

**INFLUENCE OF HIGH-PERFORMANCE WORK
SYSTEM ON EMPLOYEE PERFORMANCE AND
MEDIATING ROLE OF EMPLOYEE
ENGAGEMENT**

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by

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LIST OF ABBREVIATIONS

SHRM	Strategic Human Resource Management
HRD	Human Resource & Development
HPWS	High-performance work system
PPP	Purchasing Power Parity
IMF	International Monetary Fund
GACA	General Authority of Civil Aviation
JD-R	Job Demands-Resources
HPEs	High-performing work environments
AVE	Average variance extracted
HTMT	Heterotrait-monotrait
NFI	Normed fit index

PENGARUH SISTEM KERJA BERPRESTASI TINGGI TERHADAP PRESTASI PEKERJA DAN PENGLIBATAN PEKERJA SEBAGAI PENGANTARA

ABSTRAK

Pengurus perkhidmatan moden mengakui bahawa memperuntukkan sumber ke arah pelaburan pekerja dan memupuk persekitaran kerja yang menyokong boleh menghasilkan peningkatan motivasi, prestasi kerja yang unggul dan penurunan pusing ganti pekerja. Amalan kerja berprestasi tinggi (HPWP) ditakrifkan sebagai aktiviti sumber manusia yang memberi kesan positif kepada prestasi pekerja. Industri penerbangan mesti secara konsisten meningkatkan keupayaan sumber manusianya dengan merekrut dan mengekalkan kakitangan yang mahir. Soalan kaji selidik telah dibangunkan dengan mengekstrak item yang relevan daripada literatur sedia ada yang berkaitan dengan pembolehubah kajian. Saiz sampel seramai 2640 peserta telah dikumpul menggunakan kaedah persampelan rawak mudah berstrata dan dianalisis menggunakan metodologi penyelidikan deduktif, penyiasatan ini telah mengkaji perkaitan antara pembolehubah melalui proses dua langkah yang terdiri daripada model pengukuran dan penilaian model struktur, yang sepadan. Keputusan yang diperoleh daripada penilaian model pengukuran menunjukkan bahawa tiada isu yang berkaitan dengan kebolehpercayaan, ketekalan dalaman, dan ukuran lain yang berkaitan yang diperlukan untuk menjalankan penilaian model struktur. Tambahan pula, hasil analisis model struktur menunjukkan pengaruh Sistem Kerja Berprestasi Tinggi (HPWS) yang patut diberi perhatian dan menggalakkan ke atas prestasi pekerja dalam syarikat penerbangan Saudi, Flyadeal dan Flynas. Dapatan kajian menunjukkan bahawa faktor seperti sistem latihan formal, kemajuan kerjaya

dalaman, suara dan penyertaan pekerja, dan giliran kerja memainkan peranan penting dalam menentukan prestasi pekerja dalam industri penerbangan. Selain itu, penilaian penglibatan pekerja dianggap sebagai ukuran prestasi pekerja yang boleh dipercayai. Sebaliknya, kesan pengantaraan penglibatan pekerja terhadap hubungan antara sistem kerja berprestasi tinggi (HPW) dan prestasi pekerja patut diberi perhatian. Keputusan kajian menunjukkan bahawa terdapat kekurangan impak yang ketara daripada inisiatif dan ganjaran terhadap prestasi pekerja dan penglibatan pekerja. Keputusan yang diperoleh daripada penyiasatan semasa boleh memberikan panduan penting kepada pembuat keputusan dan pihak pengurusan perniagaan yang beroperasi dalam industri penerbangan di Arab Saudi. Kajian ini menyelidiki implikasi teoretikal berkaitan perkara subjek dan menawarkan cadangan praktikal untuk profesional dalam bidang tersebut. Tambahan pula, kajian ini membentangkan kedua-dua sumbangan dan Batasan kajian.

INFLUENCE OF HIGH-PERFORMANCE WORK SYSTEM ON EMPLOYEE PERFORMANCE AND MEDIATING ROLE OF EMPLOYEE ENGAGEMENT

ABSTRACT

The aviation industry consistently enhances its human resources by recruiting and retaining proficient personnel. The implementation of a structured Human Resource Management (HRM) program is deemed essential in the aviation industry, as it is regarded as a pivotal element of organizational activities. The top management of the aviation industry has been engaging in recruitment efforts, however, a significant proportion of the newly hired personnel have tended to discontinue their employment within a brief timeframe. Modern service managers acknowledge that allocating resources toward employee investment and fostering a supportive work environment can result in heightened motivation, superior job performance, and decreased employee turnover. High-performance work practices (HPWPs) are defined as human resource activities that have a positive impact on employee performance. Therefore, the main objective of this dissertation is to investigate the impact of HPWS on employee performance, a consensus on the mechanisms underlying this relationship has yet to be reached. The present study employs Social Exchange Theory (SET) to examine the relationship between High-Performance Work Systems (HPWS) and employee performance, with a focus on exploring the mediating effect of employee engagement. To achieve the research objectives, the study employed a primary data collection method utilizing a questionnaire. Furthermore, based on the deductive approach, current study has tested the relationship between the variables through two step approach which is entitled as measurement model

assessment and structural model assessment, respectively. A sample size of 2640 participants was collected and analyzed through the use of stratified random sampling methodology. Moreover, employing a deductive methodology, the present investigation has examined the association between the variables via a two-step process comprising of measurement model and structural model assessment, correspondingly. The results obtained from the evaluation of the measurement model indicate that there are no issues about reliability, internal consistency, and other pertinent measurements that are required for conducting an assessment of the structural model. Furthermore, the results of the structural model analysis demonstrate a noteworthy and favorable influence of High-Performance Work Systems (HPWS) on the performance of employees in Saudi airline, Flyadeal and Flynas. The study findings indicate that factors such as a formal training system, internal career ladders, employee voice and participation, and job rotation play a significant role in determining employee performance within the aviation industry. Moreover, the assessment of employee engagement is considered a reliable measure of employee performance. Conversely, the mediating effect of employee engagement on the relationship between high-performance work systems (HPWS) and employee performance is noteworthy. The study's results indicate that there is a lack of significant impact from incentives and rewards on both employee performance and employee engagement. The results obtained from the current investigation could provide significant assistance to decision-makers and business managers operating within the aviation industry of Saudi Arabia. The research delves into the theoretical implications of the subject matter and offers practical recommendations for professionals in the field. Furthermore, this study presents both contributions and limitations.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter briefly introduced the background and concepts of employee performance and high-performance work system. This part also describes the knowledge gap, problem statement, research questions, research objectives, and significance of study in context of aviation industry.

1.2 Research Background

The Saudi Arabia Ministry of Economy and Planning has explicated that the human resource management methodologies employed in Saudi Arabia are grounded in the country's economic framework, political steadiness, the existing labor market, societal and national customs, as well as human resource development policies. Human Resource Management (HRM) has spent the last 30 years putting a lot of effort into identifying the best HRM strategies to improve employee and organizational performance. Researchers have put forth various social mechanisms, including environmental factors, social interactions, and employee attitudes and behaviors, to elucidate the impact of the HRM technical system (comprising HRM strategies and practices) on organizational outcomes (Ostroff & Bowen, 2000; Delery & Shaw, 2001; Evans & Davis, 2005; Collins & Smith, 2006). Human resource management (HRM) systems are widely believed to influence employee attitudes and behaviors and business performance through many social processes. HRM primarily aims to enhance employee performance in order to help the organization realize its objectives (Hasibuan & Hasibuan, 2016). Yet, there are several aspects, including job motivation,

workload, leadership, compensation, communication, and so on, that make it difficult to successfully motivate employees to improve their performance. The corporation do things like provide training, provide a career path inside the organization, increase pay and benefits, encourage employee input and engagement, and rotate employees' positions to boost productivity (Budihardjo, 2015; Manullang, 2012; Sosrowidigdo et al., 2011). The achievement of a firm highly depends on the performance of each person inside the organization and the growth of human resources as a whole.

The term "performance" originates from the concepts of "job performance" or "real performance," which pertain to an individual's tangible work output or achievements. Performance, also known as work performance, refers to the extent to which an individual fulfills the responsibilities assigned to them by producing work of a certain quality and quantity. According to Al Mehrzi and Singh, (2016), performance is the end result or degree of success of a person over a period of time in carrying out tasks in contrast to multiple options, such as work standards, goals, or mutually agreed upon specified criteria. The actions, or lack thereof, of an organization's employees is what constitutes performance (Yang et al., 2016). The term "performance management" is used to describe any effort made to improve the efficiency and productivity of an organization or business. Improving the efficiency of these workers helps both the company and the employees. Being that good performance might, in theory, help an individual move up the corporate ladder (Siahaan et al., 2016).

A deeper look at the HRM literature shows that the vast majority of studies focus on how High-performance Work system impacts employee outcomes and organizational performance (Huselid, 1995; Zacharatos et al., 2005). According to the

literature on strategic human resource management, HPWS help businesses improve their performance and secure a sustainable competitive edge (Bowen & Ostroff, 2004; Liao et al., 2009). Human resource management strategies organized around High-Performance Work System (HPWS) are often recognized as the most important factor in elevating workers' efficiency and effectiveness. Such a system is predicted to improve worker's "skills," "motivation," and "opportunity" for more productive employment (Appelbaum et al., 2000). The accomplishment of corporate objectives and increased organizational effectiveness have been made possible through HPWS (Becker & Huselid, 2006; Macky & Boxall, 2007). High-Performance Work System (HPWS) include associated HR procedures that can raise worker motivation, expertise, and knowledge (Sanders et al., 2014). Competition for competent workers and managers has prompted research into how HPWS might help businesses gain an edge in the marketplace (Guthrie, 2001; Sun et al., 2007).

HRM practices aim to boost workforce competency, attitudes, and motivation to boost employee and firm performance outcomes through things like thorough processes of recruitment and selection, rewards, appraisals and performance management systems, and extensive training and involvement of employee (Huselid, 1995). Evidence suggests that HPWS can help companies make the most of their human resource to boost their bottom line (Guthrie, 2001; Datta et al., 2005; Combs et al., 2006). Employees who are invested in their work are more likely to go above and beyond their duties, which boosts productivity and efficiency (Harter et al., 2002; Allen, 2003; Harrison et al., 2006; Whitman et al., 2010).

Employees who are highly engaged in their job do it with enthusiasm and a sense of belonging to the organization, while those who are disengaged put in the bare minimum of effort (Bal et al., 2013). Employees who are invested in their job show greater zeal, effort, and loyalty to their employers (Kahn, 1990). They may frequently assist in developing and maintaining a sustainable competitive edge for their organizations. They are also more creative, more likely to do better, and more likely to perform better (Sahoo & Mishra, 2012; Whitman et al., 2010; Rich et al., 2010). The phenomenon of High-Performance Work Systems is critical to the increase of organizational efficiency, particularly within the Saudi aviation sector, where the best out of employees is a prime factor in organizational performance (Sanders et al., 2014). This dissertation tries to explore how HPWS influences employee performance through the mediating role of employee engagement within the Saudi aviation industry, a subject that is missing in previous literature. Although theoretically many organizations in the Saudi aviation sector are realizing challenges related to low employee performance, manifested by reduced productivity, high error rates, and missed targets. Furthermore, besides reduced performance, symptoms in terms of employee disengagement with low morale, high absenteeism, and increased turnover clearly emerge, thus calling for effective engagement strategies (Javed et al., 2021). Because HPWS implementation is generally ineffective and unrelated to employee engagement practices, intended outcomes are not translated into experiences (Guthrie, 2001; Sun et al., 2007). Clarifying this dynamic could provide useful insights into how work systems should be best optimized to engender greater levels of engagement in driving superior performance with pragmatic implications for the HR practitioner and organizational leader career constituency within the Saudi aviation industry. So, this

study is to investigate the impact of HPWS on employee performance aviation industry employees of Saudi Arabia with employee engagement as a mediator.

1.3 Problem Statement

The Saudi Airlines Corporation, founded in 1945, is widely recognized as one of the world's major airlines (Lu et al., 2016). Before 2006, only Saudi Arabian Airlines operated in the country. Thereafter, low-cost airlines Nas Air and Sama Airlines were granted permission to operate. Strong companies like Saudi Airlines, Flynas, and Flyadeal always need to improve their human resources by hiring and keeping skilled employees. The aviation industry in Saudi Arabia, as alongside key operators such as Saudi Airlines, Flynas, and Flyadeal, is an intrinsic part of the economy that drives growth and connects effectively. It suffers from serious challenges with regard to employee retention and performance in the backdrop of HPWS. The phenomenon under investigation is the high rate of employee turnover, where most of the new recruits leave the company in months due to some problems like an uncomfortable working environment, inefficient management practices, limited promotion opportunities, and a lack of competitive incentives (Javed et al., 2021). This not only causes several problems with operational efficiency but also has some negative impacts on overall organizational performance. The aviation industry must develop a systematic HRM program since it is seen as a crucial component of corporate operations. The Saudi airline has been actively hiring new employees, but many of the new hires aren't sticking around for more than a few months. In 2022, there were 14,030 people working for Saudi airlines. By 2023, that number will have dropped to 11,432. The number of Flynas employees is dropping, just like it has in

Saudi airlines, to 1,749 (Statistics, 2023). Employees are leaving the airlines due of uncomfortable working environment, inefficient management, few promotion opportunities and no competition (Javed et al., 2021). Because of this, it has been incredibly difficult for Saudi airlines to start the hiring process from scratch. However, the work was delayed due to resignations, which made Saudi, Flynas and Flyadeal airlines inefficient. Furthermore, this has an impact on the employee's performance that impacted organization's performance.

No doubt, employees are the driving force behind an airline's success (Das et al., 2017). For this Saudi Airline, Flynas airline and Flyadeal airline need an effective Human Resources (HR) department. The aviation sector employs 58.1 million people globally and contributes \$2.4 trillion to the economy (Air Transport Action Group, 2014). Nearly half (48%) of HR experts see talent acquisition as their top difficulty, whereas just 5% endorse retirement (Air Transport Action Group, 2014).

Competition in the aviation industry is high, thus HR departments in the industry need to be on top of their game. High-performance work practices are those using human resources that aim to increase performance. Noticeably, in several past studies, the mediating role of employee engagement in the connection between HPWS and employee performance has not been clearly presented, and this somewhat leaves a gap in terms of theoretical understanding and practical applications. There is a need to address the issues mentioned in this study, which will be highly helpful for businesses in many ways to sustain HPWS and boost employee performance. The research therefore seeks to fill this gap by investigating how HPWS could be designed in a way to enhance the engagement of employees toward improving their performance

outcomes. This study elaborates on the linkage of these gaps with the main objectives of this study, developing a framework for putting into place effective HPWS that prioritize the engagement of employees in a Saudi aviation context. Therefore, the problem is that Aviation's HR department must satisfy the organization's responsibilities, such as motivating workers, engaging employees achieving greater performance from them via effective training, and keeping a healthy work environment. HRM is responsible for conducting necessary background checks on employment applicants, hiring airline personnel and flight crews, and recruiting new employees. Ultimately, this research establishes a set of indicators to gauge high-performance working environments, such as formal training systems, career ladders, incentives and rewards, employee voice and participation, and job rotation. Strong employees become a source of competitive advantage in a global environment that is undergoing rapid complex change.

1.4 Research Questions

Reviewing the most pressing holes in the existing literature on the topic of HRM and employee performance revealed that researchers still don't fully grasp how HRM systems affect worker output. This study's key topic, then, concerns the method through which workers' impressions of an HPWS influence their productivity in the airline industry. To employee engagement will be examined as mediating role between HPWS and employee performance. Thus, the overarching research question in this thesis is What is the impact of HPWS on employee performance of aviation industry?

The following follow-up questions come from attempting to answer that fundamental inquiry:

- RQ1: How does formal training system relate with employee performance?
- RQ2: How does internal career ladders relate with employee performance?
- RQ3: How does incentives and rewards relate with employee performance?
- RQ4: How does employee voice and participation relate with employee performance?
- RQ5: How does job rotation relate with employee performance?
- RQ6: Does employee engagement mediate the relationship between formal training system and employee performance?
- RQ7: Does employee engagement mediate the relationship between internal career ladders and employee performance?
- RQ8: Does employee engagement mediate the relationship between incentives and rewards and employee performance?
- RQ9: Does employee engagement mediate the relationship between employee voice and participation and employee performance?
- RQ10: Does employee engagement mediate the relationship between job rotation and employee performance?

1.5 Research Aim and Objectives

The current study adopts a micro-level approach to examine the correlation between High-Performance Work Systems (HPWS) and employee performance. This investigation is based on the perceptions of staff members regarding their experiences with the variables being studied. This approach aligns with the suggestions made in existing literature, as there are gaps in the current body of research and calls from

scholars and researchers to develop a more comprehensive theoretical framework for exploring this relationship. This gap therefore calls for research that seeks to establish how employee engagement influences the realization of the effectiveness of HPWS. A major research question consequently comes up: "How does employee engagement mediate the relationship between HPWS and employee performance in the Saudi aviation industry?" An answer to this question becomes a major objective through research into specific ways in which engagement can improve performance outcomes. Because of its recent popularity in the SHRM literature, the term "HPWS" was utilized throughout this research whenever HRM systems are discussed. Many High-Performance Workplace Strategies (HPWS) are implemented in this analysis. These include structured training programs, internal career ladders, employee engagement, incentives, and rewards, and job rotation. The dependent variables in this study are employee performance. Employee engagement is the mediating variable in this study. In light of this, the following are considered the key goals of this research:

RO1: To determine the impact of formal training system on employee performance.

RO2: To determine the impact of internal career ladders on employee performance.

RO3: To determine the impact of incentives and rewards on employee performance.

RO4: To determine the impact of employee voice and participation on employee performance.

RO5: To determine the impact of job rotation on employee performance.

RO6: To know how employee engagement, mediate the relationship between formal training system and employee performance.

RO7: To know how employee engagement, mediate the relationship between internal career ladders and employee performance

RO8: To know how employee engagement, mediate the relationship between incentives and rewards and employee performance.

RO9: To know how employee engagement, mediate the relationship between employee voice and participation and employee performance.

RO10: To know how employee engagement, mediate the relationship between job rotation and employee performance.

1.6 Significance of Research Context: Saudi Aviation Industry

A brief review of the Saudi Arabian government as a policy maker, human resource management in aviation industry and employee performance in aviation industry will be presented before we delve into the significance of the setting of this research.

1.6.1 To the Government of KSA (as policy maker)

As new routes and incentives are developed, it is anticipated that the number of foreign airlines operating out of the Kingdom would increase to more than 120. The General Authority of Civil Aviation is responsible for enforcing aviation laws and regulations in the KSA (GACA, 2012). Assuring safe and lawful aircraft operations is a top priority. Until 2019, Saudi Arabia didn't grant tourist visas to nationals of 49 other countries; however, that has changed. The inhabitants of these countries account for 75% of the luxury travel industry and spend 80% of all foreign tourist expenditures, according to the KSA government website. It is critical to acknowledge the massive size of the outbound Muslim travel market from countries like Malaysia, Indonesia,

and even China, but it is as important to construct tourist resorts and attractions that will appeal to a wide variety of visitors. Over the next five years, an additional 150,000 hotel rooms will be built to handle the anticipated inflow of guests, bringing the total number of hotel rooms to a staggering 500,000 by the year 2030.

New commercial airports are being built, and existing airports are also being modernized. As part of the Vision, Matarat Holding, a subsidiary of the General Authority of Civil Aviation (GACA, 2012), is providing assistance and oversight to the airport improvement and customer service incentives. Riyadh Airports Company (RAC) is in responsibility of running King Khalid International Airport (RKIA) in the Saudi capital of Riyadh, while Jeddah Airports Company (JedCo) is in charge of running King Abdulaziz International Airport (KAIA) in Jeddah. Airports need to be more than just places to drop off and pick up passengers if they want to remain competitive on a global scale. This implies that Jeddah will serve as a hub for an increasing number of international flights. Such a laudable objective is easily attainable. Dubai's airport is a perfect example of how a major infrastructure investment can revolutionize the way people travel and the image of the city that hosts the airport, even though it took decades to prove. Figure 1 exhibits the map of KSA airports.

1.6.2 To the Aviation Industry (what the Management Should Focus)

Many sectors currently cannot function without proper Human Resource Management. They perform an indispensable function in all markets. This article examines the topic of HRM and its relevance to the aviation industry, as well as its contribution to the success of various global enterprises. The primary focus of HRM

is centered on the recruitment, interviewing, hiring, training, motivation, and retention of personnel.

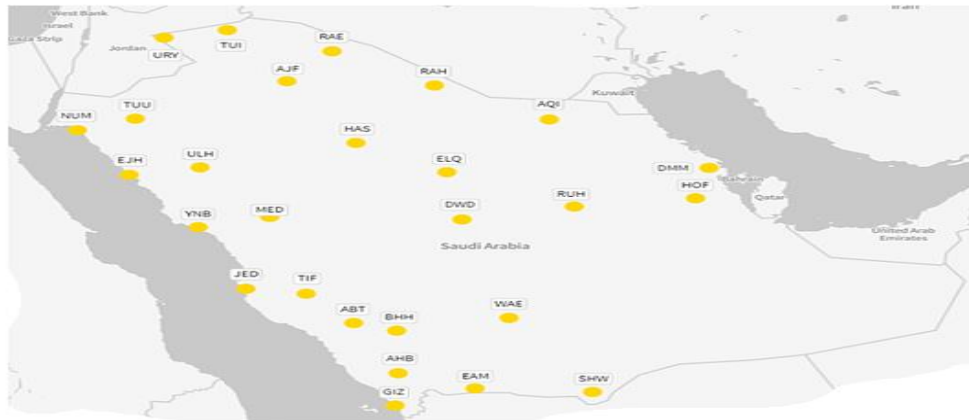


Figure 1.1. Map of 27 Saudi Airports

In the current era of rapid globalization and intricate economic systems, skilled individuals can potentially serve as a significant driver of competitive edge. Within the aviation industry, characterized by intense competition and stringent regulatory requirements, the recruitment and retention of exceptional personnel is of paramount importance. Elysium HR fulfills a critical function in this regard. The process of identifying the most suitable candidate for a role within an airline, airport, or handling agency is a skill that is developed over time. An applicant's qualifications extend beyond those required for academic admittance; they must also fulfill additional requirements.

- The responsibility of HR department is to ensure that the organization kept promises, including through motivating workers, boosting their productivity via training, and keeping the office clean and safe;
- Assisting those who may join the aircrew in the future to adjust to new circumstances without hiccups for either themselves or their passengers;

- The aviation industry's future workers will profit from this cutting-edge technology in the workplace;
- Human Resources manages the hiring process for airline employees and flight crews, including conducting background checks on applicants;
- Human resources professionals working in the aviation sector need to be aware of the various laws that apply to their work.

The significance of employees within the aviation sector lies in their ability to provide a service that enhances the travel experience for customers. Despite the economic fluctuations that have impacted the aviation industry's workforce, the existence of a strong structure of labor union within the airline sector has effectively prevented employee exploitation by enterprises and their all management. Human resource management analyzes the system's benefits and drawbacks to gauge the airline industry's level of competition. The aviation sector is highly competitive, but it is also safe, sensitive, and supported by cutting-edge technology. This collaborative strategy helps businesses adapt to the arrival of new strategic partners, younger leaders, and shifts in the company's own culture.

1.6.3 To Employees of the Aviation Industry

There are 87.7 million employments worldwide that rely on the aviation industry in some way, either as direct beneficiaries or as indirect beneficiaries of the industry's supply chain, employees' spending, and the tourist industry made possible by aviation. An HR representative may be responsible for a range of duties including conducting background checks, managing the hiring process for airline staff and flight

crews, handling benefit administration and paperwork, coordinating with insurance companies, regulatory bodies such as the FAA or Transport Canada, managing employee terminations, facilitating communication with union representatives, interpreting labor contracts, overseeing recruitment efforts, and handling telephone inquiries.

1.6.4 To Literature Related to Employee Performance in this Industry

Employee services are crucial for the success of the airline industry. Nothing can stop the aviation market from plummeting if they dissatisfy their clients. The employees must help the consumers in a way that does not lower the worth of the company. The requirement for airline workers and pilots is expected to rise by the end of 2021, with the recruitment of more than 260,000 new pilots worldwide during the next decade (Paethrangsi & Jamjumrus, 2021). As a result of vaccinations, fiscal stimulus, and monetary easing policies, the aviation industry will recover more quickly than currently predicted by IATA. It is believed that worker actions are associated with job performance and have the potential to generate values that contribute, either favorably or adversely, to the achievement of corporate goals (Paethrangsi & Jamjumrus, 2021). According to research conducted by (Jeanjamroo & Somsuk, 2016), Nok Airlines' flight operations success can be broken down into four distinct categories: management resources, people resources, technology resources, and financial resources. Employee job performance that contributes to the organization's goal can be broken down into three categories, as defined by (Colquitt et al., 2014);

- Routine task performance, in which employees carry out their work duties as they always have (for instance, a flight attendant's duty when demonstrating the live

safety briefing and a ground service agent's duty when assigning seats to customers at the check-in counter).

- Adaptive task performance, in which employees respond to task demand that arose unexpectedly.
- Effective performance of creative tasks requires the employee to think up and implement original solutions that are both appropriate for the company's needs and helpful in achieving its objectives.

In recent decades, there has been a widespread acknowledgment within businesses of the correlation between employee performance and business success. Management through objective, behaviorally anchored rating scales, 360-degree feedback, forced rankings, and social networking platforms are all examples of useful methods for gauging staff performance (Itika, 2011).

Current research is significant because it contributes a suitable model explaining the function of strategic HRM practices (HPWS) in improving employee performance in the service industry (Aviation Industry). Improvements in employee performance, and engagement, can be achieved through the implementation of formal training programs, career advancement opportunities, incentives and recognition programs, open communication with workers, job rotation. However, in contrast to other earlier research, this one focuses on the mediating function of employee engagement links to the potential influence of SHRM on employee performance. In order to address the difficulties of HR procedures and to boost employee initiative, the present research investigated the interplay between employees and their leaders and between employees and their teams. Overall, our study significantly contributes to the

HPWS literature by testing a hypothesis about how goal congruence between line managers and employees might reduce the gap between the two. Moreover, we extrapolate from self-concept-based theory an additional explanatory mechanism in the links between HPWS perceived by workers and their productivity that goes beyond the social exchange viewpoint.

1.7 Significance and Rationale for the Context

This research is ground-breaking because it sheds light on a critical problem facing the Saudi Arabian airlines' human resources (HR) department (Saudi Arabia). The following is an explanation for this problem. The HR department is a microcosm of the company as a whole. Therefore, it's important to keep an eye on growth and innovation as priorities. The primary justification for choosing the Saudi Arabian context for this study is that it faces many of the same unique challenges to human resource management as other Middle Eastern countries. Unlike developed nations, these problems stem mostly from cultural norms and have not been discussed extensively in the literature. “Academics and practitioners are curious to learn about the best sort form systems for the Middle East given the growing corporate interest in the region” said Budhwar and coworkers in their review of HRM in the Middle East (2018).

In Saudi Arabia, the study's backdrop, HRM officials must contend with economic unpredictability and societal culture issues. Human resource management is experiencing fast transformation, and the aviation industry is among the most volatile industries in the world. There is constant change in the business procedures of this

industry, mostly as a result of new external pressures. Management of airline human resources is made more challenging by the industry's often fluid needs. Given the dynamic nature of the sector, job security is a common issue for workers at all levels. That means the airline's HR director has to plan ahead and create openings where they can provide some kind of job security. Human resource managers in the industry confront three major challenges: an increasing number of outsourced jobs, a shortage of qualified candidates to fill those positions, and the ability to effectively manage employee dissatisfaction and the risk of strikes and other union-based activities. HR needs to be pragmatic, imaginative, and a game-changer to meet these problems. This becomes very critical to competitive advantage and operational efficiency, especially within the Saudi aviation industry. This study will further reach into the community and the nation, institutionally infusing a culture of high performance and high engagement, which would mean increased job satisfaction, reduced rates of employee turnover, and eventually economic growth. Through the development of a more efficient and productive workforce, it meets the larger goals related to national development and competitiveness in the global market.

1.8 Terms and Definition

1.8.1 Strategic Human Resource Management

Strategic HRM is a group of tasks and processes that line managers and HR work on together to solve business problems that are related to people (Kaplan & Hurd, 2002).

1.8.2 High-Performance Work System

HPWS is a group of human resource management practices that are meant to improve employee's skills, motivation, and involvement so that a company can gain and keep a competitive edge (Datta et al., 2005).

1.8.3 Formal Training System

Training is a systematic process employed to enhance the competencies, expertise, attitudes, and efficiency of employees, with the aim of achieving superior organizational performance. The methods for enhancing the knowledge and abilities of employees in any company is through the formal training system (Peccei & Van De Voorde, 2019).

1.8.4 Internal Career Ladders

An internal career ladder is the ranking of positions within a company's distinct professional sectors from highest to lowest according to pay and level of responsibility (Lyness & Thompson, 2000).

1.8.5 Incentives and Rewards

Pay or other kind of remuneration given to an employee in exchange for or in recognition of his or her services performed for an organization is termed as incentives and rewards (Tze et al., 2012).

1.8.6 Employee Voice and Participation

Employee participation measures how much employees are involved in organizational decision-making beyond merely providing services, whereas employee voice is often defined as an open channel of communication between employees and HRM (Aylott & Bolin, 2019).

1.8.7 Job Rotation

Job rotation is the practice of moving workers between positions with comparable degrees of responsibility, difficulty of the task, and decision-making space (Carpini, 2018).

1.8.8 Employee Performance

An employee's performance is measured by how well their day-to-day tasks contribute to fulfilling stakeholder expectations (Bataineh, 2017).

1.8.9 Employee Engagement

Employees' discretionary effort is the additional time, thought, and effort they devote to their work is known as employee engagement (Johnson, 2011).

1.8.10 AMO-Model

The AMO-model describes how HR policies and procedures affect productivity by influencing workers' Abilities, Motivation, and Participation Opportunities (Appelbaum et al., 2000).

1.9 Summary

The objective of the study is to investigate the empirical evidence pertaining to the aviation sector of Saudi Arabia, specifically focusing on the use of high performance work practices system and employee performance with the mediating role of employee engagement. The present chapter encompasses an introductory section, a theoretical framework, a comprehensive discussion of strategic human resource management, a focus on the service sector, a specific examination of the airline industry in Saudi Arabia, a background analysis of the study, an exploration of the study's importance. Additionally, the chapter elucidated the process of formulating a research topic and establishing the objectives for the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter will discuss theoretical background for the study. The study variables, their relationship, hypothesis development, and research framework.

2.2 Theoretical Background

Employee behavioral patterns are impacted by HPWS, and as a result, more productive "extra-role behaviors" (such as "Organizational Citizenship Behaviors") are displayed. As a result, productivity among employees rises. Researchers have begun to see a separate issue with the way in which HPWS influences the attitudes and conduct of real workers (Jiang & Messersmith, 2018; Peccei & Van De Voorde, 2019). The other line of study has drawn from the "Organizational Behavior" and "Organizational Psychology" fields in an effort to address these difficulties. This dissertation model is supported by "social exchange" theory (Blau, 1964). In order to measure how HPWS affects productivity, social exchange theory and the "norm of reciprocity" are frequently applied. The current work included these concepts into an explanatory theoretical model of HPWSs, as will be discussed in further depth in the following sections.

2.2.1 Social Exchange Theory

HPWS's impact on worker performance is best understood through the lens of social exchange theory (Zhang et al. 2014). In short, HPWS shows workers that their

efforts are appreciated, and they respond by going above and beyond the call of duty (Takeuchi et al., 2007). The consequence is an increase in organizational performance as a result of these out-of-character actions (Takeuchi et al., 2007). According to the theory, employees will exhibit more positive behaviors and higher productivity if they are treated properly by the company (Aryee et al., 2002). HPWS might foster a more "trusting" relationship between workers and management (Blau, 1964). Therefore, HPWS not only motivate employees to go beyond the duty and display extra-role behaviors, but it also helps to enhance employees' views of the workplace's atmosphere for justice and service (García-Chas et al., 2014).

People who engage in the social exchange interactivity are frequently perceived as the emotional human beings that collect information, consider it very critically, and then choose the kind and frequency of trade with the organizations (Bal et al., 2013). Thus, as a result of the exchange process, people experience emotions and sentiments that they then assign to other social entities, such as their organizations. Employees' levels of engagement and loyalty to their employers are both affected by the emotional connections they attribute to their work (Lawler, 2001). Scholars in the field of human performance and work systems (HPWS) subscribe to the social exchange theory, which states that high-performing organizations have employees who are dedicated to their work and put in extra effort because their employers care about them (Bal et al., 2013).

In other words, when individuals participate in social trade relationships and actively do something for another party, they anticipate receiving something in return in the future (Bal et al., 2013). Workers are expected to show greater engagement and

commitment in return for the company's investment in HPWS. In a global setting, there is still a social-exchange-based link between HPWS and employee engagement. Employee engagement is the cornerstone of the social exchange hypothesis (Yin, 2018). Employee motivation and engagement are increased if they feel their actions at work provide the results they anticipate (Bal et al., 2013). Last but not least, the idea asserts that individuals are aware that the pay-out will vary from one person to the next as well as over time (Lawler, 2001). Numerous researchers have discovered that employees' engagement or disengagement is influenced by social exchange of behaviors, and they have come to the conclusion that some actions might cause disengagement and negatively affect performance (Yin, 2018). In more detail, it is stated that HPWS can, in accordance with the social exchange theory, elicit emotions and sentiments that cause people, even in an international setting, to assign such emotions to their exchange partners or organizations.

2.3 Employee Performance

There are two components to performance: willingness and ability. Workers' "will do" reflects their existing levels of competence and familiarity with their assigned tasks, while their "can do" reflects their intrinsic drive to improve their performance (Jamal, 2007). Guided in the right direction at the right moment and given positive reinforcement, people can improve their performance on tasks. Gaining a sense of fulfillment from completing a task improves one's performance (Niemivirta & Tapola, 2007). Several other metrics, including as quality, quantity, timeliness, cost-effectiveness, accuracy, and others, can be used to assess an employee's performance on the job (Novitasari, 2020). Performance, in the context of an organization, is

typically understood to be a measure of how much of an individual's effort goes toward realizing the organization's stated objectives. For service businesses, their employees are their greatest strategic asset (Luthans and Stajkovic, 1999; Pfeffer, 1994). Furthermore, a commitment performance strategy considers workers to be valuable assets and gives their opinions more weight. The success of a company depends in large part on the efforts of its employees. What an employee does or does not do constitutes their performance in the outset. The assessment of employee performance can be conducted based on various factors, including production quantity, output quality, timeliness of deliverables, attendance, and collaboration within the team (Güngör, 2011).

The work performance of an employee is the actions taken to reach a goal. Yet another perspective is behavioral (Armstrong & Baron, 2000). The effectiveness of each staff member is measured against established goals as explained by Iqbal et al., (2013). There is a wide variety of indicators that may be used to assess performance, including productivity, efficiency, effectiveness, quality, and profitability (Bhutto et al., 2022). The capacity to generate consistent earnings over time is what we call profitability, whereas earnings margin is defined as the percentage of a company's gross profit that is retained as profit or the rate of return on invested capital. The former refers to a company's capacity to achieve its goals while squandering as few resources as possible, while the latter describes how well its workers perform in relation to those goals (Arora & Stoner, 1996). The term "productivity" refers to the ratio of output to input (Stoner, Freeman and Gilbert Jr 1995). The process involves assessing the effectiveness with which individuals, businesses, or entire industries convert raw materials into finished products. Productivity refers to the measure of work completed