

IMPACT OF HRM INVESTMENT ON ORGANIZATIONAL CHANGE IN BANKING SECTOR OF DEVELOPING COUNTRY: MEDIATING ROLE OF COLLABORATIVE TEAMWORK

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Abstract

This study examines the relationship between Human Resource Management (HRM) investment, collaborative teamwork and organisational change to understand how organisational change is facilitated through the structural mechanisms. A quantitative research design was used to gather data from organisational professionals to test the structural pathways, construct reliability, and convergent validity. The empirical results show that HRM investment has a strong and significant direct influence on organisational change and teamwork. In addition, teamwork is a very important and positive factor in organisational change. Mediation analysis further indicates that collaborative teamwork is an important partial mediator in this relationship, and that this relationship has a significant total effect on change outcomes. The findings are important contributions to theory because they reveal the behavioural black box in which strategic human resource inputs lead to macro-level adaptation. The study's practical implications provide a blueprint for executives who wish to leverage investments in human capital to create work systems that are both cooperative and can reduce resistance and accelerate corporate change.

INTRODUCTION

The banking sector faces a highly dynamic financial landscape, marked by swift technological changes, evolving regulations, and shifting customer expectations (Yoganandham, 2024). For commercial banks to remain competitive and survive, they are continually undergoing massive organisational transformations. But successfully making organisational moves is an ongoing challenge for

banking institutions (Qureshi et al., 2021). The reasons the majority of change initiatives fail and many fail to achieve strategic goals are employee resistance, cultural inertia, and a lack of psychological fit with the new corporate goals (Junejo et al., 2022). In the banking sector, where precision is the lifeblood and risk are the enemy, transforming the business structure, or even going digital, can evoke anxiety among staff and

lead to illness (Junejo, Sohu, Alwadi, et al., 2025).

HRMI is an important strategic tool for overcoming this execution gap and making OC smoother (Mattajang, 2024). HRMI is the purposeful investment of financial and institutional resources to provide opportunities for advanced training systems, extensive development initiatives, fair compensation systems, and targeted recruitment strategies (Mirani et al., 2021). High-investment HRM strategies do not treat personnel costs as operational costs but rather treat employees as value-generating assets (Junejo et al., 2019). It has been observed that banks with significant investments in developing their employees' skill mix and emotional intelligence directly improve the institution's psychological readiness and adaptability (Rahma & Mulyana, 2025).

It is true that direct HRM investments are essential, but the outcomes of these investments in OC are not necessarily linear and are, in fact, greatly influenced by the dynamics of collaborative team working within the organisation (Junejo, et al., 2025). CTW is when a variety of employees interact synergistically, or, in other words, interdependently, to achieve institutional outcomes through knowledge sharing, support, and problem-solving (Paredes-Saavedra et al., 2024). Individual skills enhanced through HRM investments are not, in themselves, sufficient to signify systemic change in a complex corporate system such as banking. CTW is suggested as a critical link in mediating individual resource gains into collective operational capabilities. It is therefore teamwork that makes HRM investments work and delivers the agility to operate across functions and domains, ensuring complex change is continuous (Junejo, et al., 2025).

These dynamics in Pakistan's banking sector are driven by specific socioeconomic contexts and the region's rapid digitalization. The financial system in Pakistan is facing unprecedented changes due to the State Bank of Pakistan (SBP)'s aggressive reforms in digital banking and financial inclusion, as well as the establishment of tough international compliance regulations

such as Basel III and Anti-Money Laundering (AML) norms (Ahmed et al., 2025). With this speed of change, traditional Pakistani banks have had to make a radical shift, creating significant operational friction and resistance to change in an environment where staff are used to manual, local processes (Zong et al., 2024). In addition to these structural issues, the industry is suffering from growing skills gaps, high turnover amongst its executives and the macroeconomic impact of an unstable domestic market (Notari et al., 2026). The study has several unique contributions to the existing international business and strategic human resource management literature. First, it enriches the theory of strategic human resource management by combining the Resource-Based View (RBV) and the Ability-Motivation-Opportunity (AMO) theories, and empirically substantiates CTW as the key behavioural mechanism for bridging the gap between macro-level HRMI and micro-level organisational change. Secondly, the study offers a genuine, data-based understanding of the practical challenges and workings of the financial sector in the developing world, presenting an alternative empirical approach to the prevailing Western-oriented management models. Third, it provides managerial frameworks for banking executives and policy architects to take action, with a proven blueprint showing that investments in technical training alone are not enough; they must be coupled with team-building efforts to ensure digital and structural turnarounds can be successfully implemented. To conclude, this research adds to the mediation literature in organisational behaviour by providing a complex and robust structural model that quantifies the actual indirect processes by which collective employee behaviour (CWB) translates human capital into macro-level corporate changes during high-stakes institutional change.

Literature review and Hypothesis Development HRMI and OC

HRM is a key driver of effective OC when strategic investments build the workforce's adaptive capacity and psychological preparedness (Giugula & Dinu, 2026). When the big boys

from the financial institutions invest significantly in extensive training, ongoing education, clear communication and fair rewards, they directly address the employee resistance that often undermines the success of corporate change (Junejo et al., 2024). Empirical evidence consistently shows that strong HRM investments convey an organization's focus on its human capital, which helps build a trusting environment, greater organisational commitment, and reduced cognitive anxiety during restructuring (Davis et al., 2024).

H1: HRMI is positively related to OC.

HRMI and CTW

Investing in progressive HRM practices establishes the structure and behaviour required to develop high-performing, CTW in complex corporate environments (Sharma et al., 2025). As a result, Strategic HRM investments are made in joint training, team-based incentives, and open communication channels, which not only disrupt departmental silos but also help suppress them (Junejo, et al., 2025). Empirical research has shown that employees who feel their organisation is placing strong emphasis on their long-term development and well-being are significantly more motivated to contribute to knowledge exchange, provide support to others, and collaboratively solve problems (Alqatan et al., 2025).

H2: HRMI positively related to CTW.

CTW and OC

Large-scale OC requires a collaborative team that can drive it forward and sustain it across the enterprise (Berntzen et al., 2023). In the energy and regulated sectors, where individual efforts are not enough to overcome the challenges of large-scale transformation, the synergy between cross-functional teams is key to successful implementation (Javed et al., 2024). Empirical evidence demonstrates that collaborative team environments are highly effective at processing complex information, responding nimbly to changing market needs, and achieving innovative

solutions to unexpected transitional bottlenecks (Isibor et al., 2025).

H3: CTW is positively related to OC.

The Mediating Role of CTW

The relationship between HRMI and OC is not as direct as it would seem, but is likely optimally mediated by organisational collaboration. High-investment HRM practices offer HRM inputs (such as advanced skills, positive behavioural incentives, and motivation), but these resources can be derived from individual experience and fail to develop until they are put into practice in collective interactions (Salimi & Della Torre, 2022). To fill this macro-micro divide, teamwork is essential and must be collaborative, acting as the "behavioural conduit" that brings together the individual competencies and creates an overall, agile corporate capability (Junejo et al., 2023). Empirical evidence indicates that HRM investments foster the climate and psychological safety that enable teams to excel, and this, in turn, contributes to agility and innovation that help successfully implement structural changes (Paulus, 2023). As such, teamwork and partnership are the key drivers that bring human capital investment to life and result in authentic and enduring institutional transformation.

H4: CTW mediates the relationship between HRMI and OC.

Methodology

The research design for this study is an explanatory, quantitative study that examines the influence of Human Resource Management (HRM) investments on organisational changes that mediate the development of collaborative teamwork. To obtain the desired primary data on the financial sector in Pakistan, a cross-sectional survey was used. The choice of this approach was made because a structured survey is an efficient instrument for systematically gathering self-reported quantitative data from a geographically dispersed professional population. The survey administration process was conducted in both physical and digital formats, minimizing

confidentiality issues; professional networks were used to ensure the necessary range and reliability for administration; and it was distributed at bank branches.

The managerial and non-managerial professionals in the commercial banking sector in Pakistan are the target population of this investigation, as they are facing a significant digital and regulatory paradigm shift in the financial sector (Ahmed et al., 2025). The variables used in this study are peculiar in nature because they require respondents to have certain prerequisite exposure to institutional change initiatives and corporate investments in HR, which necessitates the use of a non-probability purposive sampling method. A purposive sampling method was used to select participants in this study, and the selection criteria were employees who had been working at their bank for at least 1 year. This focused approach allowed for the collection of insights from individuals directly affected by corporate structural change and allocation of human capital to be gathered and captured at high quality and informed levels.

A structured, self-administered questionnaire was used as the main data collection tool, and items were adapted & adopted from existing (Choo, 2024), (Tortia et al., 2022) and (Rotea et al., 2023) validated scales in international management literature and from the empirical field. To capture the core latent constructs (HRM Investment, Collaborative Teamwork, and Organisational Change), the survey was segmented into specific parts that collected demographic information. The standardised five-point Likert scale was used to evaluate all construct items ranging from Strongly Disagree (1) to Strongly Agree (5). The use of measurement scales ensured the instrument's face and content validity, ensured statistical uniformity of the Likert scale, and avoided cognitive fatigue among the respondents in the study, who were banking professionals.

A two-software statistical analytical method was used to critically analyse the empirical findings

and rigorously test the conceptual framework. The first data screening consisted of descriptive statistics, missing-value analysis, and demographic profile analyses, which were conducted using the Statistical Package for the Social Sciences (SPSS). Following this, the first hypothesis test was conducted using Structural Equation Modelling (SEM) in SmartPLS. The selection of Variance-based Partial Least Squares SEM (PLS-SEM) in SmartPLS was made because it has excellent capabilities for analyzing complex mediation models, does not require normal distribution assumptions, and performs rigorous measurement model analysis (reliability and validity) and rigorous structural model analysis path coefficients and explanatory power (Sobaih & Elshaer, 2022).

Results and Discussion

Reliability and Validity

The measure model was validated using construct validity, evaluated by average variance extracted (AVE), Cronbach's alpha, and composite reliability (CR), all obtained from loadings. The item loadings range from 0.773 (HRMI2) to 0.841 (HRMI4), with the first construct, HRM Investment. This construct has high internal consistency (Cronbach's $\alpha = 0.879$; CR = 0.911). It has a high convergent validity of 0.673. CTW has standardised item loadings ranging from 0.820 (CTW2) to 0.905 (CTW4). It has high reliability scores, with a Cronbach's alpha of 0.911 and a CR of 0.934. It also has good convergent validity, with an AVE of 0.738. Lastly, the OC construct has a range of item loadings from 0.781 (OC2) to 0.923 (OC1). This is indicated by Cronbach's α of 0.878, CR value of 0.916 and an AVE value of 0.733. The model has excellent internal consistency, reliability, and convergent validity for all variables, as indicated by all alpha and CR values exceeding 0.70 and all AVE values exceeding 0.50 (Cheung et al., 2024). (Refer to Table 1)

Table 1. Reliability and Validity

Variable	Item coding	Item loading	Cronbach's alpha value	Composite reliability	Average variance extraction
HRM Investment	HRMI1	0.835	0.879	0.911	0.673
	HRMI2	0.773			
	HRMI3	0.829			
	HRMI4	0.841			
	HRMI5	0.823			
Collaborative teamwork	CTW1	0.835	0.911	0.934	0.738
	CTW2	0.820			
	CTW3	0.853			
	CTW4	0.905			
	CTW5	0.879			
Organizational change	OC1	0.923	0.878	0.916	0.733
	OC2	0.781			
	OC3	0.842			
	OC4	0.872			

Hypotheses Testing

All direct and indirect structural pathways are statistically significant in the hypothesis testing results and confirm the important role of HRP. The results of the empirical assessment indicate that OC is directly affected by HRM investment, with a beta of 0.433 and a t-statistic of 7.502. The result of this assessment supports the first direct hypothesis. Furthermore, HRMI has a highly significant and positive direct effect on CTW (beta = 0.719; t = 21.683), which, in turn, has a highly significant and positive direct effect on

OC (beta = 0.414; t = 7.041). The results confirm all the proposed direct relationships. In the mediation mechanism, the indirect path of HRM Ito OC through CTW is significant (Beta = 0.298), (t = 6.398). The mediation hypothesis is partially supported, as both the direct (beta = 0.433) and indirect (beta = 0.298) effects are significant. In total, the effect of HRMI on OC is significant (0.731), indicating that HRM investments make a direct contribution to change and enable teamwork. (Refer to Table 2 and Figure 1)

Table 2. Hypotheses Testing

Path Direction (Direct effects)	Beta value	T-value	Remarks
HRM Investment -> Organizational Change	0.433	7.502	Supported
HRM Investment -> Collaborative Teamwork	0.719	21.683	Supported
Collaborative Teamwork -> Organizational Change	0.414	7.041	Supported
Path Direction (Indirect effects)	Beta value	T-value	Remarks
HRM Investment -> Collaborative Teamwork -> Organizational Change	0.298	6.398	Partially Supported

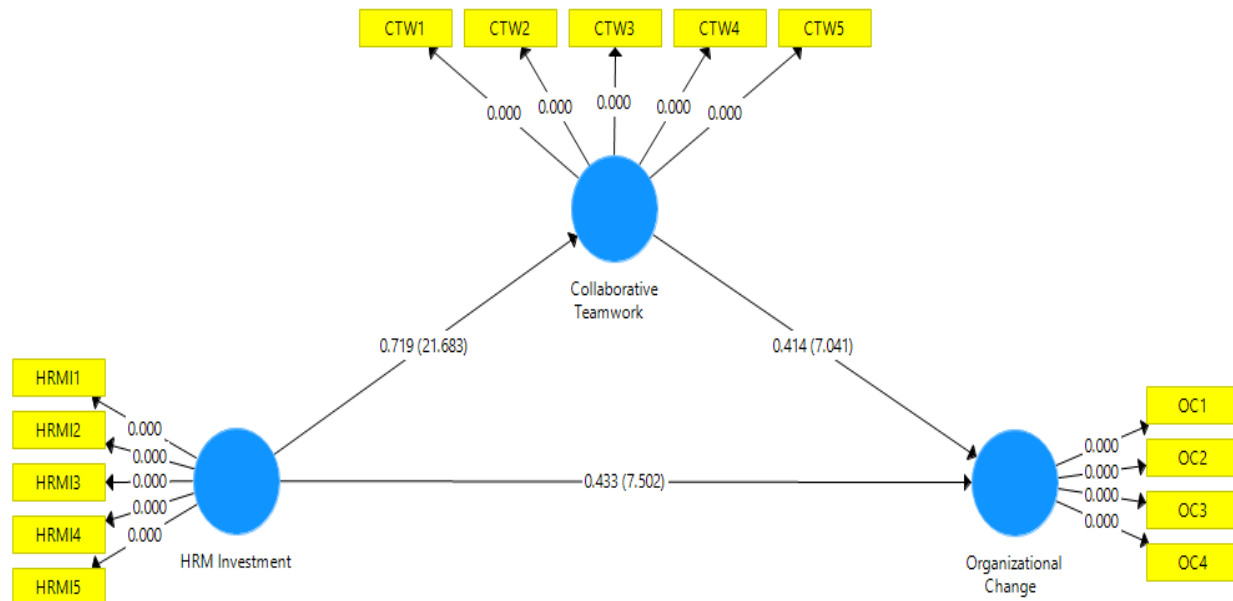


Figure 1. Path Directions

Discussion

The empirical results illustrate that HRMI indeed has tremendous potential to act as a catalyst for organisational change, both directly and indirectly through collaborative teamwork. The very high correlation between HRMI and CTW points to a direct link between strategic human capital allocation and the social resources needed to establish cooperative working systems (Zhao, 2026). Moreover, OC starts with team collaboration; if the people working in the organisation are structurally motivated to collaborate, the organization’s readiness and capacity to adapt and develop are also strengthened (Darmawan & Marsal, 2025). Critical to the partial mediation is the fact that directly preparing an organisation for transformation is only part of the story; the other, important part comes from how well HRM is positioned to manage or create a highly collaborative environment.

Conclusion

Based on a study of successful organisational changes, it is concluded that the key to successful change lies in investments in strategic HRM and in mobilizing collaborative teamwork. Financial

and developmental investments in institutional transformation are essential, not just based on direct staffing requirements. This study finds that CTW partially mediates the relationship between input HRM practices and change outcomes, thereby confirming that HRM practices should be used to leverage collective employee synergy. Finally, if OC is to be sustained, it must not be a top-down mandate; it requires emphasis on human resource frameworks that support it and on effective structures for working together.

Practical Implications

Industry practitioners and executive decision-makers have a blueprint for managing corporate transformation, shifting controls from information systems to people. The cost of HRM must not be a cost centre but a strategic investment that is directly related to agility and change readiness. Managers need to clearly structure compensation, training, and performance systems to encourage and reward individuals to work together across functions rather than focus on individual results. Teamwork is a fundamental driver of change, so creating a collaborative work environment and

peer-support organisation will directly help reduce employee resistance and facilitate the implementation of new corporate strategies.

Future Research Directions

Although this study provides clear structural connections, further research is needed on the boundary conditions of these paths, which could include organisational culture and/or organisational leaders as moderators. Future researchers should use longitudinal studies to assess evolutionary versus revolutionary changes over time resulting from the long-term impact of HRM investment, as this type of research is conducted in this paper. Moreover, the structural model could be replicated across a variety of industrial sectors (including high-tech and traditional manufacturing) and geographic areas (including different regions) to increase the external validity and generalizability of these results.

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