



Bridging the Gap Between High-Performance Work System and Organizational Performance: Role of Organizational Agility, Transformational Leadership, and Human Resource Flexibility

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Received: 20 November 2023 / Accepted: 6 March 2024 / Published online: 30 March 2024
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Abstract This study emphasizes the significance of people management and strategic human resource management (SHRM) in shaping dynamic capabilities to promote organizational performance and sustained competitive advantage. Data for this research were gathered from 548 respondents from the banking sector in India. Covariance-based structural equation modeling was utilized for hypotheses testing. This study contributes to bridging the “black box” between high-performance work system (HPWS) and its outcomes. The research utilizes the ability–motivation–opportunity framework to formulate the HPWS bundle and confirms that HPWS is a crucial enabler of organizational agility, allowing banking organizations to adjust quickly to market needs. By using the dynamic capability view, this research considers organizational agility as a critical dynamic capability to elucidate the mechanism by which HPWS is linked to organizational performance. Furthermore, this work attempts to bring management and leadership literature closer by investigating the moderation effect of transformational leadership. The findings indicate that a higher degree of transformational leadership is essential to promote the positive association between HPWS and organizational agility. Transformational leadership can help in implementing HPWS to manage workforce adaptability, which enables the workforce to react according to the dynamic environment. Additionally, the study empirically validates that in the presence of a greater level of HR flexibility,

HPWS is significantly effective in promoting agility in banking firms.

Keywords Dynamic business environment · High-performance work system · Human resource flexibility · Organizational agility · Organizational performance · Transformational leadership

Introduction

In the diverse landscape of the Indian economy, the financial sector has acted as an indomitable pillar in fostering economic growth. It contributes nearly 22% to the gross domestic product (GDP) of the Indian economy (DBIE-RBI: Database of Indian Economy, 2023). The banking sector, in particular, plays a major role and accounts for a significant proportion of the financial sector’s contribution. In 1991, the economic reforms of liberalization, privatization, and globalization in India opened up the economy for private and foreign banks, which resulted in intensified competition in the banking sector (Ataullah & Le, 2006; Muduli et al., 2022). Likewise, in the global market too, the banking sector has undergone numerous transformations owing to globalization, demographic changes, economic crises, technological advents, and increased emphasis on environmental sustainability (International Labor Organization, 2021). Consequently, over the years, the Indian banking sector has witnessed various policy formations, regulatory reforms and financial reforms, which have facilitated its integration with the global financial system (Garg et al., 2023; Shrivastava & Purang, 2011). In the post-economic reform period, the Indian banking sector has undergone a substantial transformation in its operations, which has led to the

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development of a more stable and efficient banking system (Mohapatra et al., 2019; Shrivastava & Purang, 2011). According to the India Brand Equity Foundation (2023), the growing Indian banking system comprises 21 private sector banks, 12 public sector banks, 43 regional rural banks, 46 foreign banks, 1534 urban cooperative banks, and 96,508 rural cooperative banks. This sector has faced several trends, including mergers, privatization, differential marketing, technological innovation, digitization, cyber security risks, climate change, and the emergence of green finance (Report on Trend and Progress of Banking in India, 2021–22). In 2023, during India's presidency of the G20, multiple discussions happened under the theme of "One Earth, One Family, One Future," which involved G20 finance ministers and central bank representatives. The discussions were centered on critical matters concerning financial institutions, including sustainable finance, fintech, digital currency, financial infrastructure, financial inclusion, etc. (Third G20 Finance Ministers & Central Bank Governors Meeting, 2023). The output of such discussions can influence the operational procedures of the banking institutions and necessitate organizational agility to cope with the changing market conditions.

In this way, the rapidly evolving banking environment and modern trends have pushed the banking sector to generate value to ensure continuous growth and greater performance. The banking sector is a knowledge-intensive sector; therefore, knowledge, skills, and capabilities of human resources are essential for achieving competitive advantage (Ali et al., 2022; Mohapatra et al., 2019). Based on the resource-based view (RBV), a skilled and developed workforce is a valuable and crucial resource for organizational competitiveness (Barney, 1991; Gerhart & Feng, 2021). The dynamic environment has compelled banking firms to create competencies and capacities of human resources to survive and remain competitive (Ali et al., 2022; Obeidat, 2021). Hence, this research recommends the "high-performance work system (HPWS)" as a strategic approach of human resource (HR) management for skilling and motivating human resources and providing them with opportunities in the firms. HPWS is the combination of integrated HR practices strategically designed and implemented to develop employees (Boxall, 2012; Jiang et al., 2012; Shahzad et al., 2019). Several studies have confirmed that the strategic use of HPWS significantly enhances the organization's capacity to attain higher performance levels (Úbeda-García et al., 2018; Wang et al., 2022; Zhai & Tian, 2020). Over the past decade, the "ability–motivation–opportunity (AMO)" theory has gained prominence in the literature related to HPWS (Applebaum et al., 2000; Jiang et al., 2012; Marin-Garcia & Tomas, 2016). This theory comprises the "ability-enhancing HR practices, motivation-enhancing HR practices,

and opportunity-enhancing HR practices." Based on the AMO theory, it has been observed that organizational performance is the function of employees' skills, abilities, their level of motivation, and the opportunities they are provided with (Jyoti & Rani, 2017).

Strategic human resource management (SHRM) scholars have made contributions in the past decades by analyzing the importance of HPWS in promoting organizational performance (Ashiru et al., 2022; Obeidat et al., 2016; Zhai & Tian, 2020, 2023). Studies have validated that HPWS positively affects organizational performance, but there is a gap in understanding how HPWS can positively impact performance (Ali et al., 2022; Kakakhel & Khalil, 2022). This gap is often termed as the "black box." The extant study attempts to address this knowledge gap and reveal the intermediate outcomes that can promote organizational performance. In this regard, studies have investigated the mediation of various dynamic capabilities, for instance, knowledge integration, HR flexibility, absorptive capability, adaptive capacity, and organizational ambidexterity (Ali et al., 2022; Kakakhel & Khalil, 2022; Úbeda-García et al., 2018). Attending to the calls of the researchers, it has been observed that there is a need to explore the mechanisms by which HPWS impacts organizational performance (Ali et al., 2022; Kakakhel & Khalil, 2022; Pak, 2022).

The current study contributes to the SHRM literature via the delineation of the mediating mechanism between HPWS and organizational performance by empirically investigating the role of organizational agility as a mediating variable (Ali et al., 2022; Doz, 2020; Úbeda-García et al., 2018). The strategic execution of HPWS, which encompasses training, teamwork, appropriate reward systems, information sharing, employee involvement, etc., in accordance with business requirements, can create agile organizations (Subramanian & Suresh, 2022). The organization must be equipped with the capabilities to swiftly react and adapt to changing business scenarios. One such capability is organizational agility, which has received increasing attention from researchers and practitioners to tackle the challenges emanating from the dynamic business environment (Harsch & Festing, 2020; Panda & Rath, 2021; Tanushree et al., 2023). Organizational agility is a conscious and well-considered response to deals with the unforeseeable and rapid changes in the market by recognizing and promptly responding to risks and opportunities (Teece et al., 2016). Agile organizations can grow, develop, and reap profits in a dynamic environment. This study integrates the dynamic capability view (DCV) to comprehend the intervening role of organizational agility between HPWS and performance (Mehralian et al., 2023). The DCV stresses that the competitive advantage of firms depends on their ability to build, integrate, and

reconfigure the resources and competencies (Teece et al., 1997). This work attempts to provide meaningful relationships in which HPWS may bring out organizational agility (dynamic capability), which can be helpful in improving organizational performance. In this context, this research endeavors to extend the dynamic capability perspective to the SHRM domain.

Leadership plays a crucial role in the operational functioning of any firm. Previous studies have observed that transformational leadership is one of the suitable styles for effectively influencing the followers (employees), especially in the dynamic and ever-changing business environment (Bass & Avolio, 1990). Transformational leaders are change oriented and encourage employees to perform beyond their expectations in the changing environment (Hoffman et al., 2011; Prabhu & Srivastava, 2023; Rožman et al., 2023). Earlier studies have alluded that the appropriate type of leadership style should be incorporated as a contextual factor that may influence the effect of HPWS on its outcomes (Ehrnrooth et al., 2021; Han et al., 2018; Jo et al., 2020). The present study posits that transformational leadership is a crucial moderator that aids in strengthening the association between HPWS and organizational agility. Hence, the second contribution of the study lies in examining leadership as a contextual factor that can promote organizational agility in the firm. In doing so, this study bridges the gap between management and leadership literature (Ehrnrooth et al., 2021, 2023; Leroy et al., 2018).

Recently, HR flexibility has been considered as one of the vital contextual factors relevant in the changing business environment (Gürlek, 2021; Luu, 2020; Yang & Gan, 2020). HR flexibility is the capability of the employees to adjust their behaviors in response to various conditions with ease (Beltrán-Martín et al., 2008; Bhattacharya et al., 2005). It can create an adaptive and supportive context for firms to implement HPWS for impacting organizational agility. This study incorporates HR flexibility as an essential factor that can interact with HPWS to influence organizational agility (Gürlek, 2021). Thus, another contribution of current research work is to examine the impact of HPWS on organizational agility, which is contingent on the level of HR flexibility.

Finally, despite the significance of the banking sector for the national economy, it has been comparatively overlooked by the researchers in the SHRM domain (Ali et al., 2022; Muduli et al., 2016). The fact that the banking sector demands a skilled and motivated workforce to effectively address the everyday challenges in the work environment should be acknowledged. Therefore, considering the identified gaps and literature arguments, the study aims to achieve the following research objectives in the banking sector:

RO 1: To mitigate the black box between HPWS and organizational performance by analyzing the mediating role of organizational agility between HPWS and organizational performance.

RO 2: To explore the moderation of transformational leadership between HPWS and organizational agility.

RO 3: To analyze the moderation of HR flexibility between HPWS and organizational agility.

In the dynamic landscape of contemporary business, stakeholders aid in shaping the effectiveness, performance, and overall success of organizations. The stakeholders include shareholders, customers, employees, and the community, whose support is vital for the survival of the organization (Freeman, 1994). Employees are crucial stakeholders who assist organizations in fulfilling their obligations toward the rest of the stakeholders. (Dzhikiya et al., 2023; Francis et al., 2019). In line with various studies that have focused on the assessment of stakeholder attitudes (Colasante et al., 2024; D’Adamo et al., 2023; Sánchez et al., 2023), the extant study attempts to understand the perspectives of bank employees toward the aspects of HPWS, organizational agility, organizational performance, transformational leadership, and HR flexibility. Understanding how employees perceive these aspects and their impacts on the overall performance of firms is critical.

Theoretical and Conceptual Background

This study utilized the following theoretical underpinnings to develop the conceptual framework, which was further used for empirical testing.

AMO Theory

The abbreviation AMO refers to “ability–motivation–opportunity,” as defined by Bailey (1993) and further discussed by Appelbaum et al. (2000). In the seminal work by Appelbaum et al. (2000), HPWS was conceptualized by introducing the AMO theory in the SHRM area. Building upon Appelbaum et al.’s (2000) work, the AMO theory was established to add strategic value to HPWS within organizations. The AMO framework suggests the three-dimensional structure of HPWS: “ability-enhancing HR practices, motivation-enhancing HR practices, and opportunity-enhancing HR practices” (Edgar et al., 2021; Marin-García & Tomas, 2016; Murphy et al., 2018). This framework can be incorporated in HPWS to understand how HR management initiatives influence behavioral processes and their potential outcomes (Asante et al., 2023; Jiang et al., 2012). The effective HPWS bundle comprises HR practices aimed at upgrading the skills of the workers,



motivating them to achieve the organizational objectives, providing avenues to utilize their capabilities, and empowering them to make decisions related to organizational objectives (Appelbaum et al., 2000; Jiang et al., 2012). Previous research has observed that the human resource management (HRM) system, which comprises a variety of HR practices focusing on employees' skill enhancement and motivation and enabling their active participation in achieving the organizational goals, is most effective in catering to the interests of the organizations (Asante et al., 2023; Mehralian et al., 2023; Wang et al., 2022). Thus, consistent with prior studies, this study utilizes the AMO theory to develop the system architecture of HPWS.

Resource-Based View

The RBV has been extensively employed to elucidate how HPWS influences organizational performance. According to RBV, organizations should prioritize the development of their internal resources to achieve higher performance and gain competitive advantage (Barney et al.,). RBV argues that human resources are the strategic internal resources within organizations that aid them in adapting to the dynamic business environment (Barney et al., 1991, 2001). The RBV highlights that firms equipped with resources that possess VRIN attributes, i.e., “valuable, rare, inimitable, and non-substitutable,” can attain competitive advantage (Barney, 1991). HPWS has the potential to transform the firm's HR pool to meet the criteria of VRIN attributes and make it difficult for competitors to replicate (Becker & Gerhart, 1996; Bowen & Ostroff, 2004). It helps in enhancing productivity by augmenting the skills, abilities, and motivation of the workers and empowering them to act according to the organizational objectives. Previous studies have identified that HPWS plays a pertinent role in encouraging the human resources to engage in discretionary behaviors within the firm, which are unique and complex for other firms to replicate (Beltrán-Martín et al., 2008; Katou, 2021; Mehralian et al., 2023). In this study, RBV served as a theoretical underpinning to elucidate how HPWS, which comprises bundle HR practices, leverages the development of human resources abilities, eventually leading to improved performance (Fu et al., 2019; Jiang et al., 2012; Lu et al., 2015). Thus, HPWS is considered as a strategic investment to develop a valuable HR pool for maximizing organizational performance.

Dynamic Capability View

The DCV, proposed by Teece et al. (1997), is a future-oriented perspective for organizations. Dynamic capabilities denote “the firm's ability to integrate, build, and

reconfigure internal and external competences to address rapidly changing environments” (Teece et al., 1997, p. 516). Organizations cultivate these capabilities using essential resources to seize opportunities and react to environmental challenges (Apascaritei & Elvira, 2021; Nejatian & Zarei, 2013; Wang et al., 2022). Organizational agility is one such dynamic capability that enables quick detection of and response to changing business situations (Apascaritei & Elvira, 2021; Irfan et al., 2019; Nijssen & Pauwe, 2012). In the increasingly competitive banking sector, which faces globalization, privatization, economic disturbances, technological advancements, sustainability, etc., studies have emphasized the need to develop organizational agility (Irfan et al., 2019; Panda & Rath, 2016, 2021). Therefore, this study uses DCV as an appropriate perspective to understand how organizational agility contributes to enhanced organizational performance.

HPWS

HPWS comprises a collection of crucial HR practices. HPWS differs from conventional HR practices as it enables the workforce to align their efforts and work to make strategic contributions within the firm (Arthur, 1994; Huselid, 1995). In contrast, conventional HR practices are primarily implemented to provide the only supportive function for a firm's people management (Mansour et al., 2014; Patel et al., 2013; Riaz et al., 2021). Huselid et al. (1995) considered HPWS as an internally coherent set of HR practices and policies that develop the employees' skills and capabilities to attain organizational competitive advantage. HPWS is referred to the bundle of several interconnected HR practices, such as “selective staffing, rigorous recruitment, training and development, open communication, decentralized decision-making, worker participation, and employment security” (Aryee et al., 2017; Jo et al., 2018; Zhang et al., 2014). Organizations systematically implement mutually reinforcing HR practices that prioritize selecting the right employees, developing their skills, and empowering them to organize the work for attaining the individual-level and organization-level outcomes (Han et al., 2019; Mansour, 2023; Narbariya et al., 2022). Many SHRM scholars have argued that the application of a “bundle of practices” or “system” approach to implement HPWS exerts more synergic impacts than implementing individual isolated HR practices (Mihail & Kloutsiniotis, 2016; Shin & Konrad, 2017; Subramony, 2009). However, consensus is lacking among the researchers regarding which HR practices should be incorporated to form a system of ideal configuration or bundle known as a “high-performance work system” (Cooke et al., 2019; Dastmalchian et al., 2020; Jewell et al., 2022). Nevertheless, the HPWS concept involves

integrating several HR practices that complement each other to attain strategic organizational objectives (Bartram et al., 2021; Mansour et al., 2022; Martinaityte et al., 2019). Previous studies have suggested that the AMO theory could serve as a suitable framework for structuring HPWS owing to its indispensable role in improving the skills and motivation of the workforce and providing work opportunities (Appelbaum et al., 2000; Jyoti & Rani, 2019; Mehralian, et al., 2022). Therefore, the AMO theory is applied in the present study to measure HPWS, which includes three dimensions: “ability-enhancing HR practices, motivation-enhancing HR practices, and opportunity-enhancing HR practices” (Appelbaum et al., 2000). “Ability-enhancing HR practices” aim to enhance employee knowledge, skills, and abilities, which are achieved through “rigorous recruitment, selection, and systematic training.” “Motivation-enhancing HR practices” elevate employee motivation using “performance-contingent evaluation, rewards, promotions, feedback, minimized status differences, effective career management, and job security.” “Opportunity-enhancing HR practices” empower employees by providing opportunities to apply their skills for organizational productivity. Such practices include “participation in decision-making, job autonomy, self-managed teams, information sharing, idea sharing, and effective grievance handling.” These practices are essential components in ensuring that employees have the opportunities to accomplish their set objectives.

Organizational Agility

The existence of any business in a changing environment relies heavily on its ability to adapt accordingly (Teece et al., 2016). The intense competition and ever-changing business landscape have compelled organizations to take competitive measures by integrating their available resources and capabilities (Liu et al., 2018). Studies have previously reported that organizational agility, which is at the core of firm adaptation, is the dynamic capability that permits businesses to sense and react to changes (Irfan et al., 2019; Nijssen & Paauwe, 2012; Teece et al., 1997). Organizational agility is conceptualized as the dynamic capability that aids organizations to thrive in the constantly changing business environment and gain sustainable competitive advantage (Tallon et al., 2019; Teece et al., 2016; Zhang et al., 2022). Tallon and Pinsonneault (2011) define organizational agility as “a firm’s ability to detect and respond to opportunities and threats in the environment with ease, speed, and dexterity.” Organizational agility depends upon a ability of the firm to recognize shifts in the business environment, capitalize on favorable situations, and reallocate the available resources and business processes to navigate the changes (Liu et al., 2018; Tallon &

Pinsonneault, 2011; Teece et al., 2016). It enables firms to orchestrate their internal resources and operations effectively, engage with the external network of business partners, and establish meaningful interactions with customers (Sambamurthy et al., 2003; Tallon & Pinsonneault, 2011).

Organizational Performance

It is a broader concept that embraces different aspects of managerial and operational excellence of the organization, covering both financial and non-financial indicators, such as net profit, share price, market value, customer satisfaction, and employee retention (Delaney & Huselid, 1996). Researchers in the management domain have emphasized the significance of organizational performance as one of the key dependent variables (Abbott & Banerji, 2003; Kidron & Vinarski-Peretz, 2022; Singh et al., 2021a, 2021b). In recent years, the concept of perceived organizational performance has been used in SHRM literature (Darwish et al., 2016). Researchers prefer to measure perceived organizational performance using subjective measures based on employees’ perception of the overall performance of the firm in comparison with rival firms (Delaney & Huselid, 1996). Furthermore, existing literature has established that the validity of subjective measures of organizational performance is equal to that of objective measures (Delaney & Huselid, 1996; Vij & Bedi, 2016; Wall et al., 2004). Therefore, this study evaluates organizational performance using employee-reported perceptual measures by comparing to their competitors in terms of customer satisfaction, service quality, efficient workforce, market share, and operational efficiency (Boy Akdag & Ekmekci, 2023; Nwankpa & Datta, 2017; S. K. Singh et al., 2021a, 2021b; Singh et al., 2021a, 2021b).

Transformational Leadership

Modern organizations have recognized that transformational leadership is an appropriate strategy to effectively manage the evolving business landscape (Bass & Avolio, 1990; Ehrnrooth et al., 2021; Koh et al., 2019). Transformational leadership displays four major behaviors, namely “idealized influence or charisma, inspirational motivation, intellectual stimulation, and individual consideration” (Avolio et al., 1999; Bass, 1999; Bass & Avolio, 1994). Transformational leaders embody idealized influence or charisma by acting as role models for desired behaviors. Such leaders articulate a well-defined vision and inspire others to pursue shared goals through inspirational motivation. Intellectual stimulation is fostered by creating an environment in which followers apply their skills and make independent decisions with coaching and mentoring. In the context of individual consideration, such leadership



acknowledges and manages followers based on their unique needs and capabilities. Transformational leaders exhibit behaviors that enhance the followers' awareness about the value of the shared mission and organizational goals that they strive to attain (Buil et al., 2019; Ehrnrooth et al., 2021). Such leaders build connections with their employees and understand their needs, thereby supporting them in reaching their complete potential (Prabhu & Srivastava, 2023). This leadership style adopts personalized mechanisms that ensure the development of an influential culture, which easily facilitates a firm's adaptation to a dynamic environment (Prabhu & Srivastava, 2023; van Dun & Kumar, 2023).

HR Flexibility

HR flexibility is an emerging concept that has gained immense attention in recent years owing to its substantial impact on business settings (Luu, 2020; Way et al., 2018; Yang & Gan, 2020). It is considered as a valuable resource for organizations, enabling them to continuously operate in the dynamic business environment while attaining resilience and sustained growth (Katou, 2021; Luu, 2020; Yang & Gan, 2020). HR flexibility includes three components, namely employee functional flexibility, which enables employees to perform diverse tasks; employee skill malleability, which ensures swift skill acquisition; and employee behavioral flexibility, which aids employees in exhibiting diverse behavioral repertoires according to the circumstances (Beltrán-Bhattacharya et al., 2005; Katou, 2021; Martín et al., 2008).

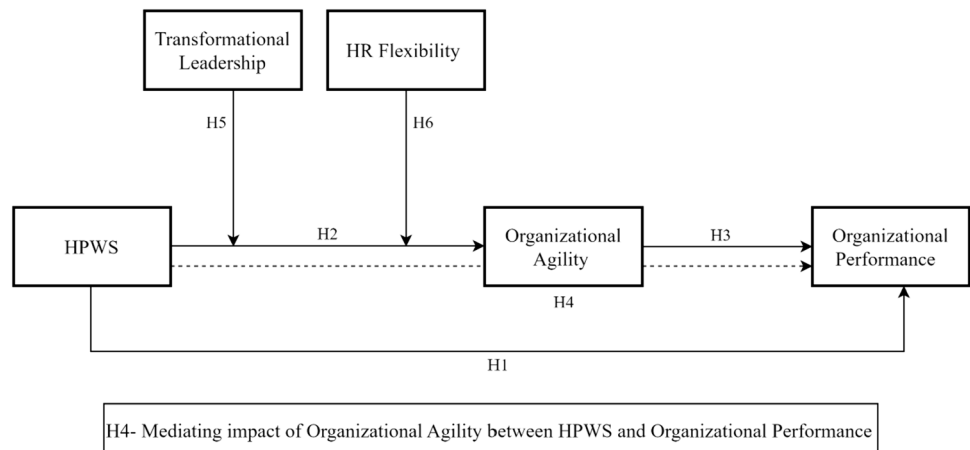
Hypotheses Development

In order to investigate the strategic role of HPWS in the banking sector, the following hypotheses were formulated in this study, as shown in the conceptual framework (Fig. 1). The arguments and explanations of each hypothesized relationship are given below.

HPWS and Organizational Performance

HPWS is a combination inter-related HR practices that form the system to attain the strategic objectives of the organization (Jiang & Liu, 2015; Obeidat, 2021). Numerous studies have elucidated the positive relationship between HR practices and organizational performance (Jiang et al., 2012; Shin & Konrad, 2017). Some of the objective indicators to evaluate organizational performance include productivity, return on investment, product quality, customer satisfaction, and employee productivity (Datta et al., 2005; Delaney & Huselid, 1996; S. K. Singh et al., 2021a, 2021b). In recent scholarly works, the AMO framework suggested by Appelbaum et al. (2000) is the most acknowledged theoretical lens utilized to describe the link between HPWS and organizational performance. This framework is a behavioral perspective that encourages employees to elicit and engage in productive behaviors. HR practices of HPWS enhance the employees' AMO, which is a linking mechanism that promotes performance (Bello-Pintado & Garcés-Galdeano, 2019; Jyoti & Rani, 2017). Ability-enhancing HPWS practices mainly related to recruitment, selection, and training improve the employees' abilities, skills and knowledge, thereby motivating them to work effectively and deliver good quality products and services (Guerci et al., 2022). HPWS practices such as information sharing, result-oriented rewards, and incentives can encourage employees to put the desired and necessary effort to attain the organizational objectives

Fig. 1 Conceptual framework



(Bhatti et al., 2021; Boxall, 2012). Furthermore, opportunity-enhancing HPWS practices provide autonomy to employees to perform their tasks and apply their new knowledge and skills (Bhatti et al., 2021). Substantial involvement in decision-making and good communication with workers encourage them to work more effectively and efficiently (Jiang et al., 2012), which can further lead to organizational performance.

In addition, RBV has been reported to be a widely accepted theoretical lens that explains how and why HPWS leads to increased performance (Barney, 1991). According to RBV, organizational competitive advantage is primarily derived from the internal resources that are “valuable, rare, inimitable, and non-substitutable (VRIN)” (Barney, 1991). In SHRM research, authors have utilized RBV to posit that HR is the potential resource for the organization to achieve competitive value by integrating and utilizing their skills, knowledge, and capabilities. According to this theory, the formation of HPWS, a coherent process inclusive of selected HR practices, is rooted in the culture, procedures, and architecture of the organization, which makes it unique and complex to imitate (Wright et al., 1994). Moreover, RBV suggests the relevance of HPWS in the creation of differentiating HR that possess value, rarity, difficulty to replicate, and uniqueness (Do et al., 2019; Fu et al., 2017; Shin & Konrad, 2017). HPWS is an investment that strengthens the knowledge, skills, and abilities of HR, which can be driving forces for organizational performance. In a similar vein, results of empirical studies have asserted that people are the most vital and strategic resource for organizational success (Jiang et al., 2012; Kloutsiniotis & Mihail, 2020; Zhai & Tian, 2023).

Therefore, according to the AMO framework and RBV, HPWS can act as a critical impetus for improved performance by recruiting, managing, and developing differentiated employees and stimulating their skills, abilities, motivation, and opportunities to accomplish their jobs. Accordingly, the study hypothesizes that:

Hypothesis 1: HPWS will have a significant positive impact on organizational performance.

HPWS and Organizational Agility

Prioritizing the HRM at the center of every organization and managing the workforce with the help of HPWS practices (Guest et al., 2003; Nijssen & Paauwe, 2012; Zhai & Tian, 2023) can play a leveraging role in fostering organizational agility. Earlier studies have conceptualized the relevance of HR and talent management practices in handling and developing the workforce to foster agility in firms (Ambituuni et al., 2021; Doz, 2020; Harsch & Festing, 2020). According to Khan et al. (2020) have conceptualized HRM practices as an antecedent for global post-

merger agility. Strategically recruited, trained, developed, and knowledgeable workforce can contribute to organizational agility by precisely sensing the changes, responding proactively to such changes, and adapting themselves as per the strategic moves during market movements. The ability-enhancing HR practices of HPWS strategically hire and select the most appropriate people and train them using various training methods and development programs to impart skills or upskill and advance their knowledge (Ferrarini & Curzi, 2022; Guerci et al., 2022; Shin & Konrad, 2017). Enhancing the skills and capabilities of the workforce is crucial for rapidly responding to the uncertain business world (Harsch & Festing, 2020; Nijssen & Paauwe, 2012; Sanyal & Sett, 2011). Furthermore, HPWS motivates and enthruses employees by implementing unified performance management or appraisal practices and rewarding them contingent on their efforts and task performance (Jyoti & Rani, 2019) to act proactively and effectively. The opportunity-leveraging HR practices grant autonomy to employees to perform their job roles, encourage their participation in the decision-making, and provide adequate information (Edgar et al., 2020; Siddique et al., 2019). Therefore, employees are able to adapt themselves and make quick decisions using their discretionary efforts in changing scenarios and demands of businesses.

Hence, with the help of integrated HR practices, i.e., HPWS, firms can improve the knowledge, skills, and expertise of human resources and motivate them to respond efficiently and in a timely manner to the uncertain business environment. HPWS can act as an enabler of organizational agility that empowers firms to deal effectively and efficiently with the changing market scenarios. Based on above mentioned arguments, the current study hypothesizes that:

Hypothesis 2: HPWS will positively impact organizational agility.

Organizational Agility and Organizational Performance

Organizational agility benefits organizations by enabling them to adapt and reconfigure the business processes as per the ever-changing market needs (Sambamurthy et al., 2003). According to DCV, organizational agility is considered as a dynamic capability that can contribute to continuous improvement in organizational performance (Irfan et al., 2019; Teece et al., 2016). Firms with better agility can proactively address the issues related to supply chain partners, expansion of markets, adoption of new technologies, new products or services of competitors, etc., to responsibly cater to the customers' needs. It can ensure an increase in the firm's revenues and a reduction in the



costs (Tallon et al., 2019). Organizational agility indicates the swiftness of the firm in responding and adapting to market changes and customizing the business processes appropriately (Lu & Ramamurthy, 2011; Sambamurthy et al., 2003). It allows firms to take a wide array of actions to exploit the market opportunities as and when they arise and minimize the market risks accordingly. Such actions can aid firms in avoiding extra costs, improving their market share, and consistently generating revenues even in the ever-changing environment (Tallon & Pinsonneault, 2011; Tallon et al., 2019). Therefore, considering the above arguments, the study hypothesizes that:

Hypothesis 3: Organizational agility will positively affect organizational performance.

HPWS, Organizational Agility, and Organizational Performance

HR management strategies are essential to effectively align organizations with the ever-evolving business changes and respond accordingly (Rožman et al., 2023). Earlier studies have observed that HPWS is an essential factor in promoting organizational performance (Bello-Pintado & Garcés-Galdeano, 2019; Jyoti & Rani, 2017; Shin & Konrad, 2017). Literature has recognized the importance of identifying and understanding the mediating mechanisms that connect HPWS to organizational performance (Mansour et al., 2014; Mehralian et al., 2022; Úbeda-García et al., 2016). However, despite the empirical evidence, the “black box” remains unclear (Apascaritei & Elvira, 2021; Delery & Roumpi, 2017; Mehralian, et al., 2022). The current study follows the suggestions made in prior studies to integrate SHRM and DCV to understand and mitigate the “black box” (Apascaritei & Elvira, 2021; Jiang et al., 2013; Wright et al., 2001). The SHRM research has strategically investigated the role of various dynamic capabilities as mediators, for example, knowledge integration, HR flexibility, absorptive capability, adaptive capacity, and organizational ambidexterity (Beltrán-Martín et al., 2008; Patel et al., 2013; Úbeda-García et al., 2018). In the current study identifies organizational agility as a mediating variable to establish the relationship between HPWS and organizational performance. The mediation of organizational agility as a dynamic capability is central to DCV because this view is concerned with building, reconfiguring, and reorganizing the available resources of the firm (Tallon et al., 2019; Teece et al., 2016). The RBV theory underscores the importance of organizational resources in providing a competitive advantage, whereas DCV complements the RBV by generating dynamic capabilities that aid organizations in adapting their resources in sync with the ever-changing business environment (Barney, 1991; Teece et al., 1997, 2016). If any

firm is unable to develop dynamic capabilities, it will hinder its performance in the dynamic business landscape (Nirmal et al., 2023; Tallon et al., 2019; Teece et al., 2016). In *Hypothesis 2*, it is stated that HPWS can play a pivotal role in fostering agility in organizations and enabling them to thrive by creating a highly adaptive and responsive workforce. HPWS improves the abilities and expertise of human resources and motivates them, thereby fostering an efficient and timely response to unpredictable business conditions. HPWS enables firms to match their employees’ skills and abilities according to the strategic needs in the changing business conditions. As discussed in *Hypothesis 3*, organizational agility is a dynamic capability that makes firms resilient in changing business environments, leading to improved performance and better revenue growth. Furthermore, organizational agility enables firms to proactively address the issues related to customers’ needs, supply chain partners, market competition, and technological adoption to ensure enhanced organizational performance. Therefore, this study argues that the implementation of HPWS can build differentiated human resources, which can continuously develop and recreate organizational agility (dynamic capability) within the firm that will, in turn, contribute to sustained organizational performance. Therefore, accordingly, the present study hypothesized that:

Hypothesis 4: The relationship between HPWS and organizational performance will be positively mediated by organizational agility.

The Moderating Role of Transformational Leadership

The organization’s leaders and HR practices are essential factors for the workforce that determine the values and influence the perceptions of employment agreement (Ehnróoth et al., 2023; Mcdermott et al., 2013). Earlier studies have provided evidence for the significance of leadership behaviors in effectively executing HRM practices (Ehnróoth et al., 2021; Kloutsiniotis et al., 2023; Weller et al., 2020). In the current business scenario, it is critical to understand the presence of transformational leadership as a contextual factor as it impacts the employees’ work experience and organization-related outcomes (Avolio et al., 1999; Jo et al., 2020; Vasilaki et al., 2016). Transformational leaders possess several essential attributes, including “idealized influence, intellectual stimulation, individual consideration, and inspirational motivation,” which can effectively execute the AMO-enhancing HR practices of HPWS to promote the organization’s agility (AlNuaimi et al., 2022; Vasilaki et al., 2016). These attributes enable them to motivate, inspire, and influence their subordinates to manage organizational

change initiatives actively and strategically (Prabhu & Srivastava, 2023; Vasilaki et al., 2016). Supervisors with transformational leadership behavior actively engage in meaningful interactions with the employees to effectively implement HPWS. This engagement and implementation enable the employees to develop a shared consensus on HPWS and work in a direction with shared goals (Weller et al., 2020). The HPWS is centered on improving employees' skills and empowering them to impact the outcomes positively (Mehralian et al., 2022). Management leaders with a clear vision can use the skill-enhancing HR practices of HPWS to attract the best talent and reskill the existing employees to equip the firm with a dynamic human capital pool (Han et al., 2018). Transformational leaders can prepare the firm for opportunities and threats and accordingly inspire human resources to direct their knowledge, skills, and abilities for new challenges and desired strategic goals (Vasilaki et al., 2016). They can motivate the employees to exhibit the desired behaviors for organizational agility by effectively executing motivation-enhancing HR practices. In addition, they can encourage and recognize the employees' efforts by providing appropriate incentives, rewards, and promotions (Ehrnrooth et al., 2021). The opportunity-enhancing HR practices of HPWS can be influenced by transformational leadership behavior, which enables them to provide adequate autonomy to employees and create opportunities to act according to job responsibilities (Kloutsiniotis et al., 2023). Transformational leaders establish trust and involve their followers, which encourages the involvement of employees in critical decision-making. Moreover, it motivates them to create innovative ways and solutions as per the strategic objectives to seize the market opportunities for firms to survive in the dynamic environment (Kloutsiniotis et al., 2023; Weller et al., 2020). Transformational leadership behavior can be effective for organizational agility because it empowers individuals, promotes teamwork, and imparts a strong commitment to respond to market changes (AlNuaimi et al., 2022; Prabhu & Srivastava, 2023). The ability of transformational leaders to foresee uncertainty can motivate employees to adapt to change by serving as an idealized role model (AlNuaimi et al., 2022; Carless et al., 2000). The supervisor with such a leadership style can influence organizational agility by articulating a clear vision, instilling strong values, and developing actionable guidelines to tackle the challenging and uncertain environment (Prabhu & Srivastava, 2023; Vasilaki et al., 2016). They always make well-informed decisions in the best interest of organizational sustenance in the long run. Therefore, transformational leaders are "change-oriented" (Hoffman et al., 2011; Kloutsiniotis et al., 2023; Vasilaki et al., 2016) and can moderate the association between HPWS and organizational agility. Without

transformational leadership, there is a risk of unstructured strategic planning in executing the firm's operations in a dynamic business environment. Thus, according to the above discussion, the current study hypothesizes that:

Hypothesis 5: Transformational leadership will positively moderate the relationship between HPWS and organizational agility such that the relationship will be stronger with a higher level of transformational leadership.

The Moderating Role of HR Flexibility

In the literature, there is evidence that certain contextual factors serve as moderators and influence the effectiveness of HPWS and its impact on outcomes within firms. These factors include industry types, leadership styles, organizational culture, innovation culture, person HRM fit, and adaptation orientation (Han et al., 2018; Kaushik & Mukherjee, 2022; Mehralian et al., 2023; Pak, 2022). Recent studies have highlighted various aspects of flexibility, such as "strategic flexibility, organizational flexibility, manufacturing flexibility, marketing flexibility, and financial flexibility," which operate effectively in a dynamic environment (Singh et al., 2023, 2021a, 2021b). In the present study, HR flexibility is the highly suited contextual factor that can moderate the relationship between HPWS and organizational agility (Yang & Gan, 2020). HR flexibility is a capability of the employees that enables the organizations to adapt to dynamic environmental events (Gürlek, 2021; Luu, 2020; Sekhar et al., 2016). It is the level to which workers acquire and possess skills and capabilities required for the organization to exploit various strategic alternatives for functioning in changing scenarios to attain competitive advantage (Beltrán-Martín et al., 2008, 2021; Ketkar & Sett, 2009; Wright & Snell, 1998). HR flexibility comprises three types of capabilities of human resources, namely "functional flexibility, skill malleability, and behavior flexibility" (Beltrán-Martín et al., 2008). HPWS aids in developing a differentiated and competent workforce using AMO-enhancing HR practices to promote organizational agility. The presence of HR flexibility among employees can enhance the strategic fit for HPWS to impact organizational agility owing to their readiness to learn new skills, adapt to changing job roles, and modify behavioral repertoires in response to organizational needs (Gürlek, 2021; Luu, 2020; Yang & Gan, 2020). A high degree of HR flexibility can create a conducive environment within the firm to foster organizational agility (Teecce et al., 1997). It helps firms to strategically preserve and develop the competitive advantage (Ketkar & Sett, 2009; Sekhar et al., 2016). HR flexibility can amplify the effect of HPWS on organizational agility in the following ways: First, higher functional flexibility will enable the employees to accomplish



different tasks and adapt to diverse scenarios faced by the firm. Second, higher skill malleability will permit them to attain new skillsets quickly and easily to take up novel job responsibilities in turbulent situations. Third, higher behavior flexibility will empower the employees to demonstrate the required behaviors while facing diverse circumstances in evolving market demands. Succinctly, HR flexibility can enhance the effectiveness of HPWS and help the organizations in responding proactively to the changes and uncertainties by developing and aligning employees' skills, knowledge, and capabilities with the effective implementation of AMO-enhancing HR practices (Beltrán-Martín et al., 2008; Gürlek, 2021). Thus, based on the abovementioned arguments, the present study hypothesizes that:

Hypothesis 6: HR flexibility will positively moderate the relationship between HPWS and organizational agility in such a way that the relationship will be stronger with a higher level of HR flexibility.

Materials and Methods

This study follows “positivist research paradigm” and adopts the deductive approach to empirically investigate the hypothesized relationships derived from existing studies and theories (Saunders et al., 2009). Researchers can use this approach to determine the impacts of independent variables on the dependent variables and provide a better explanation for the underlying mechanisms of such impacts. Accordingly, based extant literature review and theoretical foundation, namely the AMO theory, the RBV and DCV hypotheses were developed in this study. These hypotheses were subsequently tested in a real-world setting that fits the positivist paradigm (Saunders et al., 2009). The next step was to collect quantitative data from the banking sector using a survey method. Following data collection, the normality of the data was confirmed, and appropriate statistical measures were employed to assess reliability and validity. Ultimately, covariance-based structural equation modeling (SEM), the most widely used technique for multivariate analysis in the SHRM domain, was utilized for hypothesis testing. The same research methodology was followed to analyze all stated research objectives. To offer an outline of the research process and paper structure, Fig. 2 illustrates the sequential flow of different parts, each explicitly explained in its respective section.

Research Instrument Development

For this study, a questionnaire was developed as the survey instrument to examine the hypothesized relationship between the constructs. The measurement scales for all the

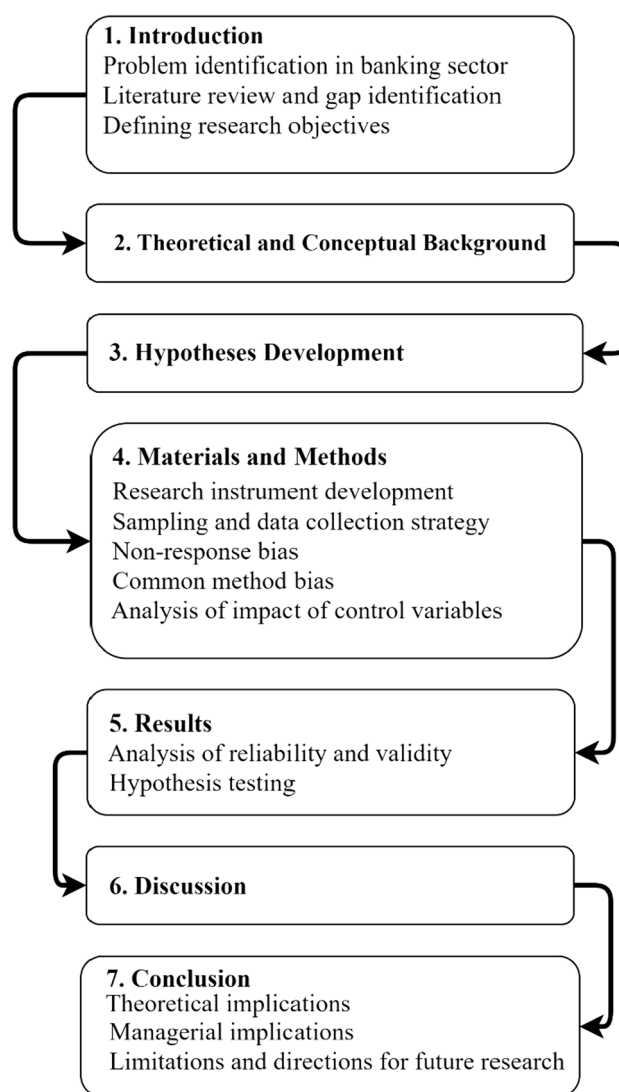


Fig. 2 Overview of the research process and paper structure

constructs were derived from published literature. Initially, a pilot study involving 55 banking employees was conducted to ensure the interpretability, accuracy, and appropriateness of the scale items of the survey instrument. The slightest changes were incorporated into the scale items by considering the suggestions according to the context of the study while ensuring that the meaning of the items remained unchanged. The questionnaire included two sections; the first one was for obtaining the respondents' demographic information, and the second one comprised scale items to measure the constructs considered in the study. The respondents were directed to rate each item on the scale from 1 (strongly disagree) to 5 (strongly agree) using a five-point Likert scale. The following scales were used to assess the perceptions of the respondents (for more details, please see Appendix). Following previous studies, 22 items were obtained and categorized into “ability-

enhancing HR practices, motivation-enhancing HR practices, and opportunity-enhancing HR practices” (Bhatti et al., 2021; Edgar et al., 2021; Jiang et al., 2012; Jyoti & Rani, 2017). The eight-item scale formulated by Tallon and Pinsonneault (2011) was used to measure perceived organizational agility, and the six-item perceptual measure was adapted from Delaney and Huselid (1996) to assess organizational performance. Transformational leadership was assessed using the seven-item scale designed by Carless et al. (2000). Finally, the 13-item scale of Beltrán-Martín et al. (2008) was utilized to evaluate HR flexibility.

Sampling and Data Collection Strategy

The targeted banks comprised 21 private sector banks and 12 public sector banks listed in the category of “scheduled commercial banks” by the Reserve Bank of India (RBI). Owing to cost, time, and resource constraints, the banks located in the union territories of North India, covering Jammu and Kashmir, Ladakh, Chandigarh, and Delhi, were targeted. Using the random sampling method, the branches of the public sector banks and private sector banks were selected from the RBI database. The RBI has suggested the categorization of banking employees into three categories, namely officers, clerks, and subordinates. Accordingly, to ensure the genuineness of the information, officer-level employees having three or more than three years of experience were targeted for data collection.

The study followed the sampling method to select the appropriate sample to accurately represent the entire population and determine its characteristics (Hair et al., 2010). To initiate data collection for any study, the estimated sample size depended on various factors, including population size, number of items in the questionnaire, level of statistical error, and selected data analysis technique (Hair et al., 2010; Saunders et al., 2009). In line with previous studies (Dubey et al., 2015; Gupta & Gupta, 2021; Saha et al., 2022), Yamane’s formula was used, and the guidelines of Hair et al. (2010) were incorporated for sample size determination. Following the same, we have calculated the estimated sample size using the formula $n = N/(1 + Ne^2)$ given by Yamane (1967). Using this formula, with a targeted population (N) of 9,05,100 bank employees (according to RBI in 2019–2020) and an acceptable margin of error (e) of 0.05 at 95% confidence level, an estimated sample size of 400 was arrived at. In addition, following Hair et al. (2010), the suggested rule of multiplying the number of scale items by 10 was used to derive the ideal sample size. As there were a total of 54 scale items in this research, the sample size was determined to be $54 \times 10 = 540$. Using both Yamane’s formula and the guidelines of Hair et al. (2010), the significant sample size for the study was determined to be 540 or more.

Cross-sectional data were gathered within the time frame of October 2022 to February 2023 using questionnaires with the help of offline and online modes. In the offline mode, printed questionnaires were distributed to eligible respondents by personally visiting their banks, whereas in the online mode, Google Form links were sent via email and the LinkedIn platform. Furthermore, permission was obtained from the branch head for distributing the questionnaires. In total, 967 questionnaires were distributed randomly to the bank officers, of which 548 respondents filled the questionnaires. In some cases, multiple visits were made and reminders via telephonic calls and emails were sent to collect sufficient data for the study. Later, it was found that 17 responses were substantially incomplete and were, thus, eliminated. Moreover, during the data cleaning stage, 23 outliers were identified and removed from further analysis, which resulted in 508 respondents as the final sample size for the analysis. Hence, a sample size of 508 respondents with an effective response rate of 52.53% was obtained. Detailed descriptive analysis indicates that 59.3% of the respondents were from private sector banks and 40.7% were from public sector banks. The majority of the respondents were in the age group of 31–40 years, followed by 20–30 years. In terms of gender distribution, 61% were men and 39% were women. Furthermore, most respondents held post-graduate degrees (43.9%), and 34.1% possessed professional degrees. Moreover, most respondents had a work experience of 3–10 years (65.2%), which was followed by 11–20 years (28.7%). The detailed descriptive analysis of the sample is given in Table 1.

Non-response Bias

The possible non-response bias was checked between 50 early respondents and 50 late respondents from whom responses were received only after multiple reminders to ensure the generalizability of the study findings (Armstrong & Overton, 1977; Badru et al., 2022; Guthrie et al., 2009). T-test and Levene’s test were performed, which revealed the lack of significant differences between the two groups (p value < 0.05) at a 95% confidence level for all key research variables. The results reflected the absence of potential issues related to non-response bias in this study.

Common Method Bias

The data utilized in the current study were cross-sectional and obtained from a single respondent using psychometric scales, which might have caused the “common method bias” (CMB) (Podsakoff & Organ, 1986; Podsakoff et al., 2003). Several procedural and statistical countermeasures were considered to minimize the CMB (Lindell &



Table 1 Descriptive analysis of the respondents ($N = 508$). Source: Authors' own work

Classification	Frequency	Percentage (%)
<i>Ownership of bank</i>		
Public	207	40.7
Private	301	59.3
<i>Age</i>		
20–30 years	157	30.9
31–40 years	259	50.9
41–50 years	78	15.4
Above 50 years	14	2.8
<i>Gender</i>		
Male	310	61.0
Female	198	39.0
<i>Marital status</i>		
Married	340	66.9
Unmarried	168	33.1
<i>Qualification</i>		
Graduation	86	16.9
Post-graduation	223	43.9
Above post-graduation	26	5.1
Professional degree	173	34.1
<i>Work experience</i>		
3–10 years	331	65.2
11–20 years	146	28.7
21–30 years	22	4.3
31–40 years	9	1.8

Whitney, 2001; Podsakoff & Organ, 1986; Podsakoff et al., 2003). The anonymity and confidentiality of the respondents were ensured by explicitly stating it in the cover letter. The respondents were notified that there was no correct response for the items or questions in the questionnaire. The questionnaire was formulated by randomly placing the dependent and independent variables that were located separately from each other to prevent the inference of cause-and-effect relationships. Furthermore, “Harman’s single-factor test” and “common latent factor test” were performed to determine the presence of CMB in the dataset. In “Harman’s single-factor test,” total variance explained accounted for a single factor was 25.13%, which is less than 50%. The common latent factor (CLF) test was conducted by comparing the standardized regression estimates with and without adding a common latent factor. The test disclosed no difference between the two sets of standardized regression estimates higher than < 0.20 (Serrano Archimi et al., 2018). Therefore, CMB was not deemed a major problem in the data according to the findings of both statistical tests.

Control Variables

In the present research study, the potential control variables were individual characteristics, and organizational characteristics, such as age, qualification, work experience, and ownership of the bank, which could influence the study variables (Mansour et al., 2014). The hypotheses were tested by considering these variables; however, the control variables did not exert a significant impact on the dependent variables; hence, the control variables were not shown in the analysis.

Results

The data analysis followed a “two-step approach” recommended by Anderson and Gerbing (1988) and utilized the “Statistical Package for the Social Sciences (SPSS) 26.0” and “Analysis of Moment Structures (AMOS) 23.0.” Initially, “confirmatory factor analysis (CFA)” was conducted to evaluate the reliability and validity of the measurement scales, and subsequently, hypotheses testing was done using covariance-based structural equation modeling.

Reliability and Validity of the Constructs

Before measuring the reliability and validity of the constructs, the normality of the data was examined based on skewness and kurtosis. The values of both skewness (-0.367 , standard error = 0.110) and kurtosis (-0.125 , standard error = 0.220) were within the threshold limit, which depicts that the data follow normal distribution (Curran et al., 1996). The measurement models were developed, and CFA was performed to assess the reliability and validity of the operational constructs. Various model fit indices, such as “Chi-square and degrees of freedom (χ^2/df), root mean square residual (RMR), standardized root mean square error of approximation (SRMR), comparative fit index (CFI), Tucker–Lewis index (TLI), and root mean square error of approximation (RMSEA),” were considered to determine the fitness of the model (Hair et al., 2010; Hu & Bentler, 1999). Second-order measurement models were created for HPWS and HR flexibility, and zero-order models were created for organizational agility, organizational performance, and transformational leadership. In CFA, the model fit indices of all measurement models indicated a good model fit. Furthermore, the overall measurement model that comprised all the study variables was developed, which demonstrated excellent model fit with “ $\chi^2/df = 2.076$, RMR = 0.007, SRMR = 0.039, CFI = 0.952, TLI = 0.948, and RMSEA = 0.046” (Hair et al., 2010; Hu & Bentler, 1999). During CFA, the items labeled as A7, M6, O8, O9, OP2, OA3, BF4, and TL1 were

dropped due to their low standardized regression weight value of < 0.5 (Hair et al., 2010).

In this study, the reliability and validity were ensured before the hypothesized linkages were tested (Fornell & Larcker, 1981). The reliability of the constructs was determined based on the values of Cronbach's alpha and composite reliability, which were greater than 0.7, which signified adequate internal consistency (Hair et al., 2010) (see Table 2). The values of average variance extracted (AVE), which ranged from 0.513 to 0.791 (greater than the threshold of 0.5), established the convergent validity of the constructs (Hair et al., 2010) (see Table 2). The discriminant validity of the constructs was examined according to the Fornell–Larcker criteria by comparing the value of the squared root of AVE and its correlation with other constructs (Fornell & Larcker, 1981). The findings asserted that discriminant validity, as the squared root of AVE values (shown in the diagonal), was greater than the correlations between pairs of constructs (See Table 3).

Hypothesis Testing

In the present study, covariance-based SEM was used to examine the hypothesized relationships (Kaplan, 2008), addressing the research objectives mentioned in the introduction. To fulfill RO1 of the study, hypotheses 1, 2, 3, and 4 were tested. Likewise, hypotheses 5 and 6 were tested to fulfill RO2 and RO3, respectively.

The empirical findings for hypotheses 1, 2, and 3 are summarized in Table 4. The findings supported the positive and significant impact of HPWS on organizational performance, with $\beta = 0.267$, t -value = 4.783, and p value < 0.001 , implying excellent model fit “ $\chi^2/df = 2.656$, RMR = 0.005, SRMR = 0.034, CFI = 0.966, TLI = 0.961, and RMSEA = 0.057.” For hypothesis 2, the findings revealed that HPWS positively impacted organizational agility, with $\beta = 0.293$, t -value = 5.338, and p value < 0.001 showing good model fit ($\chi^2/df = 2.543$, RMR = 0.005, SRMR = 0.033, CFI = 0.968, TLI = 0.963, and RMSEA = 0.055). Similarly, hypothesis 3 was intended to investigate the positive effect of organizational agility on organizational performance. The findings supported hypothesis 3, with $\beta = 0.476$, t -value = 10.408, and p value < 0.001 , indicating good model fit ($\chi^2/df = 3.237$, RMR = 0.003, SRMR = 0.035, CFI = 0.983, TLI = 0.978, and RMSEA = 0.066).

Mediation Analysis

The current study examined the mediation of organizational agility between HPWS and organizational performance using SEM in the AMOS software. The bootstrapping approach was conducted with 5000 re-

samples with a 95% of confidence interval (Hayes, 2009; Hayes & Preacher, 2010; Preacher & Hayes, 2004). Mediation was confirmed only when there was a significant indirect effect and the upper-level and lower-level limits of bias-corrected confidence interval did not include zero (Hayes, 2009; Hayes & Preacher, 2010; Preacher & Hayes, 2004). The findings listed in Table 5 supported hypothesis 4 and clarified the significant indirect effect of HPWS on organizational performance through organizational agility ($\beta = 0.102$ and p value < 0.01). Further, the direct effect of HPWS and organizational performance with the presence of a mediator (organizational agility) was found to be significant ($\beta = 0.107$ and p value < 0.01). The structural model exhibited excellent fit, with values of “ $\chi^2/df = 2.992$, RMR = 0.003, SRMR = 0.034, CFI = 0.975, TLI = 0.970, and RMSEA = 0.063.” Thus, the results confirmed that organizational agility partially mediated the relationship between HPWS and organizational performance.

Moderation Analysis

Moderation analysis was performed using the interaction effect method (Little et al., 2006) to explore the moderating roles of transformational leadership and HR flexibility between HPWS and organizational agility. In the interaction effect method, a new interaction variable was created for hypothesis 5 (HPWS*TL) and hypothesis 6 (HPWS*HRF). The findings in Table 6 revealed that the interaction of HPWS and transformational leadership significantly predicted organizational agility ($\beta = 0.198$, t -value = 6.291, and p value < 0.001). Furthermore, the interaction of HPWS and HR flexibility significantly impacted organizational agility ($\beta = 0.167$, t -value = 4.584, and p value < 0.001). In addition, a simple slope analysis was performed. In Fig. 3, it is reflected that higher level of transformational leadership strengthened the positive relationship between HPWS and organizational agility. Similarly, in Fig. 4, it is shown that a higher level of HR flexibility improved the positive relationship between HPWS and organizational agility. Thus, the findings confirmed the acceptance of hypothesis 5 and hypothesis 6.

Discussion

The fierce competition and complex business landscape prevalent within the Indian banking sector have prompted banking firms to seek workforce management strategies to improve overall performance (Muduli et al., 2022). Earlier studies have established the relevance of managing the skills, capabilities, and knowledge of human resources in providing a competitive advantage to the banking firms



Table 2 Reliability and validity analysis. *Source:* Authors' own work

Construct	SRW	Cronbach's Alpha	CR	AVE
High-performance work system		.940	0.759	0.513
<i>Ability (A)</i>	0.683			
A1	0.658			
A2	0.865			
A3	0.868			
A4	0.824			
A5	0.847			
A6	0.842			
<i>Motivation (M)</i>	0.746			
M1	0.842			
M2	0.864			
M3	0.906			
M4	0.836			
M5	0.927			
<i>Opportunity (O)</i>	0.717			
O1	0.824			
O2	0.846			
O3	0.832			
O4	0.850			
O5	0.882			
O6	0.851			
O7	0.840			
<i>Organizational performance (OP)</i>		.940	.941	.761
OP1	0.786			
OP3	0.913			
OP4	0.891			
OP5	0.853			
OP6	0.912			
<i>Organizational agility (OA)</i>		.964	.963	.791
OA1	0.926			
OA2	0.807			
OA4	0.916			
OA5	0.885			
OA6	0.928			
OA7	0.833			
OA8	0.921			
Human resource flexibility (HRF)		.905	0.763	0.518
<i>Functional flexibility (FF)</i>	0.746			
FF1	0.856			
FF2	0.841			
FF3	0.928			
<i>Skill malleability (SM)</i>	0.738			
SM1	0.820			
SM2	0.845			
SM3	0.842			
SM4	0.840			
<i>Behavior flexibility (BF)</i>	0.674			
BF1	0.880			

Table 2 continued

Construct	SRW	Cronbach’s Alpha	CR	AVE
BF2	0.954			
BF3	0.864			
<i>Transformational leadership (TL)</i>		.924	.925	.672
TL2	0.828			
TL3	0.861			
TL4	0.792			
TL5	0.788			
TL6	0.796			
TL7	0.850			

SRW standardized regression weight, CR composite reliability, AVE average variance extracted

Table 3 Discriminant validity. *Source:* Authors’ own work

	HPWS	OP	OA	HRF	TL
HPWS	0.713				
OP	0.258***	0.872			
OA	0.283***	0.468***	0.891		
HRF	0.262***	0.421***	0.272***	0.720	
TL	0.277***	0.292***	0.269***	0.343***	0.820

*** = $p < 0.001$

Values below the diagonal represent the construct correlations, whereas those in the diagonal represent the square root of AVE

HPWS high-performance work system, OP organizational performance, OA organizational agility, HRF human resource flexibility, TL transformational leadership

Table 4 Summary of hypotheses testing. *Source:* Authors’ own work

Hypotheses (direct effects)	Paths	Standardized coefficient (β)	Standard error	t-value	p value	Result
Hypothesis 1	HPWS → OP	0.267	0.045	4.783	***	Accepted
Hypothesis 2	HPWS → OA	0.293	0.070	5.338	***	Accepted
Hypothesis 3	OA → OP	0.476	0.029	10.408	***	Accepted

*** $p < 0.001$

HPWS high-performance work system, OP organizational performance, OA organizational agility

(Ali et al., 2022; Cooke et al., 2019; Muduli et al., 2022). In a related context, the present research has highlighted on the significance of SHRM in India’s evolving banking industry by investigating the importance of HPWS for managing human resources. The study has effectively achieved RO1 of mitigating the black box between HPWS and organizational performance by analyzing the mediation

of organizational agility. In this regard, hypotheses 1, 2, 3, and 4 were tested individually.

The study findings validated hypothesis 1, indicating the positive impact of HPWS on organizational performance. The AMO theory and RBV have emphasized that HPWS is a driving factor for developing a differentiated workforce by enhancing the skills, abilities, motivation, and opportunities to perform their job, contributing to increased



Table 5 Results of mediation analysis. *Source:* Authors' own work

Hypothesis	Paths	Effects	Path coefficient	Confidence interval		<i>p</i> value	Significance at 5%	Mediation
				Lower	Upper			
Hypothesis 4	HPWS → OA → OP	Direct (with mediator)	0.107	0.024	0.234	**	Yes	Partial Mediation
		Indirect	0.102	0.045	0.182	**	Yes	

***p* < 0.01

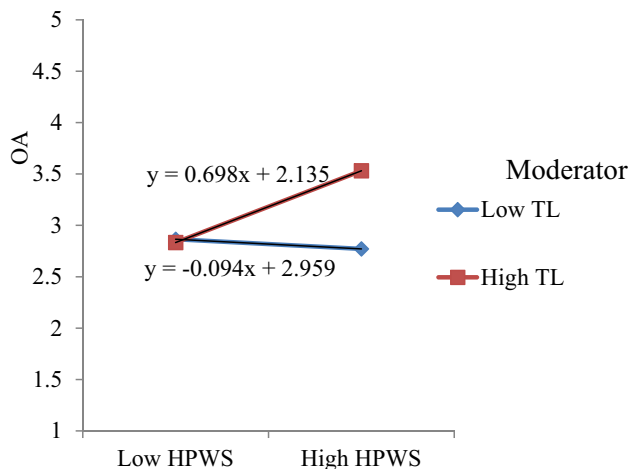
HPWS high-performance work system, OP organizational performance, OA organizational agility

Table 6 Moderation analysis. *Source:* Authors' own work

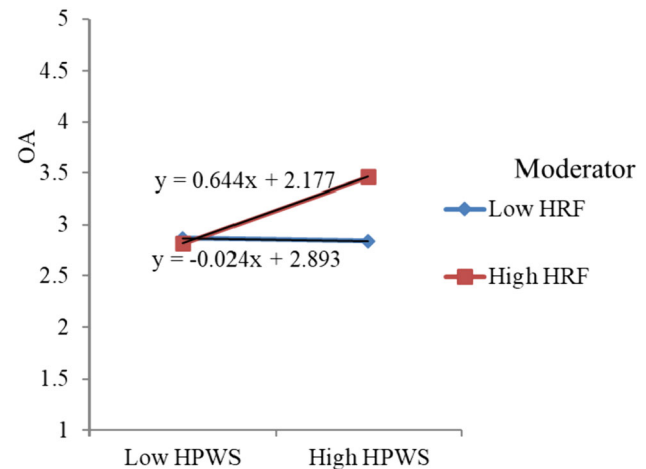
Hypothesis	Paths	Path coefficient	<i>t</i> value	<i>p</i> value	Moderation
Hypothesis 5	HPWS → OA	0.151	3.586	***	Yes
	TL → OA	0.182	4.334	***	
	HPWS*TL → OA	0.198	6.291	***	
Hypothesis 6	HPWS → OA	0.155	3.585	***	Yes
	HRF → OA	0.143	3.302	***	
	HPWS*HRF → OA	0.167	4.584	***	

*** = *p* < 0.001

HPWS high-performance work system, OA organizational agility, TL transformational leadership, HRF human resource flexibility

**Fig. 3** Slope analysis depicting that transformational leadership (TL) strengthens the positive relationship between HPWS and organizational agility (OA)

performance. This finding is aligned with those from previous studies (Jyoti & Rani, 2017; Shin & Konrad, 2017). Hypothesis 2 also empirically explains that HPWS positively influences organizational agility. HPWS has acted as an enabler of organizational agility, aiding the banking firms in responding promptly to market requirements. The empirical finding confirmed the arguments of previous studies that emphasize the crucial role of HRM and talent management practices in handling and developing a

**Fig. 4** Slope analysis depicting that human resource flexibility (HRF) strengthens the positive relationship between HPWS and organizational agility (OA)

capable workforce to adapt to a changing environment (Ambituuni et al., 2021; Doz, 2020; Harsch & Festing, 2020). According to DCV as theoretical foundation, the confirmation of hypothesis 3 has established the significant and positive effect of organizational agility on organizational performance, supporting the notion that organizational agility, as a dynamic capability, fosters organizational performance (Irfan et al., 2019; Teece et al., 2016). Firms with organizational agility can proactively

address business challenges pertaining to the adoption of new technologies, supply chain requirements, market needs, etc., thereby meeting the customers' needs and enhancing their performance. Hypothesis 4 is also proven by the empirical results, revealing the mediating role of organizational agility between HPWS and organizational performance. The findings have addressed the existing "black-box" concern, where the exploration of the linking mechanism between HPWS and performance continued to persist. Previous studies have examined other dynamic capabilities, such as adaptive capacity, organizational ambidexterity, and absorptive capability, as potential mediators (Ali et al., 2022; Kakakhel & Khalil, 2022; Úbeda-García et al., 2018). Nonetheless, this research has contributed to identifying organizational agility as a dynamic capability crucial for continuous performance improvement. The integrated AMO-HR practices, i.e., HPWS, enable the firms to augment the skills, knowledge, and expertise of the workforce and cultivate the capabilities to respond efficiently and in a timely manner to the unpredictable business environment. In a nutshell, the empirical findings of RO1 have highlighted the strategic role of HPWS in building a differentiated workforce, which fosters and recreates organizational agility (dynamic capability) within the firm and, ultimately, ensures sustained organizational performance in a rapidly evolving market landscape.

The RO2 of the study has focused on examining the connection between HPWS, organizational agility, and transformational leadership. The literature has suggested that leadership style is a contextual factor that has the potential to influence the impact of HPWS on its outcomes (Ehrnrooth et al., 2021). This study has identified the moderating role of transformational leadership between the relationship of HPWS and organizational agility. Empirical results have indicated that a higher transformational leadership is essential for fostering a positive relationship between HPWS and organizational agility. This study has empirically validated the significance of transformational leadership in implementing HPWS to manage workforce adaptability, which enables them to react proactively according to the current dynamic environment (Ehrnrooth et al., 2023). The findings are aligned with the broader discussion in the extant literature, supporting the idea that leadership style plays a fundamental role in shaping the outcomes of HPWS implementation (Ehrnrooth et al., 2021; Jo et al., 2020).

The study has addressed RO3 and empirically found that HR flexibility plays a vital role in moderating the positive relationship between HPWS and organizational agility in constantly evolving business scenarios. Previous studies have emphasized that the investigation of HR flexibility as a contextual variable is critical in the changing business

landscape and reflects the noteworthy contribution of the study (Gürlek, 2021; Luu, 2020; Yang & Gan, 2020). HPWS can develop a distinct, competent, and adaptable workforce with the help of AMO-enhancing HR practices to enhance organizational agility. The high level of HR flexibility among the workforce enables the development of a strategic fit for the effectiveness of HPWS to impact organizational agility. It is attributed to employees' readiness to acquire new skills, adapt to changing job roles, and modify their behavioral repertoires in accordance with the organizational requirements (Beltrán-Martín et al., 2021; Luu, 2020; Yang & Gan, 2020). Therefore, HPWS is considerably helpful in promoting agility in organizations and attaining a competitive advantage in the presence of a higher level of HR flexibility (Ketkar & Sett, 2009; Sekhar et al., 2016).

Conclusion

This study is an attempt to answer the calls of previous literature to bridge the "black box" between HPWS and its outcomes. Accordingly, the study has integrated the AMO theory, RBV, and DCV in examining and validating the meaningful association between AMO-enhancing HPWS and organizational performance with the mediating impact of organizational agility. Furthermore, this study has supported the moderating role of transformational leadership and HR flexibility to enhance the influence of HPWS on organizational agility. Therefore, the investigation in this study has extended the SHRM literature in accentuating the significance of people management in shaping the dynamic capabilities to promote organizational performance and achieve sustained competitive advantage.

Theoretical Implications

This study has made numerous theoretical contributions to the extant knowledge pool related to SHRM literature, particularly in the dynamic service sector, with a focus on the banking industry. The study has revealed that RBV emphasizes the significance of a firm's resources (human resources) in achieving a competitive advantage, whereas the DCV compliments RBV by building, integrating, and reconfiguring the dynamic capabilities that enable firms to modify their resources in accordance with the unpredictable nature of the business environment. Thus, this study has extended the dynamic capability perspective in the SHRM literature by assessing the role of organizational agility as a mediator between HPWS and organizational performance. Another theoretical contribution of this study is that it has bridged the gap between management and leadership literature by investigating the significance of



transformational leadership as the contextual variable that promotes agility in firms. Further, the current study has validated that HR flexibility is a contributing factor between the human dimension of the firm (HPWS) and the generation of dynamic capabilities (organizational agility).

Managerial Implications

In the current banking sector where technological advancements, regulatory changes, digitization, cyber security risks, sustainability practices, etc., continually shape the banking operations, the adoption of flexible systems management can be a strategic solution (Singh et al., 2021a, 2021b). Flexible systems management enables managers to prepare their banking firms to be resilient and competitive in turbulent business scenarios. To establish such adaptable systems in the firms, this study offers valuable insights to the managers of banking firms operating in the ever-changing dynamic business environment. Being a knowledge-intensive sector, the performance of the banking sector is directly dependent on the skills, knowledge, and capabilities of its human resources. Therefore, to create agile organizations, the firm's managers should aim at the appropriate implementation of AMO-enhancing HPWS to develop a highly adaptive workforce with the essential knowledge, skills, and abilities for changing business scenarios. HPWS enables firms to match employees' skills and abilities with the strategic needs in the changing business environment, thereby increasing organizational agility. Business practitioners should place emphasis on the development of dynamic capabilities to attain sustained growth and performance in a dynamic business landscape. Earlier studies have investigated the significance of other dynamic capabilities, such as knowledge integration, absorptive capability, adaptive capacity, and organizational ambidexterity, in fostering firm performance. The present study has asserted the relevance of organizational agility as a critical enabler for enhancing organizational performance. According to DCV, organizational agility, which is a dynamic capability, is concerned with building, reconfiguring, and reorganizing the firm's resources according to its operational needs to attain consistent performance. Further, top decision-makers in banking firms must recognize the pivotal role of leadership in properly implementing HRM practices. The transformational leadership style, with attributes such as ideal charisma, follower consideration, intellectual stimulation, and inspirational motivation, is essential for executing the HR practices of HPWS to impact organizational agility. Such leaders can provide a clear vision and actionable guidelines in a dynamic environment. Moreover, practitioners must provide platforms and opportunities to employees to enhance their HR flexibility. This

study has observed that a greater level of HR flexibility among employees enables firms to increase the effectiveness of HPWS by aligning the employee skills, knowledge, and capabilities to acclimatize to the fluctuating business situations and augment the operational agility of the firm.

Limitations and Directions for Future Research

The present study has certain limitations that warrant consideration by future researchers. First, the cross-sectional nature of the study design can limit the inference of causality among the selected variables. Future researchers should carefully design and employ a longitudinal approach so that the investigation provides deeper explanations for the causal associations between the variables. This approach can enable researchers to identify and capture the critical implementation of HPWS and the development of organizational dynamic capabilities to enhance organizational performance over a period of time. Second, perceptual data were collected from single informants for conducting this research; hence, common method bias may have an effect on the findings. Third, data were collected from bank officers; in the future, researchers can investigate the perceptions of lower-level employees (clerical and subordinate levels) regarding the effect of HPWS on the outcome variables. Fourth, the research was executed in the banking industry, and therefore, the findings are limited to the specific industry. Future researchers should extend the research related to HPWS and related outcomes to other industries in the service sector, such as healthcare, telecommunication, aviation, tourism, and hospitality. Based on DCV, this study has explored the mediation of organizational agility to mitigate the black box between HPWS and performance. However, there can be other factors that can lead to potential value creation in terms of dynamic capabilities development (Apascaritei & Elvira, 2021) for firms. These factors include technological innovation, innovative work behavior, social capabilities (Kakakhel & Khalil, 2022; Way et al., 2018), adaptability (Bell et al., 2018), marketing capabilities, research and development capabilities, learning capabilities, and sustainability (Strauss et al., 2017). Furthermore, this research has validated the role of two moderating variables (transformational leadership and HR flexibility) between HPWS and organizational agility. In the future, other moderating variables, such as learning culture, intellectual capital, and employees' readiness to change, can be explored to determine the impact of HPWS on organizational agility. Therefore, addressing the limitations of the present study would provide a comprehensive understanding of the significant role of HPWS in the ever-changing and dynamic business world. Additional studies, in turn, can lead to the formation of novel SHRM strategies to improve the

capabilities of the organizations and their long-term performance.

Funding No funding was received for conducting this study.

Declarations

Conflict of interest The author(s) have no relevant financial or non-financial interests to disclose.

Ethical Approval Not applicable (NA) as this research is based on a self-administered and non-experimental survey conducted under complete anonymity of the respondents. Informed consent was strictly maintained throughout the process. No personal or sensitive information that can be used to identify the respondents was collected.

Informed Consent Informed consent was obtained from all individual participants of the study.

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Key Questions

1. What is the significance of HPWS in the service sector?
2. What are the mediating mechanisms between HPWS and organizational performance?
3. How do leadership styles impact the relationship between HPWS and organizational agility?
4. What is the role of HR flexibility between HPWS and its outcomes?

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