



Employee Relations: The International Journal

HR practices and employee performance: the mediating role of well-being

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Article information:

To cite this document:

Violetta Khoreva, Heidi Wechtler, "HR practices and employee performance: the mediating role of well-being", *Employee Relations: The International Journal*, <https://doi.org/10.1108/ER-08-2017-0191>

Permanent link to this document:

<https://doi.org/10.1108/ER-08-2017-0191>

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HR PRACTICES AND EMPLOYEE PERFORMANCE:

THE MEDIATING ROLE OF WELL-BEING

INTRODUCTION

Acknowledgements / Funding

Liikesivistysrahasto, December 2016

Marcus Wallenbergs Stiftelse för Internationellt Vetenskapligt Samarbete, June 2017

The impact that different dimensions of human resource (HR) practices have on employee performance has attracted a lot of attention in the human resource management (HRM) literature over the past 25 years (Van De Voorde and Beijer, 2015). In the past two decades, researchers also began to focus more directly on employee-centered outcomes such as employee well-being and to look more closely at the effect that HR practices have on employee well-being (e.g. Jiang *et al.*, 2012). The role of employee well-being as a mechanism through which HR practices affect employee performance has also been studied (Fisher, 2010; Van De Voorde and Beijer, 2015).

The empirical evidence regarding the trilateral relationships between HRM, employee well-being and employee performance demonstrates that HRM has a positive effect on the different dimensions of employee performance due to the creation of positive employee happiness effects (Devonish, 2013; Jiang *et al.*, 2012; Van De Voorde *et al.*, 2012). However, some studies indicate that HR practices may trigger higher levels of stress, burnout, exhaustion and work intensification, which are elements that negatively affect employee physical well-being (Alfes *et al.*, 2012; Grant *et al.*, 2007; Jackson *et al.*, 2014; Pawar, 2016;

Van De Voorde *et al.*, 2012). HR practices may thus benefit employee performance and one type of employee well-being, while damaging another dimension of employee well-being. These findings voice the possibility of complex patterns of trade-offs between HRM, different dimensions of employee well-being and employee performance. However, despite growing indications of the existence of trade-offs, many questions remain (Boxall *et al.*, 2016; Paauwe, 2009; Peccei *et al.*, 2013).

Hence, this study contributes to the discussion by investigating how different dimensions of HR practices are associated with different dimensions of employee performance. Particularly, it draws on the Ability (A), Motivation (M), Opportunity (O) model (AMO model) (Appelbaum *et al.*, 2000), examining the effect of the perceived use of the skill-, motivation- and opportunity-enhancing HR practices (Lepak *et al.*, 2006) on in-role and innovative job performance (Fu *et al.*, 2015; Muñoz-Pascual and Galende, 2017; Patel *et al.*, 2013).

In line with the social exchange perspective (Blau, 1964), this study also explores the mediating role of the different dimensions of employee well-being in the association between the perceived use of the different dimensions of HR practices and the different dimensions of employee performance (Figure 1 depicts the conceptual model). As the study focuses on such dimensions of employee well-being as psychological, physical and social well-being (Grant *et al.*, 2007; Pawar, 2016; Van De Voorde *et al.*, 2012), it furthers HRM research by enriching our theoretical and empirical understanding of the function of employee well-being in the trilateral relationship and attempts to identify whether certain dimensions of HR practices result in lowering an employee's physical well-being while benefiting their psychological and social employee well-being and maximizing employee performance.

The study also contributes to the further validation of prior research by using multi-source data based on an assessment of who is best placed to evaluate a variable. In this study, we

commit to choosing an appropriate respondent for each type of variable. Most of the psychological and social processes involved in HRM need to be assessed by employees themselves (Boxall *et al.*, 2016). Therefore, this study consults employees to measure the extent to which employees use different dimensions of HR practices and to determine their effect on employee well-being. Additionally, managerial informants are used as dependent variables in the study to help ascertain performance outcomes (Boxall *et al.*, 2016). Hence, in this study, employee performance is examined based on the responses of the immediate supervisors of employees.

Figure 1 about here

THEORETICAL BACKGROUND

Different Dimensions of Employee Performance

For organizations to maximize their efficiency in existing markets while maintaining a focus on creating future innovations, employees need to perform their given duties and be efficient in them (Patel *et al.*, 2013). Simultaneously, employees need to search, discover, experiment, take risks and innovate (Patel *et al.*, 2013). Organizations need to find the correct balance between utilizing rules and procedures to make employee performance predictable (i.e. in-role job performance) while providing employees with the freedom to spontaneously innovate to adapt to challenges and atypical situations (i.e. innovative job performance) (Fu *et al.*, 2015; Muñoz-Pascual and Galende, 2017). When investigating the effect of different dimensions of HR practices on employee performance, it is thus necessary to examine both dimensions of employee performance: in-role job performance and innovative job performance.

In-role job performance is defined as ‘actions specified and required by an employee’s job description and thus mandated, appraised, and rewarded by the employing organization’ (Janssen and Van Yperen, 2004, pp. 369-370). In-role job performance ensures that work behavior becomes predictable so that basic organizational tasks can be coordinated and controlled in order to achieve organizational goals (Fu *et al.*, 2015).

Innovative job performance is defined as ‘the intentional generation, promotion, and realization of new ideas within a work role, work group, or organization in order to benefit role performance, a group, or an organization’ (Janssen and Van Yperen, 2004, p. 370). This type of performance involves complex and challenging assignments involving a variety of cognitive and social actions, such as generating, promoting, discussing, modifying and eventually implementing creative ideas (Janssen and Van Yperen, 2004). Innovative job performance aims to develop and apply novel ideas and practices for which the necessary knowledge and strategies have yet to be learned. Innovative job performance incorporates change that can lead to resistance because of the insecurity and uncertainty it may generate (Fu *et al.*, 2015; Muñoz-Pascual and Galende, 2017).

Different Dimensions of HR practices

The AMO model posits that employee performance is a function of three essential components: the ability, motivation and opportunity to perform (Obeidat *et al.*, 2016). According to the model, the use of HR practices that are aimed at strengthening employee performance can be viewed as a composition of three dimensions - skill-, motivation- and opportunity-enhancing HR practices (Lepak *et al.*, 2006). *Skill-enhancing HR practices* aim at facilitating increased levels or types of employee knowledge and abilities, helping employees with career development and expanding their promotion opportunities (Tharenou *et al.*, 2007). These practices include thorough recruitment, accurate selection and extensive

training. Consistent with the model, skill-enhancing HR practices are likely to enhance employee skills and abilities, thus providing them with the socialization tools necessary for integration within an organization (Autry and Wheeler, 2005). Hence, skill-enhancing HR practices may assist employees with mastering organization-specific skills and abilities while acquiring the task-related skills and procedural knowledge necessary for increased in-role and innovative job performance.

Motivation-enhancing HR practices are intended to boost employee motivation (Jiang *et al.*, 2012). These practices include developmental performance management, competitive compensation, extensive benefits, promotion possibilities and job security. Motivation-enhancing HR practices direct employee efforts toward the accomplishment of work objectives and provide employees with the motives necessary to engage in enhanced employee performance (Kinnie *et al.*, 2006). According to the AMO model, when using motivation-enhancing HR practices, employees are expected to work toward the attainment of specific goals, receive task- or behavior-based feedback and be adequately rewarded for increased employee performance (Subramony, 2009). Furthermore, motivation-enhancing HR practices are suggested as ways to encourage employees to perceive their organization as valuing their contributions (Allen *et al.*, 2003), which has the effect of obliging them to reciprocate by engaging in citizenship behaviors (Wayne *et al.*, 2002). In addition, motivation-enhancing HR practices are likely to communicate organizational expectations regarding expected employee behaviors through an appraisal system, reinforce the behaviors through a compensation system and help employees to develop or maintain the behaviors that are likely to be reinforced through a feedback system – with the result that all three systems lead to increased employee performance. Along the same lines, we argue that in-role performance is evoked by the inspiration provided by the tasks themselves and that motivation is a base for performing innovative activities.

Opportunity-enhancing HR practices are suggested as a way to inspire employees to use their skills and motivation to achieve organizational objectives, encourage employees to share knowledge, learn new skills and seek out challenges at work (Jiang *et al.*, 2012). Flexible job design, teamwork, employee involvement and information sharing belong to this pool of HR practices. The AMO model posits that opportunity-enhancing HR practices encourage employees to take increased responsibility for goal setting, task completion and the management of interpersonal processes (Mathieu *et al.*, 2006). By using opportunity-enhancing HR practices, employees may demonstrate flexibility in accommodating customer needs (Peccei and Rosenthal, 2001), engage in process improvements (Kirkman *et al.*, 2004) and solve problems creatively (Heffernan *et al.*, 2016). The use of opportunity-enhancing HR practices is thus likely to result in reciprocation in the form of increased in-role and innovative job performance.

Linking HR Practices and Employee Performance

The social exchange perspective may constitute a helpful lens through which to understand the association between HR practices and employee performance. The perspective suggests that when organizations invest in their employees, employees are likely to reciprocate these organizational investments in positive ways (Cropanzano and Mitchell, 2005). Particularly, employees may engage in a social exchange relationship when they voluntarily act in favor of another party and have the expectation that the favor will be reciprocated in the future. Based on the concept of social exchange and the norm of reciprocity (Gouldner, 1960), inducements, such as positive and beneficial actions directed at employees by the organization, create conditions for employees to reciprocate in positive ways (Settoon *et al.*, 1996).

Drawing on the social exchange perspective, we argue that when organizations invest in different dimensions of HR practices, which are likely to be viewed by employees as an indication of the employer's commitment toward them, employees may, in turn, act in ways that meet organizational interests. Employees interpret such corporate actions as skill-, motivation- and opportunity-enhancing HR practices as commitment or support by the organization, which employees then reciprocate by adopting positive attitudes that encourage the accomplishment of organizational goals. When organizations invest in different dimensions of HR practices, employees may believe their organizations care about their career needs and development, which may indicate to employees that they are valued by the organization (otherwise, the organization would not invest in employees' career). Hence, when employees use different dimensions of HR practices, they are expected to reciprocate through increased job performance. On this basis, we hypothesize:

Hypothesis 1: The perceived use of HR practices, i.e. skill-, motivation- and opportunity-enhancing practices, is positively associated with employee performance, i.e. in-role and innovative job performance.

Different Dimensions of Employee Well-being

Employee well-being is a broad concept, which describes the overall quality of how an employee experiences and functions at work (Guest, 2017). The principal dimensions of employee well-being include psychological, physical and social well-being (*cf.* Grant *et al.*, 2007; Van De Voorde *et al.*, 2012). While *psychological well-being* focuses on subjective experiences and functioning at work, *physical well-being* outlines well-being in terms of bodily health and functioning and *social well-being* refers to the quality of one's relationships with other people and communities (Grant *et al.*, 2007; Van De Voorde *et al.*, 2012).

Trade-offs between HR Practices and Employee Well-being

Trade-offs are a familiar feature of organizational life (Grant *et al.*, 2007), thus managers often need to: make choices between earnings pressure and long-term-oriented corporate governance (Zhang and Gimeno, 2016), establish goals that may boost employee performance but simultaneously nurture unethical behavior (Motro *et al.*, 2016) and make personnel redundant to achieve long-term goals but harm employees in the process (Molinsky and Margolis, 2005).

Trade-offs may also arise between HR practices and employee well-being. For instance, Alfes *et al.* (2012) claimed that HR practices may positively influence employee commitment, satisfaction and trust but at the expense of amplified stress levels amongst employees. Similarly, Van De Voorde *et al.* (2012) concluded that while HR practices are beneficial for employee happiness (i.e. psychological well-being) and for working relationships (i.e. social well-being), these HR practices tend to damage employee physical well-being in terms of increased workload, strain and stress. Thus, it can be concluded that while psychological well-being and social employee well-being are congruent with employee performance, physical employee well-being is not always congruent with it. This is the case because investment in different dimensions of HR practices implies that organizations value employee contributions and demand long-term employment relationships with employees. However, employees are forced to work harder to reciprocate, which results in enhanced workloads and stress levels (Jiang *et al.*, 2012) as well as increased job strain and emotional exhaustion (Jensen *et al.*, 2013). Therefore, in line with previous research, the perceived use of HR practices is suggested as causing trade-offs in employee well-being by increasing psychological and social well-being but simultaneously diminishing physical well-being:

Hypothesis 2a: The perceived use of HR practices, i.e. skill-, motivation- and opportunity-enhancing practices, is positively associated with psychological and social employee well-being.

Hypothesis 2b: The perceived use of HR practices, i.e. skill-, motivation- and opportunity-enhancing practices, is negatively associated with physical employee well-being.

Linking Employee Well-being and Employee Performance

Scholars advocate that HRM research and policy need to pay greater attention to promoting employee well-being (Currie, 2001). As presented in Guest's article (2017), there are several reasons for this. First, it is the right issue to do for ethical reasons since the interests of employees are often overlooked, thus employee outcomes are perceived as a means to an end rather than the end. Furthermore, various external pressures can damage employee well-being. Finally, organizations may benefit from a focus on well-being in terms of enhanced employee performance, sustainable competitive advantage and reduced costs.

Psychological and physical well-being may heighten employee performance (Currie, 2001). Indeed, when employees work in a friendly, stress-free and physically safe environment, they perform their duties better (Currie, 2001). Alongside that, social well-being promotes a pleasant working environment that enhances an exciting, rewarding, stimulating and enjoyable work spirit (Bakke, 2005). Consequently, employees look for employers who can help them achieve social well-being, since they spend a large proportion of their life at work. In order for employers to promote social well-being among employees, they must create a working environment, which promotes a state of contentment and which allows employees to flourish and achieve their full potential for the benefit of themselves and their organizations (Tehrani *et al.*, 2007). Employee well-being is likely to introduce a change in the organizational climate that can produce positive employee outcomes, including increased in-role and innovative job performance. Hence, we hypothesize:

Hypothesis 3: Employee well-being, i.e. psychological, physical and social well-being, is positively associated with employee performance, i.e. in-role and innovative job performance.

HR Practices and Employee Performance: The Mediating Role of Well-being

The effects of the work environment, employee personality and the psychological climate at work on distal outcomes, such as employee performance, are often measured through happiness-related constructs such as job satisfaction, affective commitment and mood at work (Fisher, 2010). A recent stream of empirical research provides evidence that examining employee well-being is essential for determining the associations between the different dimensions of HR practices and employee outcomes (Devonish, 2013; Jiang *et al.*, 2012; Pawar, 2016; Van De Voorde and Beijer, 2015).

In line with the social exchange perspective, we argue that the more employees use different dimensions of HR practices, the more they feel being appreciated and recognized, thus the more they perceive themselves in a social exchange, which results in them giving their psychological and social well-being a higher score. Accordingly, they then feel an obligation to reciprocate in terms of an increased in-role and innovative job performance. Nevertheless, in line with the social exchange perspective, we expect that as more employees use the different dimensions of HR practices, the more they will commit their time, energy and effort into work. However, this will cause higher work pressure, stress, exhaustion and work intensification, which lead to a decrease in physical well-being. Accordingly, employees may feel tired, strained and unhealthy, causing a reduction in in-role and innovative job performance. Overall, we expect that employee well-being, i.e. psychological, physical and social, mediates the association between the perceived use of HR practices and employee performance:

Hypothesis 4a: Psychological and social well-being mediates the association between the perceived use of HR practices and employee performance, so that the perceived use of HR practices, i.e. skill-, motivation- and opportunity-enhancing practices, is positively associated with psychological and social well-being. Resulting in psychological and social well-being being positively associated with employee performance, i.e. in-role and innovative job performance.

Hypothesis 4b: Physical well-being mediates the association between the perceived use of HR practices and employee performance so that the perceived use of HR practices, i.e. skill-, motivation- and opportunity-enhancing practices, is negatively associated with physical well-being while physical well-being, is positively associated with employee performance, i.e. in-role and innovative job performance.

METHOD

Data and Sample

This study was conducted within a professional service company in Finland. The data were collected as part of a more general survey of international HRM. Meetings were scheduled to inform the participants about the general purpose of the study, to emphasize confidentiality and to distribute questionnaires. All employees were asked to participate in the research and received questionnaires, which were filled out during work time and returned via the internal mail system.

Of the 447 employees who received questionnaires, 302 responded by providing “self-reports” of their use of HR practices and their levels of well-being, resulting in a response rate of 68 percent. Since supervisors played a pivotal role in the employee performance system, the employee in-role and innovative job performance was rated by employees’

immediate supervisors ($n = 34$), who also filled in questionnaires. Supervisor ratings were obtained for 300 of the 302 respondents in the sample.

In the final sample, 44 percent were female, the average age was 37 years (standard deviation $SD = 7.2$), 11 percent of the sample had been with the company for less than six months, 29 percent for seven months to two years, 38 percent for three to five years, 14 percent for six to ten years and 23 percent for more than ten years. Among the respondents, 92 percent had a Master's degree or above. Unit size varied between less than 12 employees (26 percent), between 12 and 25 employees (36 percent) and more than 25 employees (38 percent).

Measurement

Unless specified, the items for the measurement scales were scored on a seven-point Likert scale from 'strongly disagree' (1) to 'strongly agree' (7).

To measure *the perceived use of HR practices*, 18 HR practice items were selected based on the earlier empirical work of Gardner *et al.* (2011) (see detailed items and associated responses Gardner *et al.*, 2011, p. 331). Employees were asked to indicate the extent to which each HR practice was being used for them and their colleagues in similar positions in their company. A sample item is: '*Undergoing structured interviews (job-related questions asked of all employees, rating scales) before being hired*'. Four items were excluded from the analyses as they had no variance in our sample¹ probably due to the fact that the data have been collected from within a single company. Following Jiang *et al.* (2012), the items were grouped into skill-, motivation- and opportunity-enhancing HR practices. Cronbach's alphas were all above the conventionally accepted levels in HR research: skill-enhancing HR

¹ Related to how often employees receive formal company communication regarding company goals, operating performance, financial performance and competitive performance, 100 percent of our sample answered 'quarterly or more frequently'. Related to how many hours of formal training employees receive on average each year, 100 percent of our sample answered '15 or more hours of training per year'.

practices (four items) 0.99; motivation-enhancing HR practices (six items) 0.98; and opportunity-enhancing HR practices (three items) 0.97.

Following prior research (Appelbaum *et al.*, 2000), **psychological well-being** was measured by *Job satisfaction* using a five-item scale developed by Bacharach *et al.* (1991) and empirically used by Janssen and Van Yperen (2004). The respondents were asked how satisfied or dissatisfied they were with five aspects of their jobs on a seven-point scale ranging from 'very dissatisfied' (1) to 'very satisfied' (7). A sample item is: '*The progress I am making toward the goals I set for myself in my present job*'. The Cronbach's alpha was 0.96. In line with prior research (Appelbaum *et al.*, 2000), **physical well-being** was measured with *Job strain*, which refers to responses to stressors (Van De Voorde *et al.*, 2012). Job strain was assessed with a two-item scale developed by Li *et al.* (2016). A sample item: '*My job is more stressful than I had ever imagined*'. The Cronbach's alpha was 0.97. It is crucial to specify that physical well-being was operationalized so that higher job strain indicated lower physical well-being and vice-versa. Following Appelbaum *et al.* (2000) and Grant *et al.* (2007), **social well-being** was measured by *Perceived organizational support* using the short version of the scale of the Survey of Perceived Organizational Support (Eisenberger *et al.*, 1986), which has been previously validated by Alfes *et al.* (2013). A sample item: '*My company really cared about my well-being*'. Cronbach's alpha was 0.98.

Following Janssen and Van Yperen (2004), **in-role job performance** was measured on a five-item scale developed by Podsakoff and MacKenzie's (1989). The immediate supervisors of the respondents indicated the extent to which they agreed or disagreed with five statements about the quality and quantity of the employees' in-role activities. A sample item: '*This employee always completes the duties specified in his/her job description*'. Following Janssen and Van Yperen (2004), **innovative job performance** was measured with a nine-item scale on individual innovation in the workplace, which draws on Kanter's work (1988) on the stages

of innovation. The immediate supervisors of the respondents indicated how often their employees performed the nine innovative work behaviors in the workplace. A sample item: 'Creating new ideas for improvements'. The items were rated on a seven-point scale ranging from 'never' (1) to 'always' (7). The Cronbach's alphas were the following: in-role job performance 0.97 and innovative job performance 0.97.

Control variables. Four demographic individual-level variables were controlled for: gender (1 = man, 0 = woman); age (1 = under 30 years, 2 = 31-35 years, 3 = 36-40 years, 4 = 41-45, 5 = 46-50 and 6 = 51 years and above); education (1 = Bachelor, 2 = Master, 3 = Doctoral); and organizational tenure (1 = 0-6 months, 2 = 7-12 months, 3 = 1-2 years, 4 = 3-5 years, 5 = 6-10 years, 6 = 10+ years). Work unit size was also controlled for (1 = less than 12 employees, 2 = between 12 and 25 employees, 3 = more than 25 employees). Age, education and tenure were reduced to a composite variable taking the first and unique factor, with eigenvalues superior to 1, from a factor analysis.

To evaluate the risk of common method bias, Harman's one factor test was first conducted (Podsakoff and Organ, 1986), which consists of running an exploratory analysis on the items of the main constructs of the study. The results showed that five factors with eigenvalues higher than one and the first factor counted for about 34 percent of the total variance. In addition, an unmeasured latent factor was controlled for through a confirmatory factor analysis where the items loaded on both their theoretical constructs and on a latent common method variance factor (Podsakoff *et al.*, 2003). Since loadings remained significant after adding the latent factor, we concluded that common method bias was not a serious enough threat to discredit the interpretations of the analyses.

FINDINGS

First, the discriminant validity of the multi-item measures reported by the respondents was assessed. Using SAS 9.3, a confirmatory factor analysis was conducted with the latent variables associated with each dimension of HR practices, employee well-being and employee performance. The fit indices showed a good fit with the data ($\chi^2(646) = 1711.97$, $p < 0.01$; GFI = 0.93; CFI = 0.90; NFI = 0.90; RMSEA = 0.06)². The eight-factor model was compared against a three-factor model – with a single latent variable representing the main concepts. The three-factor model had a significantly poorer fit than the eight-factor model ($\chi^2(664) = 1958.76$, $p < 0.01$; GFI = 0.75; CFI = 0.71; NFI = 0.70; RMSEA = 0.08; $\Delta\chi^2(18) = 247$, $p < 0.01$).

Means, standard deviations and correlations are displayed in Table 1. Notably, innovative job performance correlated with the perceived use of motivation-enhancing HR practices ($r = 0.84$, $p < 0.01$), and with job satisfaction ($r = 0.73$, $p < 0.01$). In-role job performance correlated with the perceived use of skill-enhancing HR practices ($r = 0.59$, $p < 0.01$), job strain ($r = -0.87$, $p < 0.01$) and perceived organizational support ($r = 0.85$, $p < 0.01$). The results of the hypothesized model tests are discussed below and illustrated in Table 2.

 Tables 1 and 2 about here

Next, a structural equation modelling model that tested the linear relationships included in the hypothesized model was generated (Figure 1). It yielded good fit indices ($\chi^2(109) = 185.35$, $p < 0.01$; GFI = 0.97; CFI = 0.95; NFI = 0.95; RMSEA = 0.05). The model was controlled for gender, unit size and the education-age-tenure composite variable. In addition, dummy variables were added to take into account the immediate supervisor level.

² CFI: comparative fit index; IFI: incremental fit index; RMSEA: root mean square error of approximation.

The results were the following. First, the perceived use of skill- and opportunity-enhancing HR practices was positively associated with in-role job performance (respectively $b = 0.15$, $p < 0.01$; $b = 0.19$, $p < 0.01$) while the perceived use of motivation-enhancing HR practices was positively associated with innovative job performance ($b = 0.58$, $p < 0.01$). Hypothesis 1 was thus partially supported.

Second, while the perceived use of motivation-enhancing HR practices was positively associated with job satisfaction (i.e. psychological well-being) ($b = 0.74$, $p < 0.01$), the perceived use of skill- and opportunity-enhancing HR practices was negatively associated with job strain (i.e. decreased physical well-being) (respectively $b = -0.59$, $p < 0.01$; $b = -0.42$, $p < 0.01$). Similarly, the perceived use of skill- and opportunity-enhancing HR practices was positively associated with perceived organizational support (i.e. social well-being) (respectively $b = 0.52$, $p < 0.01$; $b = 0.53$, $p < 0.01$). In summary, while the perceived use of motivation-enhancing HR practices was positively associated with psychological well-being, the perceived use of skill- and opportunity-enhancing HR practices was positively associated with physical and social well-being. Therefore, Hypothesis 2a was partially supported and Hypothesis 2b was rejected.

Next, while job satisfaction (i.e. psychological well-being) was positively associated with innovative job performance ($b = 0.21$, $p < 0.01$), job strain (i.e. decreased physical well-being) was negatively associated with in-role job performance ($b = -0.45$, $p < 0.01$). Furthermore, perceived organizational support (i.e. social well-being) was positively associated with both in-role job performance and innovative job performance (respectively $b = 0.34$, $p < 0.01$; $b = 0.07$, $p < 0.1$). In other words, while psychological employee well-being increased innovative job performance, physical well-being increased in-role job performance. Social well-being increased both in-role and innovative job performance. Hence, Hypothesis 3 was partially supported.

Finally, employee well-being partially mediated the association between the perceived use of skill- and opportunity-enhancing HR practices and in-role job performance (respectively indirect effect $b = 0.44$, $p < 0.01$; indirect effect $b = 0.37$, $p < 0.01$). Employee well-being also partially mediated the association between the perceived use of motivation-enhancing HR practices and innovative job performance (indirect effect $b = 0.16$, $p < 0.01$). In order to interpret the mediating role of employee well-being in detail, we followed Baron and Kenny's (1986) guidelines, which were complemented by Zhao *et al.*'s (2010) decision tree. Both physical and social well-being had a partial complementary mediating effect – the mediated and direct effects both exist and point in the same direction – regarding the association between the perceived use of skill- and opportunity-enhancing HR practices and in-role performance. In contrast, psychological well-being had a partial complementary mediating effect on the association between the perceived use of motivation-enhancing HR practices and innovative job performance. In addition, social well-being had a partial indirect-only mediating effect – mediated effect exists but no direct effect – on the association between the perceived use of skill- and opportunity-enhancing HR practices and innovative job performance. In other words, while physical and social well-being was found to strengthen the association between the perceived use of skill- and opportunity-enhancing HR practices and in-role job performance, psychological well-being was found to strengthen the association between the perceived use of motivation-enhancing HR practices and innovative job performance. Therefore, Hypothesis 4a was partially supported and Hypothesis 4b was rejected.

DISCUSSION

A pressing question for both the scholarly and practitioner HRM communities is to reveal the possibility of a complex pattern of complementary effects and trade-offs between HR practices, employee well-being and employee performance (Jackson *et al.*, 2014; Jiang *et al.*,

2012; Van De Voorde *et al.*, 2012; Van De Voorde and Beijer, 2015). Drawing on the AMO model and the social exchange perspective, this study offers a theoretical framework and empirical analysis that contributes to advancing our understanding of these effects and trade-offs.

Our findings suggest that HR practices have unique associations with different dimensions of employee performance. While the perceived use of skill- and opportunity-enhancing HR practices leads to enhanced in-role job performance, the perceived use of motivation-enhancing HR practices results in increased innovative job performance. Hence, our findings support the AMO model indicating that skill-enhancing HR practices inspire employees to strive to improve their in-role performances and that opportunity-enhancing HR practices multiply the opportunities of employees to contribute and successfully accomplish their in-role performance. Furthermore, motivation-enhancing HR practices encourage employees to be creative and not to fear failure but to take the initiative, which leads to increased innovative job performance.

In addition, while the perceived use of motivation-enhancing HR practices was found to cause increased psychological well-being, the perceived use of skill- and opportunity-enhancing HR practices was found to enhance both physical and social well-being. Hence, our findings are in line with the AMO model advocating that it is better to view the different dimensions of HR practices as three distinct components of a HRM system rather than as an interchangeable unidimensional frame for predicting both employee well-being and employee performance.

Second, our results provide empirical support for the efficacy of examining the different dimensions of employee well-being as opposed to an overall index of well-being at work. In particular, our results indicate that while social well-being boosts both in-role and innovative

job performance, psychological employee well-being is only positively associated with innovative job performance and physical well-being is only positively associated with in-role job performance. Therefore, employees who fit in and experience high levels of social well-being are likely to experience a sense of vitality that enables them to successfully accomplish both their in-role and innovative job performance. Likewise, physical well-being increases self-efficacy and self-esteem and encourages personal feelings of competence and effective work achievement (Bandura, 1989). Employees may thus exert effort and exhibit high in-role performance. Finally, psychological well-being encourages employees to persevere when facing the challenges inherent in creative and innovative work and thus boosts their innovative job performance.

Next, our findings do not indicate any trade-offs between HR practices, employee well-being and employee performance. Our findings do not support the notion that the use of some HR practices benefits employee performance and one type of employee well-being while harming another type of employee well-being. This study is thus not in line with the pessimistic view (Peccei, 2004) that strategic HRM has a positive effect on employee performance but is damaging to physical employee well-being. Quite the opposite, our study postulates that different dimensions of HR practices do not translate into lower employee health and instead finds that the perceived use of skill- and opportunity-enhancing HR practices leads to enhanced physical well-being. Furthermore, physical well-being strengthens the association between the perceived use of skill- and opportunity-enhancing HR practices and in-role job performance. Therefore, both skill- and opportunity-enhancing HR practices lead to a decrease in job pressures and enhance the quality of the work life of employees.

Finally, our results show that physical well-being and social employee well-being is an integral component in the association between the perceived use of skill- and opportunity-enhancing HR practices and in-role job performance and that psychological well-being is a

fundamental element in the association between the perceived use of motivation-enhancing HR practices and innovative job performance. The latter finding is in line with the social exchange perspective, according to which inducements, such as positive and beneficial actions directed at employees by the organization, create the conditions for employees to reciprocate in positive ways. Based on this notion, we advocate that when organizations invest in different dimensions of HR practices and employees use those practices, employee well-being tends to increase. Consequently, employees return this organizational investment in the form of increased performance.

PRACTICAL IMPLICATIONS

From a practical standpoint, our results suggest that organizations can obtain substantial (but different) benefits when investing in different dimensions of HR practices. Principally, our study revealed that motivation-enhancing HR practices enhance psychological employee well-being, which, in turn, increases innovative job performance by employees. Hence, we advocate that when organizations need to improve the psychological condition of employees and encourage them to be more creative and innovative, they should profoundly invest in accurate and fair compensation and provide them with meaningful and stimulating tasks. Additionally, to encourage innovative behavior among employees, it may be wise for organizations to establish long-term employment relationships with employees.

Next, our study showed that skill- and opportunity-enhancing HR practices increase physical and social employee well-being, which, subsequently, enhances employee in-role job performance. Therefore, when organizations aim to improve the health-related conditions of employees and employee relationships with peers, organizations should focus more on practices, such as training and development and involve employees in teamwork. Furthermore, in order to reduce stress and work intensification among employees and boost

their in-role performances, it may be wise for organizations to instruct employees on how to complete their work effectively and encourage their involvement in decision-making. Hence we encourage organizations to use appropriate dimensions of HR practices in order to maximize the return on their investment in HRM.

LIMITATIONS AND FUTURE RESEARCH

Our study is not without limitations. First, even though a multi-actor design was applied, the HRM data were based on employee perceptions and thus examined the *perceived* use of HR practices. Future research should consider investigating the actual use of HR practices. In addition, the study design was cross-sectional, which allows the reporting of associations among variables instead of causal direction. While the study design is similar to other HRM studies that report meaningful associations between variables (e.g. Flinchbaugh *et al.*, 2016), future studies should examine the mediation processes using longitudinal datasets. Also, the study did not have a multilevel design and the findings should be interpreted with this limitation in mind.

Additionally, the high employee performance among the respondents might be a result of the good reputation of the case company, its corporate policy and its relatively higher salaries compared to other similar companies in the sector, but not a consequence of the use of different dimensions of HR practices and high employee well-being. Hence, the results of the study may not be fully generalizable to other settings. This might also explain the stronger than average Cronbach's alphas of the study's core constructs. Future research should also study the examined associations in other industry and sector settings.

Finally, we were able to illustrate only a fragmented picture of employee well-being by measuring its dimensions in terms of the proxies used in previous research, i.e. job satisfaction, job strain and perceived organizational support. However, other scales can be

utilized in future studies (*cf.* Fisher, 2010; Van De Voorde *et al.*, 2012). For example, psychological well-being may involve three dimensions: engagement with the work itself, i.e. work engagement; satisfaction on the job, i.e. job satisfaction; and affective commitment. Physical well-being may incorporate two dimensions: stressors, such as work intensification and strain, such as stress. Social well-being may include two dimensions: interactions and relationships between employees, e.g. cooperation, and interactions and relationships between employees and their organization, e.g. organizational support.

Overall, the study illustrates that even though different dimension of HR practices can enhance different dimensions of employee well-being, which, in turn, increase different types of employee performance, these HR practices work in the same direction and do not seem to generate any unintended consequences or trade-offs in terms of reduced employee physical well-being. Our study thus highlights a series of important pathways for enhancing employee well-being and employee performance. We thus hope that the study will stimulate more theoretical and empirical research on how to make employees happy, healthy and social, thus generating employee performance synergies.

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Figure 1. Conceptual model: HR practices and employees performance: The mediating role of well-being

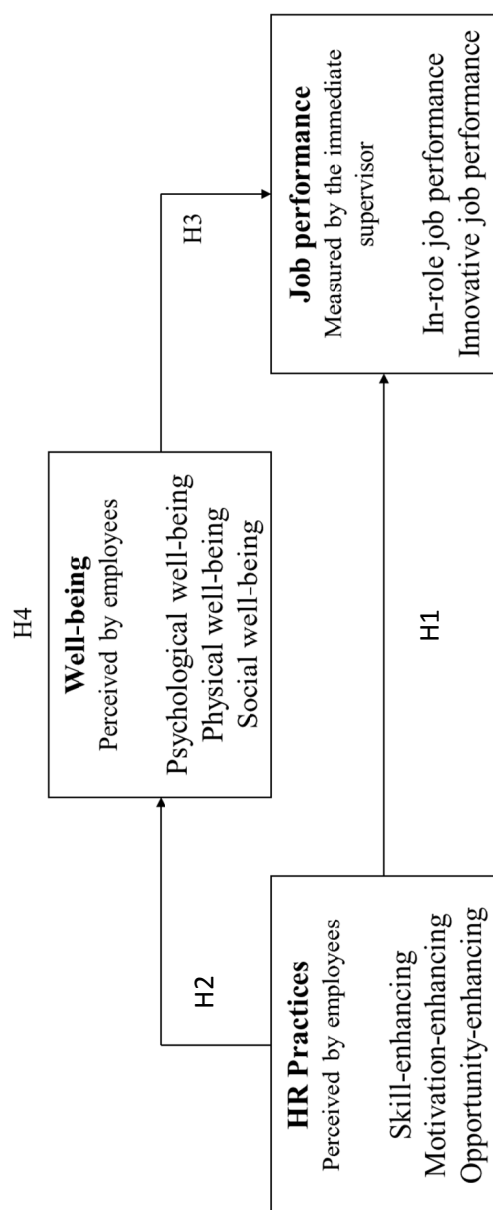


Table 1. Descriptive Statistics and Correlations

(N = 300)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
1. Skill-enhancing HR practices (a)	0										
2. Motivation-enhancing HR practices (a)	0.08	0									
3. Opportunity-enhancing HR practices (a)	-0.59***	0.74***	0								
4. Job satisfaction	0.52***	0.02	-0.42***	0							
5. Job strain	0.05	0.84***	0	0.09*	0						
6. Perceived organizational support	0.59***	-0.02	0.57***	0.09*	-0.87***	0.05					
7. Innovative job performance	0.01	-0.37***	-0.04	-0.29***	0.03	-0.07	0.04				
8. In-role job performance	-0.02	-0.66***	0	-0.57***	0.01	0.03	-0.36***	-0.05			
9. Gender (b)	0.03	-0.10*	0.03	-0.14**	-0.02	0.12**	0	0.03	0.33***		
10. Education age tenure composite	0	0	0	4.01	2.94	4.05	4.84	4.94	0.56	0	2.12
11. Unit size	1	1	1	0.73	0.81	0.87	0.74	0.77	0.50	1	0.79
Mean											
SD											

a Orthogonal factor from principal component analysis

b Coded: men = 1, women = 0.

*p < 0.1

**p < 0.05

***p < 0.01

Table 2. Results of SEM hypothesized model

	Psychological well-being		Physical well-being		Social well-being		In-role job performance			Innovative job performance		
	Job satisfaction		Job strain		Perceived organizational support		Direct effects	Indirect effects	Total effects	Direct effects	Indirect effects	Total effect
HR practices												
Skill-enhancing	0.08		-0.59***		0.52***		0.15***	0.44***	0.59***	0.01	0.04	0.05
Motivation-enhancing	0.74***		0.02		0.02		0.02	0.01	0.03	0.58***	0.16***	0.74***
Opportunity-enhancing	0.03		-0.42***		0.53***		0.19***	0.37***	0.56***	0.05	0.03	0.02
Mediator												
Job satisfaction							0.00			0.21***		
Job strain							-0.45***			0.03		
Perceived organizational support							0.34***			0.07*		
R2	0.55		0.52		0.55		0.80			0.88		

Model controlled for gender; education, age, and tenure composite; unit size; and immediate supervisor's level.

* $p < 0.10$

** $p < 0.05$

*** $p < 0.01$

