



ADVANCE SOCIAL SCIENCE ARCHIVE JOURNAL

Available Online: <https://assajournal.com>
 Vol. 05 No. 01. Jan-March 2026. Page#3878-3890
 Print ISSN: [3006-2497](https://doi.org/10.5281/zenodo.21277807) Online ISSN: [3006-2500](https://doi.org/10.5281/zenodo.21277807)
 Platform & Workflow by: [Open Journal Systems](https://doi.org/10.5281/zenodo.21277807)
<https://doi.org/10.5281/zenodo.21277807>



High-Performance Work Systems on Organizational Performance in the Banking Sector of District Khairpur: The Mediating Role of Psychological Empowerment.

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ABSTRACT

For many companies in today's competitive business landscape, there is never a moment to rest on their laurels when it comes to improving performance and maintaining a competitive edge. This research aims to investigate the relationship between High Performance Work Systems (HPWS) and Organizational Performance in banking sector of District Khairpur Pakistan by considering the mediating role of Psychological Empowerment. The study used the quantitative cross-sectional survey design and 220 employees were selected from different banks of District Khairpur and data was collected using a structured questionnaire containing 15 items on 5-point Likert scale. The data analysis was done with SPSS version 27, reliability analysis, correlation analysis, regression analysis and PROCESS macro for mediation analysis. The results indicated that the items possessed good internal consistency (Cronbach's Alpha = .938), high positive correlations between all the items with HPWS significantly and highly correlated with Organizational Performance ($r = .887$) and Psychological Empowerment ($r = .861$), respectively. The results of regression analysis revealed that HPWS significantly predicted Organizational Performance ($\beta = .4187$, $p < .001$) and Psychological Empowerment ($\beta = .8589$, $p < .001$). Indirect effect of HPWS on Organizational Performance via Psychological Empowerment was significant (Effect = .4511, BootLLCI = .2568, BootULCI = .7681), which was consistent with the partial mediation model. The study finds that HPWS not only has a direct positive effect on organizational performance, but also an indirect effect through the mediation of psychological empowerment. Findings add to the body of literature of strategic HRM by resolving the "black box" problem and adding empirical evidence from an under-researched environment such as District Khairpur.

Keywords: High-Performance Work Systems, Psychological Empowerment, Organizational Performance, Banking Sector, District Khairpur.

Introduction

In today's environment of highly competitive business and accelerating technology change, companies are constantly looking for ways to be more efficient and maintain a competitive edge. One of the strategies that have been found to play a crucial role in strategic human resource management (HRM) literature is the High-Performance Work Systems (HPWS) which can greatly affect organizational outcomes (Mazhar et al., 2020). HPWS is a set of integrated and interdependent human resource practices that aim to build the skills, motivation and opportunities of the workforce—such as strict recruitment and selection, extensive training, performance-based compensation, employee participation and flexible work arrangements (Mehralian et al., 2021). The concept behind HPWS is that investments in human capital via these synergistic practices lead to returns much higher than the sum of the parts of the HR interventions, thus providing a source of sustainable competitive advantage that is hard to replicate.

There has been a significant amount of research that has examined the link between HPWS and organizational performance, with an increasing number of empirical studies finding a positive relationship between HPWS and organizational performance in various settings. Alizadeh Sani (2023) in a thorough meta-analysis of 145 articles from 2008 to 2019, found that there was a positive relationship between HPWS practices and organizational performance, with a significant effect of HPWS practices on financial and operational measures. Likewise, a meta-analysis of Irfon et al. (2023) that included 56,868 business entities in 20 countries confirmed the results and found that HPWS has a strong effect on performance, particularly in low human capital development countries. This research was extended by Bryson and White (2021) to the public sector where they found a positive relationship between the use of HPWS and the ratings of financial performance in the workplace, and a negative relationship between the use of HPWS and the wage costs of the workplace. Mushtaq et al. (2022) examined the relationship between HPWS practices using the Ability-Motivation-Opportunity (AMO) model and the performance of employees and the organization in the Pakistani context, and found that the Ability-enhancing and Opportunity-enhancing practices of HPWS had a positive impact on employee and organizational performance in public sector banks and insurance companies. Although the results have been strong, scholars have long struggled to identify the exact processes and ways that HPWS leads to better organizational performance, a phenomenon known as the "black box" issue in strategic HRM research.

To address this theoretical lacuna, researchers have more and more focused on the mediating processes between HPWS and performance outcomes. Psychological empowerment is one such variable that has been introduced as a meaningful mediating variable in this context. Psychological empowerment is an intrinsic motivational state that consists of four cognitions: meaning, competence, self-determination and impact, based on Spreitzer's conceptualization. Theorized to influence these positive psychological states is the application of HPWS practices that allow employees to control them, provide them with developmental opportunities and feedback on their performance, which ultimately leads to better organizational performance. Evidence to support this mediating pathway has been provided in an empirical way and is significant. In the case of Bangladesh, Rahman et al. (2023) conducted a mixed-methods study in private commercial banks in Bangladesh, which revealed significant mediation between the perceived HPWS—employee performance link through psychological empowerment, supporting the applicability of social exchange theory to understand the impact of the different HPWS configurations on employee outcomes. In addition, Riaz et al. (2024) found collective human capital and justice climate to be two steps in the process linking implemented HPWS with

branch performance, thus demonstrating the multilevel process of how HPWS works in banking settings. This discourse was advanced by Beltrán Martín et al. (2024) who explored the little-known mediating relationship between HPWS and affective commitment, thereby expanding the understanding of psychological processes in how HR systems impact employee attitudes. Furthermore, Gong et al. (2025) studied Chinese banks and found a cross-cultural predictive relationship between HPWS and job performance, as psychological empowerment is a mediator in between. The results of the present study strongly indicate that HPWS is not a tool to boost performance in a mechanistic way, but rather by developing empowered psychological states within the employees, which in turn leads to better individual and organizational results.

Banking industry is a very interesting setting to study the HPWS–organizational performance relationship through the lens of psychological empowerment. Banks have an environment that is very regulated and knowledge-based, where the quality of service, trust and efficiency of operations are key. In the banking sector, employee attitudes, behaviors and psychological states are important factors that influence service delivery and customer satisfaction, thus providing a good context in which to study the influence of HR systems on employee cognitions and ultimate service performance. Mazhar et al. (2020) performed seminal research on commercial banking sector of Pakistan, confirming that HPWS can positively affect organizational performance through its impact on employee attitudes, which is measured as organizational commitment, job satisfaction and turnover intention. Conventional banks, however, were found to have little capability to implement HPWS practices at an adequate and dynamic level which indicates that there are contextual barriers that need to be explored. Conducting a study on public sector banks and insurance companies in Sargodha and Lahore, Pakistan, Mushtaq et al. (2022) revealed that ability and opportunity-enhancing HPWS practices were partially mediated by affective, continuance and occupational commitment, highlighting the role of employee commitment as a link between them. This study was expanded by Riaz et al. (2024) who investigated 323 branch managers and 1,369 employees at commercial banks in Pakistan to further bring a conceptual framework of mediating role of collective human capital and justice climate between HPWS and branch performance. The determinants of psychological empowerment in banking have also been explored in more recent research by Alvarado et al. (2025), which found high-performance work systems and supportive organizational techniques to be important factors for employees' psychological empowerment, thus confirming the importance of psychological empowerment as a mediating variable in banking. Given the significance of these contributions, however, there is a significant absence of empirical studies on the mediating role of psychological empowerment between HPWS and organizational performance in the context of a banking sector in a District with special socio-economic characteristics and institutional environment of District Khairpur, Pakistan.

District Khairpur is one of the under-studied geographic areas in the Province of Sindh, Pakistan in the field of HPWS. The business climate in this district is unique because of its cultural norms, institutions and economic conditions that can affect the implementation and success of HPWS practices in the banking sector. Although the majority of the work on the implementation of HPWS has been conducted at metropolitan banking centers like Faisalabad, Lahore, and Sargodha, the dynamics of implementing HPWS and its performance implications in the semi-urban and rural banking context have not been well understood. The banking sector is an important sector in the context of financial inclusion, agricultural financing and development of small business in district Khairpur and for the regional economic development organizational

performance in this sector is critical and therefore the gap in this research is very significant. Thus, the aim of the present study is to explore the relationship between High-Performance Work Systems and Organizational Performance in the Banking Sector (Bank) of District Khairpur, with the mediational role of Psychological Empowerment. The research helps fill this void and informs the general practice of effective HPWS in various institutional settings and offers lessons for banking institutions in similar regional settings in Pakistan.

Research Objectives

1. To know the impact of High-Performance Work Systems on Organizational Performance.
2. To know the mediating role of Psychological Empowerment between High-Performance Work Systems and Organizational Performance.

Research Questions

1. Is there any impact of High-Performance Work Systems on Organizational Performance?
2. Is there any mediating role of Psychological Empowerment between High-Performance Work Systems and Organizational Performance?

Literature Review

Impact of High-Performance Work Systems on Organizational Performance

Linkages between High-Performance Work Systems and organizational performance have been widely studied in the literature on strategic human resource management, and researchers have used a variety of theories and methods to determine the nature and strength of the relationship. Building on this, a comprehensive meta-analysis by Zhai (2018) which analyzed 192 primary studies found a positive association between HPWS implementation and firm performance and further noted that the association is significantly stronger in developing countries than in developed countries, which implies that the implementation of HPWS in emerging economies could have a greater benefit for firm performance as there is a latecomer advantage in the leveraging of human capital investments. This meta-analytic evidence was also confirmed by further studies using other measures that found that the HPWS-performance link was stronger when using operational measures as indicators as opposed to financial measures, suggesting that the effect of HPWS may be more noticeable in operational efficiencies before becoming apparent in financial outcomes. Importantly, Zhai's (2018) analysis revealed that training and development practices were the most consistent single item within HPWS bundles, and that these practices were most likely to be associated with the HPWS-firm performance relationship, highlighting the critical role of investments in employee training and development in the process of achieving performance benefits.

The theoretical underpinning of how HPWS impacts organizational performance has been developed in different ways, including the resource-based view as a base level one. Dastmalchian et al. (2020) investigated how HPWS and organizational performance relate in relation to societal cultures, finding that HPWS practices are effective when the cultural context is different, as is the case in varying national contexts. This intercultural perspective points out that the link between HPWS and performance is not necessarily universal, and that contextual factors will moderate the relationship between HPWS and performance. The causal nature of the HPWS-organizational performance relationship has also been subject to critical examination with some researchers pointing out that the relationship observed could be due to reverse causation or common method bias. Notwithstanding these methodological issues, the bulk of the evidence suggests that the impact is from the HPWS to the performance outcomes, especially in the context of longitudinal designs and objective measures of performance.

The relationship between HPWS and performance has been the subject of much empirical research in the banking industry alone. A study by Bartram et al. (2021) in Chinese banks showed that HPWS is a sequential mediator of job performance via social climate, social identification and psychological empowerment, as it works via a supportive social climate where employees feel identified with their work teams. The finding is especially significant for the banking sector where service delivery is heavily reliant on employee attitudes and behaviors. The study also recommended that the key point for organizations is to consider how their HPWS programs can contribute to a strong work group social climate to promote employee identification at the work group level, particularly given the increased complexity and interdependence of the work.

Scholarship in the past decades has also examined the limit conditions and intervening variables related to the relationship between HPWS and performance. Peethambaran (2024) used positive psychology to understand the underlying mechanism that links HPWS to job performance, using an integrative model that draws from the conservation of resources theory, broaden-and-build theory, and social exchange theory. This study found that HPWS can increase employees' psychological capital, thereby improve their psychological well-being and maintain high job performance. Mukherjee (2022) provided a systematic review of the literature related to HPWS, consolidating the results of various sectors as well as the themes of the literature and future research directions. A bibliometric map of the 30-year research trajectory of scholars (2022) highlighted the evolution of the HPWS discourse, revealing that it has become more fragmented, sector-wise differentiated and critical to performance management with the onset of knowledge-based work. It appears that such a fragmentation necessitates sector specific investigations, like the current one on banking, to promote contextually relevant understanding in the effectiveness of HPWS.

Mediating Role of Psychological Empowerment between High-Performance Work Systems and Organizational Performance

The mediating role of psychological empowerment in the relationship between HPWS and organizational performance has come to the fore as an important pathway for addressing the "black box" of strategic HRM. The four psychological empowerment cognitions conceptualized by Spreitzer (meaning, competence, self-determination, and impact) give theoretical grounding to the study of how the HPWS practices will influence the improved performance outcomes. Building on this, Beltrán-Martín et al. (2024) investigated this in a matched sample of 142 Spanish companies where they found that 3 dimensions of psychological empowerment (meaning, self-determination, and impact) buffer the relationship between HPWS and employee affective commitment. It shows the value of studying and strengthening the various components of psychological empowerment as part of HRM strategies to recruit committed employees, and that organizations can create practices specifically to increase each of the four types of psychological empowerment.

The sequential mediation effect of psychological empowerment has been shown to be empirically valid in banking settings. Bartram et al. (2021) found that social climate, social identification and psychological empowerment mediate the connection between HPWS and job performance in Chinese banks, respectively, thus informing a fuller understanding of the HRM-performance chain as a complex social process with the social identity theory as its underpinning. This finding provides empirical support that HPWS does not act directly to improve performance in a mechanistic way, but it acts through a cascading effect on the social climate, social identification, psychological empowerment, and improvements in performance. Practically, an organization should facilitate not only the individual to function effectively but

also work groups to do the same by ensuring a shared understanding of HRM messages based on shared values and goals.

Khan et al. (2023) used a two-stage sequential mixed-methods approach to investigate the perceptions of HPWS, its relationships with psychological empowerment, immediate manager's trust, affective commitment, and employee performance in two private commercial banks in Bangladesh. The results showed that trust in immediate managers and psychological empowerment were the mediators between perceived HPWS and perceived employee performance, and that perceived HPWS had a positive relationship with affective commitment. Significantly, affective commitment was not found to mediate the relationship between HPWS and performance, indicating that psychological empowerment works in a different way from affective commitment. Based on the social exchange theory, perceived HPWS can positively influence attitudinal outcomes and employee performance, provided it is set up in an appropriate institutional context. The insight gained from this study points to the need for the contextual configuration in order to reap the advantages of HPWS in HR development and theory.

Specific to Pakistan, research has been performed that has given insights into the mediating role of psychological empowerment. Using a social identity perspective, Abbasi et al. (2020) predicted and observed that psychological empowerment of public sector banks employees in Pakistan had a relationship with HPWS and knowledge sharing behavior. From the 276 employees of banks in Pakistan, the results revealed that HPWS was positively correlated with knowledge sharing behavior and psychological empowerment mediated that correlation. Moreover, the indirect effect of HPWS on KS through psychological empowerment was stronger among high organizational identification employees, as indicated by the moderating effect of organizational identification on the indirect relationship. This result provides fresh insights into the intervening process, through which HPWSs affect employees' knowledge sharing and extends the literature by revealing when and why employees enhance their knowledge sharing in HPWSs within public sector banks.

Creativity and innovation have been used as lenses to examine the relationship between HPWS and psychological empowerment as well. Based on componential theory of creativity, the research examined the relationship between HPWS and psychological empowerment and between HPWS and creative process engagement, results of which showed that HPWS has positive influence on psychological empowerment as well as creative process engagement, and psychological empowerment mediates the relationship between HPWS and creative process engagement. Moreover, the moderated mediation model of empowering leadership on employees' innovative work behavior findings showed that empowering leadership had a direct effect on innovative work behavior, in addition, empowering leadership had a moderated effect on the relationship between empowering leadership and employees' psychological empowerment. Once empowered the leadership in the context of high HPWS, it has a significant impact on the psychological empowerment of employees and their creativity.

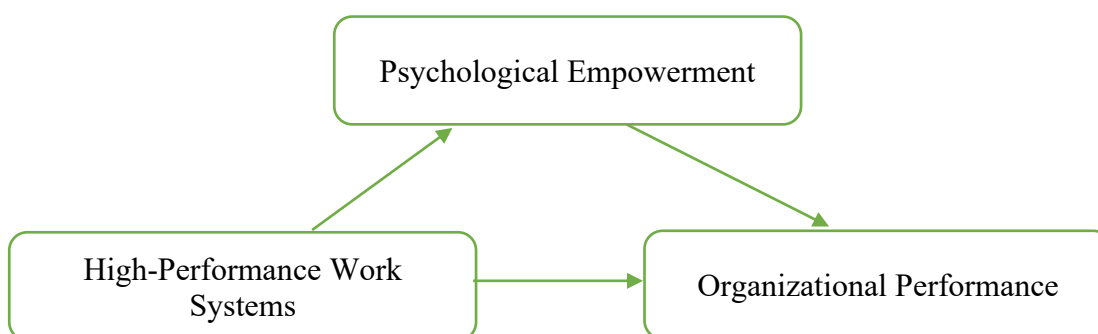
More recently, this research interest has been fueled by research that examines positive psychological processes linking HPWS and job performance. To date, the literature has lacked empirical evidence of a positive psychological mechanism between HPWS and job performance, a study that focused on a positive psychological approach (2024) has filled this void by providing empirical evidence. This study is valuable because it shows that HPWS increases employees' psychological capital, which results in well-being and long-lasting high job performance. In addition, studies of the "dark side" of HPWS have shown that although HPWS can be a strategic investment in order to gain better performance, it can also induce work

intensification that may result in an unhealthy and competitive climate. This fine-grained view implies that the intervening effect of psychological empowerment may depend on the nature of HPWS implementation and the way in which it is experienced by the employees.

Current studies are advancing the knowledge of the HPWS-psychological empowerment-performance relationship. A study conducted in 2025 on the relationship between HPWS, psychological empowerment, and power distance orientation with innovation of the employees revealed that a mediated model with HPWS as a moderator has been developed between the factors of psychological empowerment and power distance orientation of employees in terms of work meaning, competence, work impact, and self-determination. This discovery confirms the theory that psychological empowerment is a mechanism through which HPWS is related to the outcomes of performance. Furthermore, according to research on well-being oriented HRM practices (2024), psychological empowerment and social identification were significant complements being found between HRM practices and employee performance. This implies that psychological empowerment is a psychological process that is co-occurring with other psychological processes that help to convey the impact of HR systems to performance outcomes.

Overall results from these studies have shown that psychological empowerment is a strong mediator between HPWS and organizational performance. The theoretical basis is grounded in social exchange theory, self-determination theory, social identity theory, and conservation of resources theory, thus offering several complementary explanations for why HPWS practices produce empowered psychological states, which then lead to improvements in performance. The empirical evidence includes various contexts, such as Bangladesh, China, Pakistan, Spain, and Malaysia, which further help to establish the cross-cultural validity of the evidence but also show contextual contingencies. The banking sector is a relevant context for this investigation because the nature of banking operations is knowledge intensive and highly service oriented in which the psychological state of employees has a significant impact on the quality of service and the outcome of the customers. Though there is a considerable body of evidence, the specific context of District Khairpur in Pakistan has not been examined so far, necessitating the present investigation to address whether the identified mediating role of psychological empowerment exists in this unique context of institutional and socio-economic setting in Pakistan.

Research Model



Research Hypothesis

There is positive and significant impact of High-Performance Work Systems on Organizational Performance.

There is positive and significant mediating role of Psychological Empowerment between High-Performance Work Systems and Organizational Performance.

Research methodology

This study has adopted quantitative cross sectional survey design to find the impact of High-Performance Work System on Organizational Performance with Psychological empowerment acting as the mediating variable in the banking sector of District Khairpur. The cross-sectional approach is suitable if data will be gathered at one time to record the relationships between the variables studied. Targeting population of the work: Employed people of different banks working in District Khairpur, Sindh, Pakistan. A random sampling technique is used to ensure that all employees are equally likely to be selected, thus improving the representativeness of the sample. The total number of the respondents in this study is 220, which is sufficient for statistical analysis such as correlation and regression testing.

Data collection is done using a structured self-administered questionnaire with 5-point Likert scale which has the scores ranging from strongly disagree (1) to strongly agree (5). The questionnaire consists of 15 items, of which 3 are related to variables High-Performance Work Systems, Psychological Empowerment and Organizational Performance, each with 5 items adapted from previous validated research. The HPWS scale is based on well-known scales of HPWS, the Psychological Empowerment scale is based on the conceptualization by Spreitzer, (1995) that includes four dimensions (meaning, competence, self-determination, and impact), and the Organizational Performance scale is based on perceived performance outcomes such as operational and financial indicators.

The software used is SPSS version 27. Reliability analysis is first performed to gain insight into the internal consistency of the measurement scales, based on Cronbach's alpha coefficient, values above 0.70 are judged to be acceptable. To explore the bivariate relationship between HPWS, Psychological Empowerment and Organizational Performance, Pearson correlation analysis is conducted. Finally, (Baron and Kenny's, (1986) approach or PROCESS macro for mediation analysis is used to test direct effect of HPWS on Organizational Performance and the mediation effect of Psychological Empowerment. A p value of < 0.05 is used for the statistical significance level.

Data Analysis

Reliability Analysis

Reliability Statistics	
Cronbach's Alpha	N of Items
.938	15

Cronbach's Alpha value is 0.938, which signals that the 15 items in the questionnaire have excellent internal consistency reliability, meaning that all items measure the three underlying constructs of High-Performance Work Systems, Psychological Empowerment and Organizational Performance with a high degree of precision. This high reliability coefficient is far greater than the acceptable threshold (0.70), thus strengthening the confidence in the measurement instrument's validity in this study, in the sense of providing consistency in the responses obtained from the various items in the instrument.

Correlation Analysis

Correlations		High-Performance Work Systems	Psychological Empowerment	Organizational Performance
High-Performance Work Systems	Pearson Correlation	1	.861**	.887**
	Sig. (2-tailed)		.000	.000
	N	220	220	220

Psychological Empowerment	Pearson Correlation	.861**	1	.902**
	Sig. (2-tailed)	.000		.000
	N	220	220	220
Organizational Performance	Pearson Correlation	.887**	.902**	1
	Sig. (2-tailed)	.000	.000	
	N	220	220	220

** . Correlation is significant at the 0.01 level (2-tailed).

The results obtained from the correlation analysis shows strong, positive and statistically significant relationship between the three variables of the research at 0.01 significant level. This is a very strong correlation between High-Performance Work Systems and Organizational Performance ($r = .887$) and a strong correlation between High-Performance Work Systems and Psychological Empowerment ($r = .861$), while the highest correlation is between Psychological Empowerment and Organizational Performance ($r = .902$). These results give strong preliminary support for all the hypothesized relationships, and support the positive relationship between HPWS practices with psychological empowerment and organizational performance in the banking sector of District Khairpur.

Regression Analysis: PROCESS macro

Table 1: Model Summary for Psychological Empowerment (PE)

Predictor	R	R ²	MSE	F	df1	df2	p-value
HPWS	.8608	.7409	.2448	623.3586	1.0000	218.0000	.0000

Table 2: Regression Coefficients for Psychological Empowerment (PE)

Predictor	Coefficient (β)	SE	t-value	p-value	LLCI	ULCI
Constant	-.0172	.0334	-.5140	.6078	-.0829	.0486
HPWS	.8589	.0344	24.9672	.0000	.7911	.9267

Table 3: Model Summary for Organizational Performance (OP)

Predictors	R	R ²	MSE	F	df1	df2	p-value
HPWS, PE	.9283	.8617	.1266	676.0735	2.0000	217.0000	.0000

Table 4: Regression Coefficients for Organizational Performance (OP)

Predictor	Coefficient (β)	SE	t-value	p-value	LLCI	ULCI
Constant	-.0077	.0240	-.3192	.7499	-.0550	.0397
HPWS	.4187	.0486	8.6134	.0000	.3229	.5145
PE	.5252	.0487	10.7828	.0000	.4292	.6212

Table 5: Direct and Indirect Effects of HPWS on Organizational Performance

Effect Type	Effect	BootSE	BootLLCI	BootULCI
Direct Effect (HPWS $\rightarrow$ OP)	.4187	.0486	.3229	.5145
Indirect Effect via PE	.4511	.1320	.2568	.7681

The results of mediation analysis indicate that High-Performance Work Systems has a significant direct positive effect on Organizational Performance ($\beta = .4187$, $p < .001$), thus confirming that the practices of HPWS are directly related to the performance of the organization in the banking sector. In addition, the indirect effect (Effect = .4511, BootLLCI = .2568, BootULCI = .7681) suggests partial mediation, which means that the relationship between HPWS and organizational performance is partially mediated by psychological empowerment of employees.

Hypothesis Status

H No	Hypothesis	Status
H1	There is positive and significant impact of High-Performance	Accepted

	Work Systems on Organizational Performance.	
H2	There is positive and significant mediating role of Psychological Empowerment between High-Performance Work Systems and Organizational Performance.	Accepted

Result Discussion

The results of this study are very clear in terms of the relationship between the High-Performance Work Systems and organizational performance with psychological empowerment as one of the important mediators of the banking sector of District Khairpur. The reliability analysis showed that the instrument was very reliable with Cronbach's alpha value is .938. The correlation analysis showed that all the variables were highly positive, and HPWS had high correlation with Organizational Performance ($r = .887$, $p < .01$) and Psychological Empowerment ($r = .861$, $p < .01$) while Organizational Performance had the highest correlation with Psychological Empowerment ($r = .902$, $p < .01$). The results of the present study are consistent with the earlier study by Bartram et al. (2021) and Khan et al. (2023) which found that in banking settings, HPWS and psychological empowerment are positively associated with performance outcomes. In a mediation analysis conducted by PROCESS macro (Model 4), HPWS significantly mediated the relationship between Psychological Well-Being and Psychological Empowerment with an effect of $\beta = .8589$, $p < .001$, and accounted for 74.09% of the variance in the latter, which is similar to the results obtained by Abbasi et al. (2020) in the Pakistani banking context. In addition, the direct relationship between Organizational Performance and HPWS ($\beta = .4187$, $p < .001$) supports Hypothesis 1, which states that HPWS practices have a direct beneficial impact on organizational performance. The indirect effect via Psychological Empowerment (Effect = .4511, BootLLCI = .2568, BootULCI = .7681) provides partial support for Hypothesis 2. This research confirms that of Beltrán-Martín et al. (2024) and Gong et al. (2025) which identified psychological empowerment as one of the most important mediators between HPWS and performance. The total effect indicated that HPWS has a direct effect on Organizational Performance ($\beta = .8698$), and an indirect effect as well through its influences on other constructs. These findings fill the gaps of previous studies by adding empirical evidence from the context of district Khairpur, which is still not explored in the literature, to enrich the understanding of the functioning of HPWS in semi-urban banking context. Based on the results, it is recommended that banking institutions in similar regional settings should invest in HPWS in their organization, and at the same time, they should inculcate psychological empowerment among their employees to bring organizational performance to a higher level.

Conclusion

The present study focused on the banking industry in District Khairpur on the mediating effect of Psychological Empowerment between HPWS and OP. By using quantitative cross sectional survey design and sample size of 220 employees of different banks from District Khairpur, the objectives of the research have been fulfilled. Both hypothesized relationships are substantiated with strong empirical support from the findings. The results of reliability analysis showed that the measurement tool obtained an excellent internal consistency value (Cronbach's Alpha = .938), which is the indication of the validity of the measurement tool. The results of the correlation analysis showed that all three variables were highly positively correlated and statistically significant with each other as follows: Organizational Performance with HPWS ($r = .887$) was very strong, Organizational Performance with Psychological Empowerment ($r = .902$) was very strong, and Psychological Empowerment with HPWS ($r = .861$) was very strong.

The mediation analysis conducted with the PROCESS macro (Model 4) showed that the HPWS significantly mediated the relationship between employee performance and Psychological Empowerment ($\beta = .8589$, $p < .001$) and accounted for 74.09% of the variance. Moreover, the immediate effect of HPWS on Organizational Performance ($\beta = .4187$, $p < .001$) validated that HPWS practices directly improve the organizational performance. The substantial indirect effect on organizational performance through the mediator of employees' psychological empowerment (Effect = .4511, BootLLCI = .2568, BootULCI = .7681) also supported the partial mediation hypothesis, implying that HPWS had direct and indirect impacts on organizational performance via the psychological empowerment of employees. The results will be very significant to the literature of strategic human resource management as this helps to solve the "black box" problem and adds to the understanding of the effectiveness of HPWS in District Khairpur, a context hitherto under-explored.

Recommendations

The results of this study lead to the following recommendations. First, banks in the Khairpur region and other areas should invest seriously in developing full-fledged High-Performance Work Systems. This involves having strict recruitment and selection processes in place to attract skilled workers, having comprehensive training and development programmes to improve employee skills, having performance-based compensation programmes to motivate employees, encouraging employees to participate in decision making programmes and having flexible working practices to meet the needs of employees. Based on the strong positive direct effect on organizational performance, the significance of these human resource practices is clear.

Secondly, bank management should be aware of the importance of the mediating function of psychological empowerment and actively promote the establishment of the psychological empowerment status of employees. This can be done by designing jobs that make work meaningful, ensuring that employees have the competence and skills to be effective in their jobs, giving autonomy and self-determination to employees in their job processes and providing opportunities to employees to observe the effect of their work on the outcomes of the organization. Organizations can establish a positive work culture that is open to employee contribution, innovation, and continuous feedback on performance.

Third, policy makers and banking regulators should think about formulating policy guidelines and policy frameworks to promote HPWS practices in the banking sector, especially in semi-urban and rural regions. This could involve incentives for banks that have extensive human resource development initiatives and raising awareness of value of HPWS for organizational performance and employee welfare. Fourth, future research should build on this research using longitudinal designs in order to establish cause-and-effect relationships, in addition to other mediator and moderator variables like organizational culture, leadership styles, employee engagement etc. and investigate the relationship between HPWS and performance in other sectors and geographical areas of Pakistan. Fifth, training and development in banks need to be created specifically for increasing psychological empowerment, such as training programs that focus on leadership development, training on self-determination and autonomy, and systems for acknowledging and rewarding employee efforts.

Limitations

The findings in this study are subject to a number of limitations which should be taken into consideration in interpreting the results. First, the cross-sectional design does not allow for causal conclusions to be drawn between the variables. Findings confirm the hypothesized relationships but need to be supported by a longitudinal design to establish causation and to

assess change over time. Second, self-reported information from questionnaires could lead to common method bias and social desirability bias because employees might overreport their perceptions of HPWS practices and organizational performance. This limitation could be addressed in future studies by combining objective performance data and multi-source data collection.

Third, the study was restricted to the banking sector of District Khairpur which reduces the generalizability of the findings to other sectors and geographical locations. The relationship between HPWS and performance in District Khairpur could differ from that in metropolitan or other regional settings, owing to the specific socio-economic and cultural setting in the region. Fourth, although the sample size (N = 220) was sufficient for the statistical analyses carried out, there may be a reduction in statistical power in detecting smaller effects or more sophisticated analyses (e.g., multi-group comparisons). More studies with larger and diversified samples are recommended to further strengthen the results. Fifth, it looked at just one mediator (Psychological Empowerment) while other mediators like organizational commitment, job satisfaction, and trust in management were not discussed. Lastly, not all potential moderating factors were explored in the study that could affect the strength or direction of the relationships, including organizational culture, leadership style, and employee demographic characteristics.

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