
Exploring Organizational Trust as Mediator in the Relationship between HRM Practices and Organizational Performance

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Abstract

The management of human resources is indispensable for each organization, whether public or private including higher educational institutions. Concerning the management of human resources, there are certain globally recognized practices those which are considered as the building blocks for organizational performance and success. Along with this, some other factors are also considered as crucial elements in the success of these organizations. Among these factors, organizational trust is considered as the most critical due to its vital role in reshaping the confidence of the individuals in organizations. The trust of employees has been identified as a critical factor in defining the overall organizational behavior of the workforce. For this purpose, some hypotheses have been developed from the theoretical framework about the relationships between HRM practices (predictors) organizational performance (criterion) and the organizational trust (mediator) which were tested over the statistical tools like correlation, regression, and mediation. This study aimed to explore above-said relationships by taking higher educational institutions under consideration with teachers as respondents in the southern region of Khyber Pakhtunkhwa, Pakistan by providing some valuable recommendations to the higher education management and the future researchers.

Keywords: HRM Practices, Organizational Trust, Organizational Performance & HEIs

Introduction

In the contemporary era, where globalization is taking place in every sphere of life, the management of human resources becomes vital for organizations. However, higher education institutions play a crucial role in today's knowledge-based economy (Paauwe & Boselie, 2003). The fact is that the HEI's are not only the grooming fields for its human resources rather it provides professional expertise in the shape of proficient employees to the various sectors of the country as a whole (Gordon & Whitchurch, 2007). Human resource management (HRM) with certain allied practices is vital for the successful performance of any higher educational institution. Similarly, organizational performance depends upon several measures which the academicians considered as the significant factors for the performance of the organization (Kumar & Gulati, 2010). Thus, HRM practices are considered as the successful building blocks for the performance of the organization (Popescu & Băltărețu, 2012). In a similar layer, there are certain intermediary factors exist that may affect the links of organizational performance with Human Resource Practices, among which the organizational trust has been considered the critical factor in affecting the relationship between HRM practices and OP.

Organizational performance is a prerequisite for the sustainable development of the organization in today's tough competitive circumstances. It is only the decent performances, which bring about the status/rank of organizations at par with global standards (Arshad, Azhar & Khawaja, 2014). The previous studies reveal that many attributes count for the organizational performances among which some are considered as most important due to their overwhelming role towards organizational credibility (Malam, Tang & Raihan, 2016). All these attributes of organizational performance are the most crucial elements for organizational success. The literature revealed that the

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effective management of human resources plays a vital role in organizational performance. There are certain practices involved in human resource management which are termed as the HRM practices (Awais, Afzal, Shahzadi & Khalid, 2017). These practices are considered by researchers are the most effective gears towards organizational performance (Haq, Ilyas & Mahmood, 2018). These practices are countless; however, the most vital are recruitment & selection and training & development. These practices are accepted by researchers to have a greater and eminent relationship and ultimate impact upon organizational performance.

Literature Review

HRM Practices

During the past decades, it was widely recognized that effective implementation of human resource management is the key to the sustainable development of the organizations (Colakoglu, Lepak & Hong, 2006). In this regard, in the contemporary competitive era, for organizational performance, HRM practices are the only prerequisite behind the success and development of each organization (Wang & Shyu, 2008). The same is the case in higher educational institutions context being the highest seat of teaching and learning. There are many practices available in previous researches, however, the amalgam of these practices is recruitment & selection and training & development (Kumar & Gulati, 2010). The literature revealed that all these practices are vital gears towards organizational success (Ali, Saeed, Soomro & Aslam, 2015). In the same line, this study adds the most critical phenomenon in the association between HRM practices and organizational performance, which is an organizational trust used as a mediator (Lazim & Perlis, 2016). This section provides an overview of the definition and importance of research concepts/variables under consideration.

Recruitment and Selection

The human resource management practices initiated from recruitment and selection. Researchers defined this concept, a selection of suitable candidates (capable & competent) for employment in the organization by comparing the job demands/requirements and prerequisite skills, knowledge, and competencies through a transparent process of recruitment and selection (Katou & Budhwar, 2006). The fact is that human is the indispensable source of competitive edge and organizations can efficiently and effectively achieve its objectives over the best utilization of the available human resources (Tan & Nasurdin, 2011). It is thus an accredited fact that the organizational efficiency and effectiveness solely reliant upon effective and strategic policies of recruitment and selection in organizations. This, in turn, will improve the working efficiency and effectiveness and pays way towards the overall organizational performance (Ali et al., 2015). In this regard, the selection process requires the attention of the top management of the organization to induce capable and committed workforces by applying the fair and merit-based policies in the organization, which in turn, will help organizations for attaining targets effectively and efficiently (Malam et al., 2016).

Training and Development

The training and development are also considered as a vital component of HRM practices. In this regard, when the selection process is accomplished, then organizations are required to arrange an orientation program to introduce the new inductees with existing workforces (Tan & Nasurdin, 2011). The main purpose of training is to nurture and update the abilities and competencies of employees aligned with the organizational objectives. The concept of training and development comprises two ideas like training and development (Rahman, Sambasivan & Wong, 2013). In this regard, training is the process by which individuals are taught critical skills and knowledge while development tends to prepare individuals for additional responsibilities which help them to develop their existing skills and knowledge (Aragon, Jimenez & Valle, 2014). Related literature revealed that training and development have an inspiring link with organizational performance and have a notable effect on organizational performance. The training and development is a continuous process that needs to be arranged regularly, which will help the organizations to achieve strategic objectives (Malam et al., 2016).

Organizational Performance

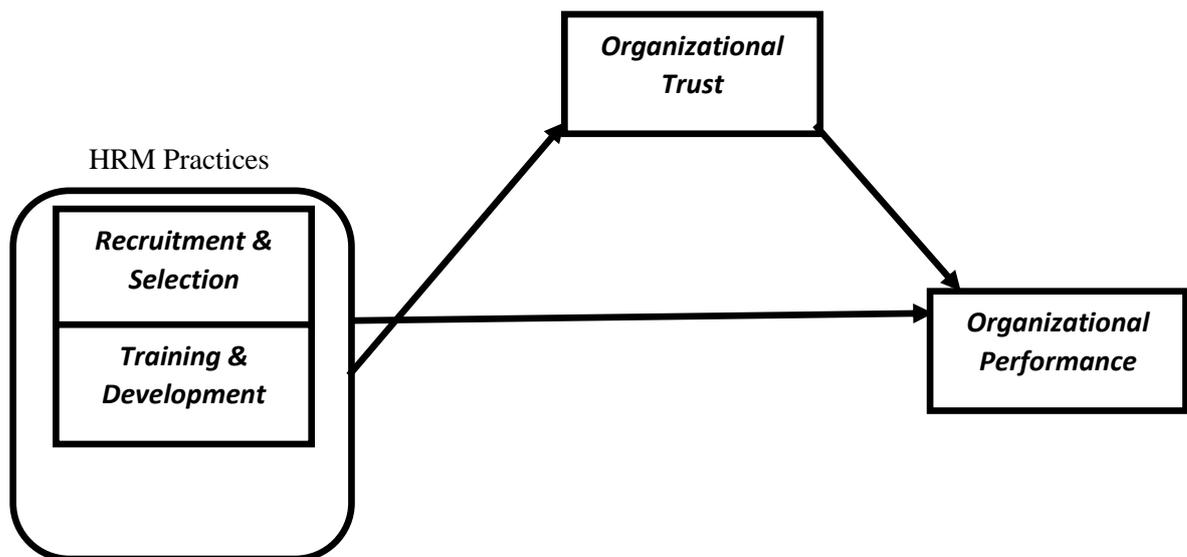
The organizational performance is mainly the amalgamation of different attributes which, when combined, lead to organizational performance. Every organization desires to achieve its predefined objectives while predominantly emphasizing its ability to constantly preserving its survival and profitability in which the efficiency and effectiveness count extremely (Matthew, 2004). In addition to

efficiency and effectiveness, human resource management practices also count for organizational performance and success. In this regard, the organizational efficiency denotes the ability of organizations to minutely plan all the dimensions of available resources concerning their accessibility and usage (Alinaitwe, Mwakali & Hansson, 2009). The literature revealed that effectiveness concerning the different organizational practices is a source of organizational success. The success is considered a vital factor in making decisions in the organization (Kumar & Gulati, 2010). The effectiveness denotes to achieve desired results and for this purpose, the organizations are required to design long-term strategic planning based on the requirements of the organizations (Haq et al., 2018).

Organizational Trust (Mediator)

The organizational trust is used in the current study as a mediator in connection amid HRM practices and organizational performance. The related literature revealed that organizational trust is a critical component in the relationship between both concepts. Concerning relationships, in organizations, trust is a prominent concern about collegial relationships, employee-supervisor relationships, and supervisor-management relations (Hassan, Toylan, Semerciöz & Aksel, 2012). The literature reveals that trust is playing a facilitating role when human resource management practices are alive and when organizations are efficient and effective about their available resources (Pervaiz, Imran, Mobeen & Khan, 2014). Here exist two perceptions about trust, in this regard, one relates to the outcomes regarding the individual and organization viewpoint while the second denotes to strengthen/weakened relationship between the two concepts (Lazim & Perlis, 2016). Similarly, trust act as a facilitator in the relation between the variables (predictors and criterion). Trust always helps organizations concerning positive outcomes regarding organizational activities. In this regard, trust is the most significant predictor of organizational performance (Judeh, 2016).

Figure 1 Conceptual Framework



Research Hypotheses

- H₁:** There is a significant association between independent, dependent and mediator (correlation).
- H₂:** Organizational trust strengthens the relationship between HRM practices & organizational performance (multiple regression).
- H₃:** Group means differences in respondents' opinions regarding experience towards the research variables (t-test).
- H₄:** Group means differences in respondents' opinions regarding gender towards the research variables (t-test).

Research Methodology

Research Philosophy & Approach

The epistemological philosophy presents two options like positivism and phenomenology. The positivist approach is related to the work with visible and noticeable social truth and feelings of such research can be generalized and further which identifies the tangible facts and observable events. The

phenomenological approach is to determine the reality behind the situation (Nicholas & James, 2008). As compared to positivism, phenomenology is very complicated, thus, positivism is the research philosophy of the current study. Similarly, in social sciences, different approaches are used by researchers for a particular purpose. The researcher adopted a survey approach (Sekaran & Bougie, 2013) for conducting the present study. The reason behind this is that the survey is one of the most crucial tools for measuring the attitude of a large population. In the survey, there are diverse tools used for collecting first-hand data or collecting data from a primary source like an interview, observation, and the questionnaire (Donald & White, 2009). In this regard, the researcher used a well-structured questionnaire as a data collecting instrument from respondents in the present study.

Methods & Procedures

All faculty members working in the southern region of Khyber Pakhtunkhwa holding different positions is the target population of the study. There are 1947 faculty members in Public sector universities while 1165 faculty working in Private sector universities in Khyber Pakhtunkhwa (Statistical Data HEC, 2015-2016). Through stratified random technique, a sample of 354 teachers who are working in different private and public sector universities in KP was selected by using the Yamane (1967) simplified formula. For measuring present study variables, an adapted version of the questionnaire was used for collecting data from the respondents of the study. Measures were extracted from the previous studies and already used by many researchers in their studies. For data analysis, various statistical tools like scale reliability, correlation, simple regression, and multiple regression are employed.

Validity and Reliability

Assessing the scale validity content is an early critical phase in improving instrument validity in the social research process (Haynes, Kubany & Richard, 1995). Through the experts’ opinions, hailing from social sciences, the instrument was certified after the pilot study. The experts suggested some changes in the contents of the instrument which was later on corrected by the researcher while finalizing the instrument. For construct validity, exploratory factor analysis was used and sample adequacy case Bartlett Test of Sphericity and Kaiser-Meyer-Olkin Tests were used.

Reliability Statistics			
S. No	Constructs	Items	α
1	HRM Practices	9	.779
2	Organizational Performance	6	.790
3	Organizational Trust	7	.792
4	Questionnaire	22	.907

Validity Statistics on HRM Practices				
KMO measure of sampling adequacy		.774	Matrix	
Bartlett’s test of Sphercity	Appr. Chi-Squa	866.698	Items	Factor Loading
	df	21	HRM P 1	.844
	Sig	0.000	HRM P 3	.454
KMO test	Required	Computed	HRM P 4	.523
	= or > .7	.774	HRM P 5	.485
Bartlett’s test	= or < .05	.000	HRM P 6	.465
Factor Loading	= or > .4		HRM P 7	.835
			HRM P 8	.846

Validity Statistics on Organizational Performance				
KMO measure of sampling adequacy		.784	Matrix	
Bartlett’s test of Sphercity	Appr. Chi-Squa	708.544	Items	Factor Loading
	df	15	OP1	.688
	Sig	0.000	OP2	.742
KMO test	Required	Computed	OP3	.676
	= or > .7	.784	OP4	.795
Bartlett’s test	= or < .05	.000	OP5	.502
Factor Loading	= or > .4		OP6	.878

Validity Statistics on Organizational Trust				
KMO measure of sampling adequacy		.801	Matrix	
Bartlett's test of Sphericity	Appr. Chi-Squa	629.299	Items	Factor Loading
	df	15	Trust1	.767
	Sig	0.000	Trust2	.781
KMO test	Required	Computed	Trust3	.638
	= or > .7	.801	Trust4	.775
Bartlett's test	= or < .05	.000	Trust5	.465
Factor Loading	= or > .4		Trust7	.829

Empirical Findings

A. Correlation (Associations)

H₁: There is a significant association between independent, dependent and mediator (correlation).

Construct		HRM Practices	OT	OP
HRM Practices	Pearson Correlation	1		
	Sig. (2-tailed)	-		
Organizational Trust (OT)	Pearson Correlation	.735**	1	
	Sig. (2-tailed)	.000	-	
Organizational Performance (OP)	Pearson Correlation	.601**	.772**	1
	Sig. (2-tailed)	.000	.000	-

**Correlation is significant at the level 0.01

In the above table, correlation coefficients of the predictor with mediator and criterion variables show the positive and significant association. Results revealed that independent variable i.e. HRM practices are significantly positively associated with mediator i.e. organizational trust and dependent variable i.e. organizational performance. Results show a positive and significant association of organizational performance with HRM practices (R = .601 & P = .000) and the organizational trust (R = .772 & P = .000). Similarly, there is significant and positive association between the HRM practices and organizational trust (R = .735 & P = .000). On the bases of the above findings hypothesis, one (H1) is accepted.

B. Mediation Analysis

H₂: Organizational trust strengthens the relationship between HRM practices & organizational performance (multiple regression).

Model Summary											
Model	R	R ²	Adjusted R ²	SEE	Change Statistics	df1	df2	Sig.	F	F	Sig.
					R ²			Change	Change		
1											
1	.601a	.361	.359	.48821	.361	1	307	.000	173.702		.000b
2	.774b	.599	.596	.38772	.237	1	306	.000	228.090		.000c

Coefficients

Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.
		B	Beta		
1	(Constant)	1.746		7.434	.000
	HRM Practices	.705	.601	13.180	.000
2	(Constant)	1.096		5.687	.000
	HRM Practices	.085	.072	1.356	.176
	Trust	.692	.719	13.445	.000

a. Predictors: HRM Practices **b.** Mediator: Organizational Trust **c.** Dependent: Organizational Performance

Organizational trust is used as the mediator in the relationship between HRM practices and organizational performance. For confirming the mediating role of organizational trust in the association of HRM practices and organizational performance, multiple regression analysis is adopted. The multiple regression provides two model models. In the first model, the R² is 36 %, which has been increased to 60% after the addition of organizational trust as a mediator. The results further show that in the first model, the Beta value of HRM practices (.705) has been reduced to (.085) when the organizational trust is used as a mediator. Therefore, the increase in R² (from 36% to 60%) and the decrease in Beta values (from .705 to .085) confirms that organizational trust is playing the role of mediator in the relationship between HRM practices and organizational performance. Therefore, hypothesis No. 2 is accepted.

C. Group-Mean Differences

H₃: Group means differences in respondents' opinions regarding experience towards the research variables (t-test).

Group Statistics (Experience)					
	Level	N	Mean	Std. Deviation	Std. Error Mean
HRM Practices	Senior	145	4.2851	.52277	.04341
	Junior	164	4.4268	.50998	.03982
Organizational Performance	Senior	145	4.7319	.64940	.05393
	Junior	164	4.8985	.56325	.04398
Organizational Trust	Senior	145	4.6709	.65645	.05452
	Junior	164	4.9965	.57164	.04464

Independent Samples Test

		F	Sig.	t	df	Sig. (2-tailed)
HRM Practices	Equal variances assumed	.010	.921	-2.410	307	.017
	Equal variances not assumed			-2.407	300.395	.017
Organizational performance	Equal variances assumed	2.615	.107	-2.415	307	.016
	Equal variances not assumed			-2.394	287.065	.017
Organizational Trust	Equal variances assumed	.793	.374	-4.660	307	.000
	Equal variances not assumed			-4.621	287.606	.000

For checking group means differences in opinion regarding experience related to present study variables, t-test was applied. Experience has widely used as a demographic variable in connection to the research variables likewise, HRM practices (.017), organizational performance (.016), and organizational trust (.000). The results showed that experience has shown significant group means differences regarding all research variables, but its impact is higher on organizational trust as compared to other research variables. Therefore, hypothesis No. 3 is accepted.

H₄: Group means differences in respondents' opinions regarding gender-related to present study variables.

Group Statistics (Gender)					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
HRM Practices	Male	205	4.4130	.54896	.03834
	Female	104	4.2564	.44203	.04334
Organizational Performance	Male	205	4.9777	.58468	.04084
	Female	104	4.5100	.53738	.05269
Organizational trust	Male	205	4.9923	.64824	.04527
	Female	104	4.5508	.48575	.04763

Independent Samples Test

		F	Sig.	t	df	Sig. (2-tailed)
HRM Practices	Equal variances assumed	2.143	.144	2.523	307	.012
	Equal variances not assumed			2.706	249.972	.007
Organizational Performance	Equal variances assumed	3.630	.058	6.825	307	.000
	Equal variances not assumed			7.016	223.216	.000
Organizational trust	Equal variances assumed	11.946	.001	6.126	307	.000
	Equal variances not assumed			6.718	264.277	.000

The t-test was used to examine the group mean differences regarding gender respecting the present study variables. Results show that all the research variables have shown significant group means difference concerning all research variables likewise, HRM practice (.012), organizational performance (.000), and organizational trust (.000). Findings of the above analysis support hypothesis four (H₄), hence H₄ is also accepted.

Discussions and Conclusion

The human resources are widely recognized as the competitive source for the sustainable edge of organizations. The management of human resources becomes a challenging task for an organization to survive in an existing competitive environment (Becker, Huselid & Ulrich, 2001). Consequently, numerous studies defined HRM practices as the set of formal policies and practices utilized by organizations to manage their human resources by emerging their abilities to chase the predefined

objectives (Stavrou, Charalambous & Spiliotis, 2007). This can be possible when organizations can effectively plan and implement HRM practices effectively. Thus, the organizations are required to select the best human capital for the organizations (recruitment and selection) (Tan & Nasurdin, 2011), develop and nurture knowledge, skills, capabilities, and interpersonal relations (training & development) (Rahman, Sambasivan & Wong, 2013).

Keeping in view the results from the previous studies and the results obtained through statistical procedures in the present study, it has been concluded that HRM practice (recruitment & selection and training & development) has a positive and significant association and impact on organizational performance. Similarly, organizational trust is also validated as a significant mediator in the relationship between HRM practices and organizational performance. Likewise, the demographic variables (experience & gender) have also shown the significant group means differences regarding the research variables. On the part of institutional management, their responsibilities are not only limited to recruit and select suitable candidates for employment rather it is also the responsibility of the management to ensure the proper training and development programs to update knowledge and skills of the workforce. Therefore, results from the testing of the hypothesis validated the significant relationships among the research variables under consideration in the present research work.

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