and societal contexts (Wood, 1999; Valeyre, 2005; Kalleberg, *et al.*, 2006).

Further, scholars advance that there is need to advance theoretical positions of HPWS impact on performance through empirical studies that conceptualize the frameworks of HPWS-Performance relationship antecedents, consequences and interventions (Liu and Jiang; 2015; Bowen & Ostroff, 2004; Delery & Shaw, 2001). There is an ever-increasing outcry for studies to analyze the architectural mechanisms and open up the HR-performance “black box” that not only clarifies but also reaffirms the relationship between HR bundles or systems and performance (Guest, 2011; Buller & McEvoy, 2012). There is no consensus in extant literature on the mediation variables through which HPWS influence firm performance or the moderating climate under which this link extends (Guest, 2011; Huselid, 1998). Some scholars have decried the overconcentration on employee outcome measures as mediators in HPWS and performance relationship (Kehoe & Wright, 2013; Guest, 2011; Huselid & Becker, 2011; Liu & Jiang; 2015). The assumptions of an underlying causal link between HR practices and firm performance bridged by employees’ behaviour need to be merited through study of other mediation paths (Guest, 1999, 2011; Huselid & Becker, 1998; Macky & Boxall, 2007). There is diversity in the paths that organisations follow in pursuit of organizational effectiveness (Boxall & Macky, 2009).

Boxall and Purcell (2008) argue that the notion of complementary bundles of synergistic HR practices is simplistic and ineffectual as long as they (bundles) are not embedded in the wider organizational context, including environment, social dimensions, operations, and more importantly strategy. There is need for alignment with strategy for HPWS to have greater impact on performance (Huselid, 1997; Huselid & Becker, 2011). HPWS-performance link is hinged on both internal and external consistencies or fit (Evans & Davis, 2005). Becker and Huselid (2006) postulate that the intermediate outcomes and strategy implementation process should be incorporated in research on effects of HPWS on firm performance.

Andriopoulos and Lewis (2009) affirm that for organization to efficiently take advantage of existing market opportunities while creating and innovating to meet the challenges of the future, they have to pursue both exploration and exploitation strategies that comprise the organizational ambidexterity. Patel, *et al.* (2013) argue that separate HR practices may be combined or configured into a single bundle of HPWS which would allow the firm to achieve both alignment and adaptability requisite for ambidexterity. Organizational ambidexterity mediates the relationship between HPWS utilization and firm growth (Patel, *et al.*, 2013). However, there is the lingering contradictions in practice and literature that a firm should either pursue efficiency or innovation but not both at the same time. Despite this scholar insist the need for contextual balance of both competencies (Gibson & Birkinshaw, 2004; He & Wong, 2004; Katila & Ahuja, 2002; Lubatkin, *et al.*, 2006; Patel, *et al.*, 2013).

Research on ambidexterity indicates that the use of high-performance work systems (HPWS) is an important antecedent to facilitate ambidexterity, which results in better firm performance (Patel *et al.*, 2013). Gibson and Birkinshaw (2004) suggest that organizational performance can be enhanced by building behavioural or contextual ambidexterity encompassing elements of stretch, discipline, support, and trust that allow the meta-capabilities of alignment and adaptability to simultaneously flourish, and thereby sustain business unit performance (Patel, *et al.*, 2013). However, there is inadequate empirical study on organizational systems that facilitate the contextual ambidexterity in high performance environment (Lavie *et al.*, 2010; Simsek, 2009). Patel, *et al.* (2013) aver that there is an urgent need to focus research on high performance work systems as antecedent of organizational ambidexterity. Gibson and Birkinshaw (2004) advocate for research on assessing the extent to which high-performance work systems (HPWS) may assist firms in developing a behavioral context that promotes ambidexterity in their workforces and consequently lead to organizational effectiveness.

Although researchers have examined the relationship between the use of HPWS and ambidexterity, the focus has been on contextual ambidexterity, knowledge combination and exchange, or adaptive capability (; Patel *et al.*, 2013; Wei & Lau, 2010). While this line of research is valuable in revealing the potential impact of HPWS on organisational ambidexterity, it offers limited insight into the use of firm-level HPWS to facilitate organisational ambidexterity at the lower levels of firms. Furthermore, it has been assumed that HPWS represents a conduit for the development of unit organisational ambidexterity; however, the actual mechanisms linking HPWS and unit organisational ambidexterity across multilevel analysis have rarely been examined directly (Chang, 2015). In addition, there is limitation of current empirical research in the sense that ambidexterity is nearly exclusively investigated at the organisation level (Junni, *et al.*, 2013; Zacher, Robinson, & Rosing, 2014). Hence, we lack in-depth insights about how ambidexterity at the employee level is related to specific employee behaviour, such as innovative work behaviour (Janssen, 2000). Increasingly, there are calls for research that explores ambidexterity at the employee level (Birkinshaw & Gupta, 2013; Zacher, *et al.*, 2014).

From the foregoing, it is evident that extant literature on HPWS, organizational ambidexterity and performance is deficient of consensus on various fronts: there are empirical gaps on the causal mechanisms through which HPWS influences organizational performance; there is no agreement on the configurational elements of HPWS across socio- cultural and economic contexts; there is scarcity of research on mediation role of behavioural or contextual ambidexterity linking HPWS and organizational performance despite literature attributing organizational flexibility (in both alignment and adaptability to market changes) to ambidexterity that arises from human resource base.

4. Proposed Conceptual Framework and Research Methodology

4.1. Proposed Conceptual Framework

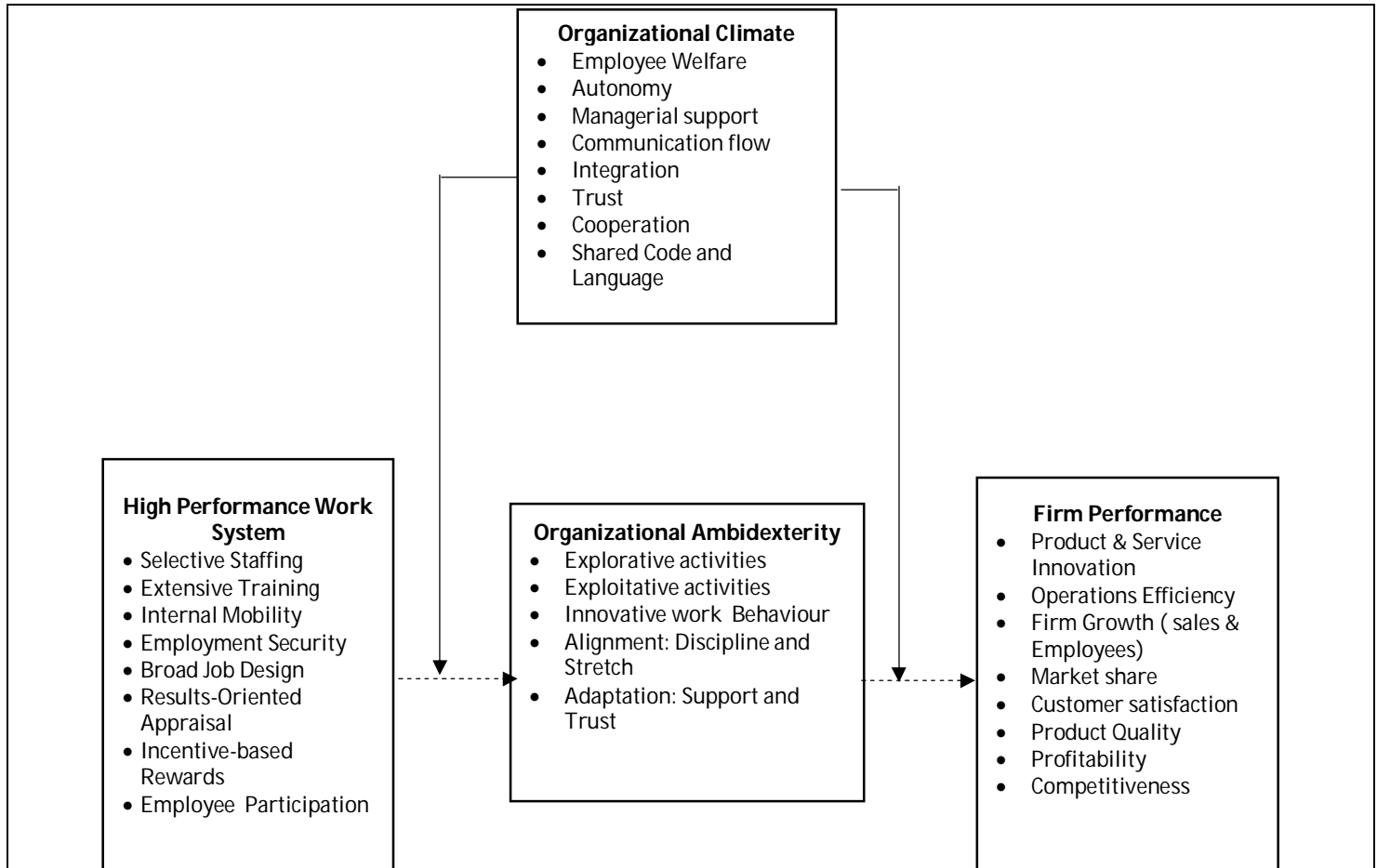


Figure 1: Proposed Conceptual Framework

Source: Njoroge (2017)

➤ Hypothesis

The following hypothesis informs the above conceptual framework and research direction:

H₀1: There is no relationship between high performance work system and organizational performance

H₀2: Organizational ambidexterity has no mediation influence on the relationship between HPWS and organizational performance

H₀3: Organizational climate has no moderating effect on the relationship between HPWS and organizational performance

4.2. Methodology

The appropriate research design for this study is descriptive research design. Descriptive research designs are usually structured and designed to measure the characteristics identified in the research questions (Kothari, 2004). The design is more reliable and suitable in determining the relationships between variables and used to produce models of these relationships (Saunders, Lewis and Thornhill, 2009). It useful in finding out who, what, where, when or how much of a given phenomenon (Cooper & Schindler, 2006). Descriptive design allows the researcher describe, record, analyze, and report phenomena of research variables under study (Kothari, 2004). This design therefore enabled the researcher to describe and define the key attributes of the research variables and determine their relationships.

Data Collection instruments ideal for this study is self-administered questionnaire. Saunders, *et al.*, (2009) considers questionnaire to be the most appropriate instrument for data collection in descriptive research. Kothari (2004) considers questionnaire to be the most appropriate instrument of collecting large amount of data. Mugenda and Mugenda (2003) postulate that questionnaires are low cost, free from the bias of the interviewer, and respondents have adequate time to give well thought out answers. The questionnaire should have both closed-ended and open-ended questions. According to Kothari (2004), closed-ended questionnaires are important to generate statistics in quantitative research and open-ended questionnaires are necessary in qualitative research.

To assess validity and reliability, literature recommends an exploratory factor analysis using principal axis factoring to uncover the underlying factor structure of the high-performance HR practices. In the context of operationalizing HPWS, Becker and Huselid (2001) called for a unitary index that contains a set (though not always the same set) of theoretically appropriate HRM practices derived from prior work. Based on the traditional approach for operationalizing the HPWS measure, scholars call for an additive index to reflect a single comprehensive measure of a firm's HR system (Bae & Lawler, 2000; Batt, 2002; Guthrie, 2001; Huselid, 1995). A high score on this measure indicates a relatively intensive investment in high-performance work practices.

The collected data should be analyzed and interpreted using descriptive and inferential statistics. Saunders *et al.*, (2009) argue that the researcher has to apply various descriptive and inferential statistics to explain the data and draw inferences. Descriptive statistics enables the researcher to describe the combination of raw data in numerical terms (Neuman, 2005). Inferential data analysis could be done using Pearson correlation coefficient and multiple regression analysis (Cooper & Schindler, 2006)

4.3. Measurement of Variables

There is no consensus on the elements of HPWS. Delery and Doty (1996) identified seven HPWSs including profit sharing, employee participation, appraisals, training, career opportunities, job security and job description. Youndt, *et al.* (1996) classified HPWSs into two groups namely: human capital enhancing system and the administrative human resource system. Phil and MacDuffie (1996) identified five basic HR practices: online teamwork, job rotation, problem solving skills, employee involvement practices, and decentralization of effort and suggestion programs. On the other hand, Pfeffer (1998) identified seven key HPWPs: employment security, minimal status distinction, sharing financial and performance information, hiring selectively, self-managed teams/decentralization, relatively high rewards and extensive training.

Ashton and Sung (2002) categorized HPWSs into four groups: those that support employees' performance, employee involvement in decision making, knowledge and information sharing, and rewards. Chow (2004), on the contrary, identified thirty HPWSs and categorized them into seven groups: employee relations/participation, formalized HR system, compensation/benefits, training and development, strategic orientation of HRM, recruitment and selection, and promotion and career development. Zhang and Li (2009) identified a bundle of six HPWPs consisting of training, participation, well defined jobs, promotion, performance appraisal and equitable sharing of profits. Liu and Jiang (2015) assert that the essential practices in HPWS include selective staffing, self-managed teams, decentralized decision making, extensive training, flexible job assignments, open communication and performance-contingent compensation. Posthuma, Campion, Masimova and Campion, (2013) developed a framework of HR practices comprising information sharing, competence development, training extensiveness, recognition, empowerment, reward, turnover and job security among others.

Organizational Ambidexterity can be categorized into various levels: Firm level-ambidexterity or unit-level ambidexterity; Contextual or behavioural ambidexterity or structural ambidexterity; and employee level ambidexterity (Junni, *et al.*, 2013; Marjolein & Monique, 2016; Prieto & Pilar Pérez Santana, 2012; Zacher *et al.*, 2014). The key elements of ambidexterity are exploration and exploitation; alignment and adaptability; flexibility and efficiency; and innovative work behaviour ((Gibson & Birkinshaw, 2004; He & Wong, 2004; Lubatkin, *et al.* 2006; Patel, *et al.*, 2013; Raisch & Birkinshaw, 2008).

Lawler, and Weick (1970) identified four dimensions common to a number of climate studies (individual autonomy; degree of structure imposed on the situation; reward orientation; and consideration, warmth, and support). James & James, 1989; James & McIntyre, 1996; James & Sells, 1981) describe four dimensions they identified across a number of different work contexts: role stress and lack of harmony; job challenge and autonomy; leadership facilitation and support; and work group cooperation, friendliness, and warmth. James suggested that individuals developed a global or holistic perception of their work environment.

Climate dimensions identified using the human relations model are: employee welfare—the extent to which the organization values and cares for employees (e.g., Robinson & Rousseau, 1994; Guest, 1998); autonomy - designing jobs in ways which give employees wide scope to enact work (e.g., Cherns, 1976; Klein, 1991); participation - employees have considerable influence over decision-making (e.g., Miller & Monge, 1986; Hollander & Offerman, 1990; Heller, Pusi, Strauss, & Wilpert, 1998); communication - the free sharing of information throughout the organization (e.g., Callan, 1993 Hargie & Tourish, 2000); emphasis on training - a concern with developing employee skills (e.g., Gattiker, 1995; Morrow, Jarrett, & Rupinski, 1997); integration - the extent of interdepartmental trust and cooperation (e.g., Lawrence & Lorsch, 1967 Nauta & Sanders, 2000); supervisory support - the extent to which employees experience support and understanding from their immediate supervisor (e.g., Cummins, 1990; Eisenberger *et al.*, 2002).

Popular indicators of organizational performance used in previous research includes the following: effectiveness, efficiency, development, innovation, costs reduction, competitiveness, quality of product, satisfaction of customers or clients, public image and good will, revenue growth, market share, profitability, return on assets and return on sales (MacDuffie 1995; Delaney & Huselid 1996; Guest and Hoque 1996; Youndt, *et al.*, 1996; Roger & Wright, 1998; Hoque 1999; Wei & Lau, 2005; Wang and Zang 2005; Katou & Budhwar, 2006, 2010).

5. Conclusion

HPWS have been found by many researchers to have significant impact on employees and on the organizations' performance (Den Hartog & Verbung, 2004; Way, 2002; Becker & Gerhart, 1996; Becker & Huselid, 1998). This dimension of HR practices in relation to organizational performance has been explained from the resource-based view of the firm. Regarding which, Barney (1991) argues that firms develop competitiveness by acquiring, developing and more effectively assigning its resources so as to add unique value. Accordingly, HPWS can improve employees' knowledge, skills and abilities and other organizational resources, which can result in competitive advantage. In addition to this, Evans and Davis (2005) argue that not only HPWS practices develop the knowledge, skills, and abilities of the employees, but they also change the nature of employee relationships as well as fostering proactive role makers who are prepared to develop and nurture a network of productive relationships. This is especially beneficial in instances requiring connections across departments (Evans & Davis, 2005).

It is evident that extant literature that HPWS, organizational ambidexterity coupled with a positive organizational climate impacts firm performance. However, there exists research gaps in the study of the relationship between HPWS, Organizational ambidexterity and firm performance. literature on this relationship is deficient of consensus on various fronts: there are empirical gaps on the causal mechanisms through which HPWS influences organizational performance; there is no agreement on the configurational elements of HPWS across socio- cultural and economic contexts; there is scarcity of research on mediation role of behavioural or contextual ambidexterity linking HPWS and organizational performance despite literature attributing organizational flexibility (in both alignment and adaptability to market changes) to ambidexterity that arises from human resource base (Appelbaum, et al., 2000; Gibson & Birkinshaw, 2004; Godard, 2004; Guest, 2002; Huselid & Becker, 2011; Macky & Boxall, 2007; Patel, et al., 2013; Wei & Lau, 2010).

High performance work practices adopted by companies differ from company to company as was analyzed from the empirical studies. This means that practices that work in one organization may not necessarily work in others. The effectiveness of HPWSs depends on the companies' culture, structure, type of employees and other environmental factors.

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