

# **Strategic Human Resource Management and Organizational Competitiveness in SMEs of Pakistan: Moderation Role of Regulatory Environment And Industry Characteristics**

NAVEED R. KHAN, ABDUL RAZIQ and ARSALAN MUJAHID GHOURI

Growth of small and medium enterprises is considered vital in economic development. Globally, it is under the limelight of public policy, and every country takes significant measures to levitate the developments in this sector. However, Pakistan's SME sector is not too effective to produce desired results despite having a substantial contribution in GDP. This study assumed that internal factors hindered the SME growth and performance. Moreover, it also examined the level of adaptation of strategic human resource practices framework aligned with SME competitiveness. The study is quantitative in nature. Field survey method was used to collect the primary data from 273 small and medium enterprises operating in Pakistan. The data was analysed by using regression and moderation analysis; career planning, health and safety are the popular SHRM practices. The results exhibit an increasing impact of SHRM on organizational performance while facilitating HR outcomes and organizational success factors. The adoption of SHRM practices among manufacturing and service sector SMEs show no significant differences whereas, organizational characteristics demonstrate significant differences in the SHRM practices of small-sized, medium-sized, and exporting firms. Empirical results report the inverse effect of legal and regulatory environment on the relationship between organizational success factors and organizational competitiveness.

**Keywords:** Strategic HRM Practices, Competitiveness, Organizational Performance, Organizational Success Factors, Organizational Characteristics

## **1. INTRODUCTION**

Organizational competitiveness is defined as the extent to which a firm performs well in relation with peers in the industry. With increasing levels of global competition, organizations are consistently required to improve the organizational performance by showing the ability to adapt the changing market trends (Hussain, Ahmad, Haq, Nazir, Imran & Islam, 2015). This is particularly a matter of concern for SMEs around the globe that makes up 80% of world GDP (Singh, Garg & Deshmukh, 2009) and 40% of emerging economies' national income (World Bank, 2018). Asian economies stand on

Naveed R. Khan <naveed.r.khan@gmail.com> is affiliated with the Bahria University, Karachi. Abdul Raziq is affiliated with the Iqra University, Karachi. ArsalanMujahidGhouri is affiliated with the University Pendidikan Sultan Idris, Malaysia and Montpellier Business School, France.

*Authors' Note:* Financial support was received from the research Competitive Grants Program, a joint initiative of the Planning Commission of Pakistan and the Pakistan Strategy Support Program, International Food Policy Research Institute (IFPRI), funded by USAID.

the support pillars constructed and endorsed by approximately 98% of enterprises enlisted as SMEs. In the case of Pakistan, SMEs account for 99% of all the firms registered as private businesses (Mounira et al., 2018).

Furthermore, these SMEs comprise 80% of semi-skilled or unskilled labour in the manufacturing sector (Small and Medium Enterprises Development Authority (SMEDA, 2017). Considering their invaluable role in job creation, SMEDA has introduced several support programs to help Pakistani SMEs realize their growth potential. Despite these initiatives, SMEs contribute only 40% to the GDP of Pakistan (Rana, 2018). Unlike SMEs in the neighbouring countries such as Malaysia, India and Singapore, SMEs in Pakistan make relatively little contribution to the economic output of the country (Ali, 2018; Dar, Ahmed & Raziq, 2017). Taking into account the fact that Pakistan is an SME driven economy, it is highly imperative to analyse SME performance and propose solutions, which are virtually relevant. However, the question is: what can be done to make SMEs competitive?

Academic fraternity responds to the situation with “value employees, invest in employees” (de Brito & de Oliveira, 2016; Saha, Gregar & Saha, 2017). Academicians stress the importance of human resource as a strategic and valuable asset for SMEs (Mulolli et al., 2015). In this strategic perspective, employees are viewed as an intellectual resource, which is not easy to imitate and/or replace. In SMEs, such resource is proficiently utilized by HR practices in a desire to develop competent employees who add value to firms’ effectiveness better than that of competitors (Shafeek, 2016). Likewise, following the Resource-Based View (RBV), de Brito and de Oliveira (2016) put HRM at the centre of business competitiveness debates. They view HRM as a mean to develop resources and capabilities that can create superior business value and help firms achieve sustainable competitiveness. The human resource literature has highlighted the significance of strategic HRM (SHRM) practices in improving organizational performance (de Brito & de Oliveira, 2016).

Following HRM-performance model in Pakistan, Khan and Khan (2012) investigated the level of HRM practices in Pakistan and found that SMEs exercise HRM practices at a moderate level. Moreover, compensation was a highly prioritized practice alongside recruitment and selection and training. Naz, Aftab and Awais (2016) found the positive role of HRM practices in SME performance. Likewise, Masood, Soomro and Ali (2018) stated that effective human resource policies and practices play a crucial role in the organizational competitiveness of SMEs. However, the lack of investment in employee training is an important cause of poor organizational performance and lowering SME contribution to economic output in Pakistan. At present, research is still at an infant stage and there is lack of empirical evidence on strategic HRM practices that help improve the competitiveness of Pakistani SMEs.

Therefore, the main objective of the study is to investigate the overall impact of SHRM practices on the organizational competitiveness of SMEs in Pakistan. Correspondingly, this paper seeks answers to (a) how do strategic human resource management (SHRM) practices shape HR outcomes and organizational success factors in SMEs? (b) Do HR outcomes and organizational success factors help improve SME competitiveness? (c) What is the role of legal & regulatory environment and industry characteristics in improving SME competitiveness? and (d) Do SHRM practices vary between firm characteristics of SMEs?

This paper has reported theoretical and empirical contribution to HRM literature on SMEs. Firstly, authors extend the HR-performance model by investigating the indirect role of SHRM practices in improving the organizational competitiveness of SMEs through human resource outcomes (HRO) and organizational success factors (OSF). Since, effective HRM practices tend to produce satisfied employees, who are willing to offer superior customer services, engage in continuous improvement and help an organization achieve operational efficiency. Thus, research proposed that SHRM practices determine HRO and predict OSF that significantly maximizes organizational performance in SMEs. Moreover, this paper measures the association between selective strategic HRM practices and organizational competitiveness with comparatively good sample of 273 Pakistani SMEs.

Secondly, authors measured a moderation effect of legal and regulatory environment (LR) on the association between SHRM practices and organizational performance. In the current scenario, the government not only recognizes the inevitable importance of SMEs for the economic growth of Pakistan but also emphasizes creating an SME supportive environment. The recent government is committed to enforcing regulations that facilitate existing SMEs and new entrepreneurial activities in the country (Arifeen, 2018). Thirdly, authors propose that industry characteristics moderate strength of the relationship between SHRM practices and organizational performance of SMEs. When two or more firms operate in an industry, they are likely to formulate a competitive strategy to capture and satisfy the customer before the competitor. Fernandez, Iglesias-Antelo, Lopez-Lopez, Rodriguez-Rey and Fernandez-Jardon (2018) viewed the competitive strategy as a function of industry characteristics.

## **2. LITERATURE REVIEW**

The term ‘competitiveness’ is often viewed as a measure to compare two or more companies with the same industrial background; in this manner, it may relate to prevailing competitive advantage (Rengkung, Pangemanan & Sondak, 2017). In this study, authors have viewed organizational competitiveness as a measure to compare the performance of firms. Hussain et al. (2015) argued that organizational competitiveness is contingent upon a firm’s ability to well perform in terms of innovation, cost, business flexibility, delivery and quality. On the other hand, researchers stated that limited investment in human resource, process innovation, and R&D are key challenges to organizational capabilities and competitive strengths of SMEs (Vandenberg, Chantapadepong & Yoshino, 2016; OECD, 2017).

SMEs operating in a highly demanding global economy are consistently under external pressures to adapt. In Pakistan, the organizational performance of SMEs is challenged with poor quality and low productivity. For instance, the organizational performance of the manufacturing sector SMEs remains under severe pressures of absenteeism, poor housekeeping, inadequate managerial capacities, high throughput time, and excessive material motions (SMEDA). In this dire need for business survival, SMEs require policies, practices and resources that can improve firms’ efficiency and competitiveness (Melo & Machado, 2013; Saha et al., 2017). In other words, firms are required to engage in a consistent strategic approach i.e. human resource management (HRM) to manage their highly valued resources (Hauf, Alewell & Hansen, 2017; Saha et

al., 2017). This signifies the important role of strategic HRM practices in helping firms improve their competitive strengths by valuing, developing, and rewarding employees.

In the human resource literature, conceptual models propounded by Beer et al. (1984), Devanna, Fombrun and Tichy (1984), and Guest (1987) offered a promising understanding of SHRM practices, and Porter (1985) shed light on competitive advantage (Rengkung et al., 2017; Zheng, Morrison & O'Neill, 2006). For instance, Wernerfelt's (1984) Resource-based View (RBV) Model exhibited the way firms exploit resources at their disposal in a dynamic business environment. Following the same idea, Barney (1991) proposed Valuable, Rare and Non-substitutable (VRIN) resource model to define resources that may enable a firm to achieve a competitive advantage. Correspondingly, Rengkung et al. (2017) developed VRIN resources of the RBV framework to examine the competitiveness of SMEs in the ASEAN region. With a sample of 180 Manado SMEs, they found the contribution of VRIN resources in increasing SME competitiveness. In another study, Zheng et al. (2006) reported a positive impact of HRM practices on SME performance. Nevertheless, Mulolli et al. (2015) also stated that investment in HRM will not only help the enterprise survive but also increases its income levels.

However, research establishing the link between SHRM practices and organizational competitiveness of Pakistani SMEs are trivial in numbers (Ogunyomi & Brunning, 2015; Shafeek, 2016). Also, studies explaining the causal mechanism and ways of improving SME competitiveness remain scarce (Nasiri, Sultan & Alleyne, 2018). In this paper, authors have made attempt to fill the highlighted gaps by empirically validating the proposed conceptual model.

Staffing is an important HRM practice that plays a critical role in devising the overall resource strategy of a business. The staffing process not only recruits a large pool of potentially qualified individuals but also selects competent human resource that rightly fits the job (Gamage, 2014). An effective staffing process is likely to increase the chances of organizational productivity by choosing the right candidate for the right job. Increased organizational productivity is expected to generate improved profits, which in turn, enhance organizational performance. In 2014, Gamage investigated the recruitment and selection (RS) practices of Japanese manufacturing SMEs in relation to the organizational performance. Based on a dataset of 144 SMEs, Gamage (2014) found a positive and statistically significant association between RS and organizational performance of Japanese SMEs. Mulolli et al. (2015) analysed formal HRM practices in 53 SMEs from Kosovo. They found a positive impact of recruitment and selection practices on the SME performance. Similar results were reported by Kanu (2015), who found that word-of-mouth is one of the common recruitment methods adopted by Sierra Leone based SMEs. In accordance with earlier researchers, Kanu (2015) reported a positive association between perceived RS and SME performance.

These carefully selected employees are occasionally utilized as team or group members, who are required to perform duties in accord with regularly updated job descriptions. Job/work design practices such as flexible work timings are likely to increase productivity levels and performance (Croucher, Stumbitz, Quinlan & Vickers,

2013). While studying manufacturing SMEs located in Vietnam, Dang, Dung, Phuong and Vinh (2016) claimed that on average, SMEs offering training to new workers reported 14.9% more gross profit per worker than their competitors. They also found that marginal spending on HRM practices led to a 2% increase in the output value/worker in the participating SMEs (Dang et al., 2016). In contrast, the majority of SMEs in Pakistan lack formal training and performance appraisal practices (Arif et al., 2005).

Mulolli et al. (2015) said that formal HRM practices such as compensation and reward, training and development (T&D) and recruitment and selection improve organizational performance of SMEs. In another study, Shafeek (2016) showed significant effects of HRM practices on SME performance. Reporting positive relationship between best practices of HRM (BPHRM) and SMEs, Shafeek (2016) inferred continuous improvement as crucial to firm's performance. Similarly, Saha et al. (2017) argued that the effectiveness of human resource has a significant impact on the competitive abilities and performance of an organization. Albeit, human resource literature in the Pakistani context has provided constrained evidence on the influence that SHRM practices may have on SME competitiveness. Arif et al. (2005) found a positive correlation between HRM practices and firm's performance in Pakistan. They stated that SME owners/managers do realize the positive impact of HRM practices; however, lack of suitable framework makes it difficult for them to decide what kind of formal HR policy and practice to pursue. Similarly, Rohra, Junejo and Kanasro (2009) argued that inadequate HRM practices constrain the ability of SMEs to achieve maximum outcomes in Pakistan. Corresponding to earlier researches, authors hypothesize a significant impact of SHRM practices on SME competitiveness.

*H<sub>a</sub>*: SHRM practices significantly improve SME competitiveness in Pakistan

However, the causal mechanism between SHRM practices and organizational performance is proposed through HR outcomes. The literature on human resource exhibited that HRM practices affect organizational outcomes by shaping employee behaviours and attitude (Arthur, 1994). HR outcomes such as job satisfaction (JS), employee attitude (EA), knowledge quality (KQ) and employee motivation (EM) are positive employee behaviours that lead to higher financial and operational performance (Gamage, 2014). For instance, T&D and performance appraisal practices create employee satisfaction with the job. When employees are satisfied, they are likely to improve their performance while showing improved commitment to organizational objectives. This, in turn, is expected to improve the overall productivity and performance of the organization. According to Croucher et al. (2013), flexible working conditions can improve the work-life balance, employee motivation and satisfaction. These positive behaviours can lead to improved productivity and performance in SMEs. Gamage (2014) argued that RS practices improve HRO. These motivated and satisfied employees report improved product quality and labour productivity, which in turn, generates superior organizational performance (Gamage, 2014).

Zheng et al. (2006) measured the performance effects of HRM practices in Chinese SMEs. Their results empirically validated the claim that HRM practices lead to better HRM outcomes, which in turn, positively influence firm performance. Gamage (2014) empirically validated the positive relationship between HRM outcomes and

organizational performance (both operational and financial) of manufacturing SMEs in Japan. Findings of the study showed the mediation effect of HRM outcomes on the relationship between recruitment and selection practices and organizational performance. The effect was rationalized by highlighting the link of HRM outcomes with product quality, customer satisfaction and labour productivity (Gamage, 2014). Based on these arguments, authors expect that SHRM practices improve HRM outcomes, and better HRM outcomes are likely to improve organizational competitiveness of SMEs in Pakistan.

*H<sub>a1</sub>*: Strategic HRM practices significantly maximize HRM outcomes in SMEs

*H<sub>a2</sub>*: HRM outcomes significantly maximize the organizational competitiveness of SMEs

Among other concerns, lack of innovations, poor technological advancement and inadequate knowledge development are critical to the success of SMEs in the global environment (Nasiri et al., 2018). Thus, it is important to understand the role of SHRM practices in improving factors that lead to organizational competitiveness. Wernerfelt (1984) and Barney (1991) argued that a firm's control over VRI resources can help it achieve competitive advantage; hence, the term 'resource' is a key determinant of a firm's management policies. Among various resources, human/people are a critical resource that firms acquire, transform, and develop through HRM systems (Jackson, Schuler, Jiang, 2014; Saridakis, Lai & Cooper, 2017). By focusing on individuals as a rare resource, effective HRM practices turn them into higher-order competencies and capabilities such as knowledge management and organizational learning. In support, Razouk (2011) claimed that high-performance work systems (HPWS) positively influence organizational performance (Raziq & Wiesner, 2016). Delery and Roumpi (2017) also argued that high-performance work practices (HPWPs) generate and leverage an adequate level of human resource capital that drives superior organizational outcomes. In the case of SMEs, Ivars and Martinez (2015) stated that HPWPs have a significant positive impact on organizational performance.

Review of the literature showed that SHRM practices influence organizational performance by developing employee behaviour and performance. However, Al-Qudah, Osman and Safizal (2014) noted that employees deliver outstanding service when they are facilitated by HRM practices. SHRM practices tend to create superior employees by offering them T&D, and rewarding their talents to increase employees' job satisfaction and motivation to perform better with reduced turnover intent (Lo, Wang, Wah & Ramayah, 2016). Lo et al. (2016) stated that employee focus is a way to gain employees' trust, and to encourage them to achieve higher levels of performance. In addition, technology orientation is a source of competitive advantage as it enlces firms with the ability to respond to changing customer needs. Here investment in R&D is imperative for organizations to acquire the knowledge of new technologies, which increases the likelihood of achieving superior organizational performance (Zhou & Li, 2009). In line with these arguments, it is argued that SHRM practices create and maximize a firm's source of success and competitive advantage, which then influences organizational performance.

$H_{a3}$ : Strategic HRM practices significantly maximize organizational success factors in SMEs

$H_{a4}$ : Organizational success factors significantly maximize the organizational competitiveness of SMEs

According to Genc (2014), HR practices are generally structured by the law, which permits an organization to recruit, train, retain and manage its human resource within legally defined boundaries. The labour and employment laws provide information on the legitimate rights and responsibilities of employees and the employer. This indicates that the legal and regulatory environment puts bindings on the HR strategy of an organization to transform human resource into organizational competence. Patmore (2010) argued that labour laws allow an organization to create working conditions that facilitate employees by increasing their happiness at work. Happy employees are more satisfied with their jobs and highly motivated to exhibit better performance. For instance, an organization creates superior employees and managers in accord with the applicable laws by satisfying their needs of T&D, appraising and rewarding their performance, and creating a supportive corporate culture to retain them. The satisfaction level of these employees is likely to be higher, and they are expected to report higher productivity and performance.

In the current regulatory environment, there are three types of external pressures shaping the structure, actions and performance of organizations. The first type is political influence or coercive pressure; the second type is mimetic in nature, and highlights the urge to imitate peers; the third type of external pressure is normative referring to compliance rules and conditions that are necessary for social legitimization of firm activities (Quinton, Canhoto & Budhathoki, 2017). HR outcomes may be affected by the legal and regulatory environment referring to rules and regulations governing the way a firm performs. For example, how strictly a government enforces the TQM concept compelling organizations to produce goods of superior quality (Methuku & Ramadan, 2015) or the extent to which government imposes laws to protect employees' rights (Mallett, Wapshott & Vorley, 2018).

Methuku and Ramadan (2015) studied HRM as a success factor for TQM. They found that a diverse workforce brings high value to a firm and it is a reflection of the changing world. Individual differences create a competitive edge and bring benefit to the workplace by increasing productivity. It has been seen that organizational success factors are directly or indirectly related to the legal and regulatory environment. Beck, Demirguc, Kunt and Maksimovic (2005) worked on financial and legal constraints to growth and tried to find if the firm's size matter. The study was conducted using data from 54 countries. They found that financial and legal development and corruption do affect a firm's growth and SMEs are adversely affected.

The existing legal and regulatory environment poses numerous challenges to firms' performance. For instance, Akbar, Pilcher and Perrin (2012) stated that legislative requirements have an impact on the development of a firm's performance indicators. In support, Akinboade and Kinfaek (2012) reported trade regulations and company laws are the primary regulations that affect SMEs performance. SMEs strive to satisfy minimum regulatory requirements pertaining to health and safety provisions. However, Ogunyomi and Brunning (2015) stated that SME owners/managers can improve organizational performance by stepping beyond the minimum requirements and focusing on employee's

welfare. Besides this, regulations require organizations to encourage employees' participation in the workplace and enforce minimum working conditions. In doing so, organizations can satisfy the subjective needs of employees and encourage them to improve their performance (Patmore, 2010). However, the reality is not as compliant as theoretical considerations portray. In Pakistan, SMEs have been challenged with the regulatory controls, (foreign exchange rate (FOREX) fluctuations, and trading barriers (including tariff and non-tariff) (Khan, 2017). Also, the industry and manufacturing sector SMEs have been burdened with taxes (SBP, 2018). With transparency issues and yet-to-realize SMEDA policy reforms, the organizational performance of SMEs continues to perish in an unhealthy competitive environment. We propose that a legal and regulatory environment is an important consideration in improving organizational competitiveness of SMEs in Pakistan. In line with the discussion, it is hypothesized:

*H<sub>a5</sub>*: Legal and regulatory environment moderates the relationship between HRM outcomes and organizational competitiveness

*H<sub>a6</sub>*: Legal and regulatory environment moderates the relationship between organizational success factors and organizational competitiveness

According to McCarthy and Jinnett (2001), firms with similar purposes tend to share characteristics. The literature reported that similar mission elements of organizations would have similar levels of resources at their command, get their primary funding from similar sources, and enjoy similar types of community support. Institutions with different purposes contrast with each other in terms of many of these same characteristics. On the other hand, institutional similarities and differences are reflected in the goals and tactics of institutions seeking to build participation in their programs. Ghodrati and Zulkifli (2013) reported the link of organizational characteristics with performance. In a study of manufacturing industry firms, Gundaya, Ulusoya, Kilica and Alpkamb (2011) reported positive effects of innovations on firm performance. Correspondingly, authors hypothesize:

*H<sub>a7</sub>*: Industry characteristics moderate the relationship between HRM outcomes and organizational competitiveness

*H<sub>a8</sub>*: Industry characteristics moderate the relationship between organizational success factors and organizational competitiveness

Earlier researches have focused on comparing HRM practices of large and small enterprises (Fabi, Raymond & Lacoursiere, 2007). However, differences between small and medium enterprises are also important to report because of their organizational characteristics. Kotey and Slade (2005) stated an increase in SME inclination towards formal HRM practices including training and performance appraisal as these firms grow in size. In a study of Chinese SMEs, Zheng et al. (2006) reported useful findings on the HRM practices of SMEs. Their results showed that employees' participation in the process of decision-making is encouraged by 50% of the surveyed firms. They also found that 70% of SMEs adopt performance-linked pay, and 65% engage in free market selection practices of HR (Zheng et al., 2006). Comparing HRM practices on firm size, Fabi et al. (2007) reported greater use of recruitment, job description and performance

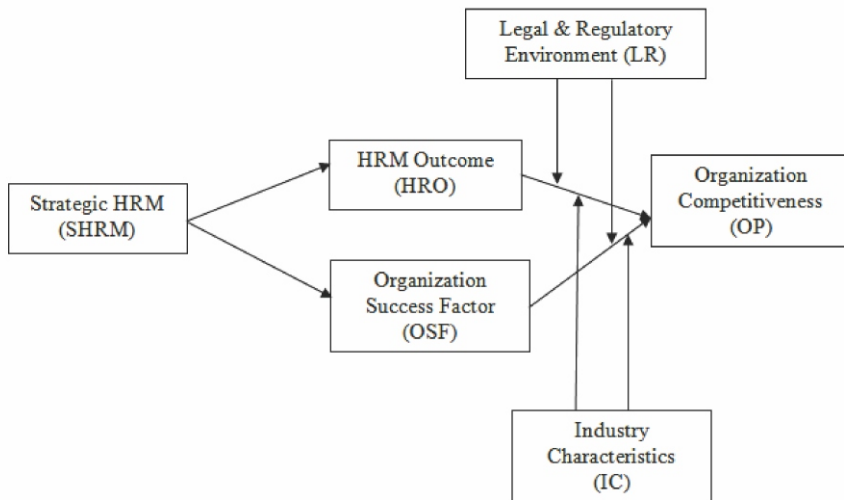


appraisal among larger SMEs. Typically, small firms practice compensation to a lesser extent; however, as they grow in size, they are more inclined towards integration practice such as performance appraisal and recruitment. Following this line of inquiry, authors hypothesize differences in SHRM practices of small-scale and medium scale enterprises. Thus,

- $H_b$ : SHRM practice corresponding to organizational characteristics differ between small-sized and medium-sized enterprises
- $H_{b1}$ : SHRM practices of small-sized firms are different from those of medium-sized firms.
- $H_{b2}$ : SHRM practices of manufacturing sector SMEs are significantly different from those of service sector SMEs.
- $H_{b3}$ : There is no significant difference in the level of SHRM practices of SMEs based on exports.
- $H_{b4}$ : Years of operation are significantly associated with the SHRM practices of SMEs

In agreement with the above discussion, the following research model is proposed to seek answers to earlier listed research questions.

**Figure 1: Theoretical Model**



### 3. RESEARCH METHODOLOGY

This study is based on data collected from the manufacturing and services industries in Pakistan. The sampling frame was based on SMEDA criterion for defining SMEs and Pakistan Bureau of Statistics (PBS) database. For this study, SMEDA-based SME definition was used to select participating SMEs as (i) a firm with employees of up to 250 (ii) a firm employing less than 100 workers is defined as small-scale enterprise and a firm employing workers greater than 100 and less than 250 is defined as a medium-scale enterprise. In accord with this criterion, the PBS provided a list of potential firms

classified as manufacturing and service companies. Based on given records, SMEs based in the largest metropolitan city of Pakistan i.e. Karachi was targeted for data collection. In this study, questionnaire items were adopted from literature-based sources; hence, it was important to ensure instrument adaptability to the social lab characteristics. To ensure that the research analysis is based on reliable and valid data, authors followed a two-stage data collection process.

### 3.1. Sample Subjects

This study is based on data collected from 273 owners/managers of SMEs located in the largest metropolitan city of Pakistan. According to estimates, 3.2 million establishments are operating in Pakistan out of which 95% was represented by the SMEs (Dar, Ahmed & Raziq, 2017) and 25% of SMEs are operating in Karachi, Lahore and Faisalabad (Bhutta, Arif & Usman, 2008). Since Karachi is an industrial hub of the country, hence, it was selected for data collection, with the estimated population of more than half million SMEs operating in this mega city. Initially, more than 500 questionnaires were distributed to reach the appropriate sample size according to Saunders (2011) however, only 273 responses were found eligible for analysis. The study is quantitative and cross-sectional in nature. The data was collected through self-administered survey method, using purposive sampling.

The participating SMEs were from nine sub-sectors, which included pharmaceutical, textile, sports goods, garments/apparel, leather goods, IT/media, financial, health and hotel/restaurants sectors. Out of 273 participating SMEs, 127 belonged to the manufacturing industry constituting a proportion of 46.5%, and 146 belonged to the service industry representing a proportion of 53.5% (Table 1).

Table 1

*Firm Profile by Sector*

Sector	No. of firms	Percentage (%)
Manufacturing	127	46.5
Services	146	53.5
Total	273	100.0

Moreover, based on SMEDA classification, the sample was comprised of 205 small-scale firms and 68 medium-scale firms. In a sample of 273 firms, 131 firms were engaged in exports of their products and services relative to non-exporting 142 firms.

Table 2

*Firm Profile by Scale*

Firm size	No. of firms	Percentage (%)
Small	205	75.1
Medium	68	24.9
Total	273	100.0

Upon highlighting the firm's characteristics, sample subjects were selected from SMEs that have been in operation for at least 1year. 22.7% of the sampled firms were

established from 5 to 10 years, followed by 47 firms (17.2%), 43 firms (15.8%) and 42 firms (15.4%), which were established since 2 to 3 years, more than 10 years, and less than 1 year, respectively (Table 3). However, 42 firms did not respond to this question, due to unknown reason, and left the check box empty.

Table 3

*Summary of Firms by Years of Operation*

Organizations established since	No. of firms	Percentage (%)
1-2 years	39	14.3
2-3 years	47	17.2
3-5 years	40	14.7
5-10 years	62	22.7
More than 10 years	43	15.8
Total	231	100.0

**3.2. Measurement**

The framework was comprised of six research constructs; each of which was operationalized with literature-based variables. Responses to all variables were measured on a 5-point Likert scale. To measure the reliability of adopted items, Cronbach's alpha was used for SHRM practices, HRM outcomes, organizational success factors, legal and regulatory environment, industry characteristics, and organizational performance. According to Sekaran (2005), the instrument shall be acceptable for research when the alpha value is greater than 0.6. The alpha score for all dimensions of SHRM practices was above 0.6 except for career planning whose value was slightly lower than 0.6. During the reliability analysis, one item of staffing, two items of job/work design, one item of training, and one item of performance appraisal were weeded out due to low 'Corrected Item-Total Correlation'. Likewise, reliability results were obtained for the remaining 5 research variables, and the results of their reliability are provided in Table 4.

Table 4

*Reliability and Validity Results*

Constructs	No. of items	Cronbach's alpha
Organizational success factors	13	0.883
SHRM outcomes	7	0.697
Legal & regulatory environment	9	0.886
Industry characteristics	9	0.822
Organizational performance	12	0.911

Regression technique is used to measure the effect of changing determinants on a criterion variable. Zheng et al. (2006) argued that such an analysis is prone to the multicollinearity problem. Potentially correlated dimensions in the dataset of independent variable may lead to inefficient and biased regression parameter estimates. To avoid such problem, authors have conducted factor analysis prior to regression and moderation

analyses. The constructs derived from this factor analysis were then used for formulating regression equations. For hypotheses testing, multiple regression analysis was used as suggested by Hair (2007) and Tabacknick and Fidell (2013). The differences between and among demographic variables were measured by one-way ANOVA as recommended by Hair (2007) and Tabacknick and Fidell (2013). Hypotheses were tested using Path Analysis as suggested by Kline (2006) and moderation analysis was performed by Mean centring and Orthogonalization Array (Little, Bovaird & Widaman, 2006). The research framework was statistically tested and validated by using the following econometric equations:

$$\begin{aligned} \text{HRM outcomes} &= \alpha + \beta_1 \text{ staffing} + \beta_2 \text{ job design} + \beta_3 \text{ training} + \beta_4 \\ &\text{ performance appraisal} + \beta_5 \text{ compensation} + \beta_6 \text{ career} \\ &\text{ planning} + \beta_7 \text{ health \& safety} \\ \text{Organizational success factors} &= \alpha + \beta_1 \text{ staffing} + \beta_2 \text{ job design} + \beta_3 \text{ training} + \beta_4 \\ &\text{ performance appraisal} + \beta_5 \text{ compensation} + \beta_6 \text{ career} \\ &\text{ planning} + \beta_7 \text{ health \& safety} \\ \text{Organizational competitiveness} &= \alpha + \beta_1 \text{ HRM outcomes} + \beta_2 \text{ legal \& regulatory} \\ &\text{ environment} + \beta_3 \text{ industrial characteristics} \\ \text{Organizational competitiveness} &= \alpha + \beta_1 \text{ organizational success factors} + \beta_2 \text{ legal \&} \\ &\text{ regulatory environment} + \beta_3 \text{ industrial} \\ &\text{ characteristics} \end{aligned}$$

## 4. DATA ANALYSIS

### 4.1. Preliminary Analysis

Hair (2009) rated the test of inter-correlation as an important assumption. The overall inter-correlations among data were satisfying the MSA threshold. KMO value was calculated to be 0.826 which is more than 0.5, and the Bartlett Test of Sphericity showed significant results that imply that the correlation matrix was not an identity matrix. The decision regarding how many variables to retain was based on results exhibited by the total variance table. These results were based on two approaches suggested by Hair (2009). According to the latent root criterion, seven factors are extracted because those factors had eigenvalue more than 1. Similarly, the percentage of variance explained method showed that seven factors cumulatively explained more than 60% of total variance. Furthermore, construct validity was assessed using the pattern matrix as suggested by Guinea, Titah and Léger (2013). Firstly, Gaskin (2012) suggested that if factor loadings are greater than 0.4 in one factor, it is assumed to have convergent validity in the data. In the research dataset, factor loadings of all the variables were more than 0.4, which warranted convergent validity in the SHRM construct. Secondly, Gaskin (2012) stated that discriminant validity can be ensured if the pattern matrix does not indicate cross-loadings in data. In the pattern matrix table, no variable showed cross loading among the factors. This implied that there is no serious issue of construct validity in the dataset. The results of factor analysis are presented in Table 5:

Table 5

*Factor Analysis Results for SHRM*

KMO and Bartlett's Test = 0.826; Bartlett's Test of Sphericity (8166.880, 1128 = 0.000)

	Factor						
	T & D	PA	HS	St	JD	Comp	CP
TDd	0.859						
TDi	0.859						
TDc	0.850						
TDe	0.718						
TDg	0.706						
TDb	0.687						
TDh	0.658						
TDa	0.616						
TDf	0.463						
PAg		0.844					
PAh		0.825					
Pad		0.816					
Pac		0.807					
PAf		0.768					
PAb		0.733					
PAe		0.620					
PAa		0.586					
HSf			0.878				
HSb			0.830				
HSd			0.825				
HSc			0.770				
Has			0.751				
HSe			0.694				
STa				0.863			
STb				0.722			
STf				0.688			
STc				0.672			
STg				0.668			
Ste				0.608			
STD				0.473			
JDe					0.757		
JDf					0.714		
JDg					0.639		
JDd					0.598		
JDc					0.584		
JDh					0.576		
JDi					0.575		
JDb					0.525		
JDa					0.483		
COMPd						0.807	
COMPc						0.806	
COMPe						0.796	
COMPb						0.732	
COMPa						0.723	
CPb							0.816
CPc							0.781
CPd							0.739
CPa							0.587
Eigenvalues	8.873	5.168	4.536	3.449	2.712	2.417	2.133
% of variance explained	18.49%	10.77%	9.45%	7.19%	5.65%	5.03%	4.44%
Cumulative % of variance explained	18.49%	29.25%	38.70%	45.89%	51.54%	56.57%	61.01%

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

#### 4.2. Multiple Linear Regression Analysis

Purpose of this study was to measure the impact of SHRM practices on the competitiveness of SMEs. In pursuit of it, MLR was used to test the first four sub-hypotheses. The coefficients and associated standard errors were reported in Table 6 for all SHRM factors. This mixture of factors significantly predicted HR outcomes (HRO),  $F(7, 265) = 6.172$ ,  $p < .05$ , with all variables significantly contributing to the prediction. The beta weights suggested that compensation (COMP), health and safety (H&S) and performance appraisal (PA) positively influenced HR outcomes as their associated coefficients were found to be significant –  $p < 0.05$  – and positive (Table 6). On the other hand, career planning (CP), job design (JD), staffing (ST) and training and development (T&D) were insignificant in influencing HRO ( $p > 0.05$ ). Since the  $F$  value and overall model were found to be statically significant; therefore, the null hypothesis was not confirmed. In other words, strategic human resource practices would significantly maximize the HR outcomes in SMEs of Pakistan.

Table 6

##### *Regression Analysis Results ( $H_{a1}$ to $H_{a4}$ )*

	HRO		OSF		OP	
	B	SE	B	SE	B	SE
CP	-0.066	0.109	.184**	0.085	-	-
COMP	.638***	0.102	.280***	0.079	-	-
HS	.153**	0.07	-0.009	0.054	-	-
ST	0.029	0.077	.202***	0.059	-	-
JD	0.086	0.108	.179**	0.084	-	-
PA	.229**	0.085	.208**	0.066	-	-
TD	0.039	0.052	.130***	0.04	-	-
HRO	-	-	-	-	0.119***	0.056
OSF	-	-	-	-	0.830***	0.05
Final Model R2	0.171***		.149***		.436***	

N=273, \*\*\*  $p < .01$ ; \*\*  $p < .05$ ; \*  $p < .1$

The second research hypothesis concerned the role of SHRM practices in maximizing organizational success factors (OSF) in Pakistan-based SMEs. MLR results showed that the seven predictors (i.e. factors of SHRM) well fitted the model as  $F(7,265) = 7.783$ ,  $p < .05$ . All the variables were found to explain approx. 15% variance in organizational success factors as understood through adjusted-R square value. Positive values for beta weights (Table 6) suggested that compensation, career planning, job design, staffing, T&D, and performance appraisal significantly and positively influenced organizational success factors. However, this was not the case for health and safety as the associated coefficient was insignificant ( $p > 0.05$ ). Nevertheless, the null hypothesis was not confirmed based on the significant  $F$  value ( $p < 0.05$ ). This analysis showed that

SHRM practices would significantly maximize the organizational success factors in SMEs of Pakistan.

The third hypothesis concerning HRM outcomes and organizational competitiveness (OP) was also tested using MLR. According to regression results, the model well fitted with  $F(7,265) = 106.261, p < .05$ . All variables were explaining approx. 43.6% variance in Organizational Performance (OP) as inferred through adjusted-R square value. As per positive values for the beta weight of Human Resource Outcome (HRO) (Table 6), HRO significantly and positively influenced the organizational competitiveness. In a nutshell, the significant  $t(272) = 2.180, p < 0.05$  resulted in acceptance of alternate hypothesis. Therefore, it was concluded that HRM outcomes significantly maximize the organizational competitiveness in SMEs of Pakistan.

MLR was performed on the fourth hypothesis, which was showing the relationship between organizational success factors and organizational competitiveness. MLR analysis showed that approx. 43.6% variance in OP was explained by all variables. The model was well fitted with  $F(7,265) = 106.261, p < .05$ . Positive values for the beta weight of HRO presented showed that HR outcomes significantly and positively influenced organizational competitiveness (Table 6). The alternate hypothesis was accepted based on the significant  $t(272) = 2.180, p < 0.05$ . Hence, it is inferred that HR outcomes significantly maximize the organizational competitiveness in SMEs of Pakistan.

### **4.3. Moderation Analysis**

Using Hayes (2013) macro in SPSS, moderation analysis was run on the remaining four research hypotheses. The model for the fifth hypothesis comprised of HRO as independent variable (IV), legal & regulatory environment (LR) and industry characteristics as moderators, and organizational competitiveness (OP) as the dependent variable (DV). The model was well fit to predict OP as  $F(5,267) = 13.28, p < .05$ . Adjusted-R square analysis exhibited that approx. 20% variance in organizational competitiveness was explained by all variables (T). However, the  $t(272) = -.8874, p > 0.05$  was insignificant for HRO\_X\_LR in the model. This led to the confirmation of the null hypothesis showing that the legal and regulatory environment did not significantly moderate the relationship between HRO and OP in participating firms. Findings of the analysis explained that legal and regulatory environment does not moderate the strength of association between HRO and OP in Pakistani SMEs.

Following the same macro technique, moderation effects of the legal and regulatory environment were tested on the association between organizational success factors and organizational competitiveness. Moderation test results showed that  $t(272) = -1.998, p < 0.05$  was significant for OSF\_X\_LR in the model. Corresponding to adjusted-R analysis, approx. 45% variance in OP was explained by the IV; hence, the model was well fitted with  $F(5,267) = 44.43, p < .05$ . In the results, negative beta value (-.1431) implied that LR environment would negatively moderate the relationship between OSFs and OP (Table 7). This led to the acceptance of alternative hypotheses and therefore, it was concluded that LR environment significantly moderated the relationship between organizational success factors and organizational competitiveness in SMEs of Pakistan.

The seventh hypothesis stated that industry characteristics (IC) moderate the relationship between HRM outcomes and organizational competitiveness. With  $F(5,267)$

= 13.28,  $p < .05$ , the model was well fitted, and approx. 20% variance in OP was explained by all variables as indicated by adjusted-R square value. Conversely, Table 7

*Moderation Analysis ( $H_{a5}$  to  $H_{a8}$ )*

Variable	R-sq	R-sqChange	B	SE	T
For HRO as IV	0.199***				
Constant			2.5464	0.0547	46.5643***
IC			0.0769	0.0776	0.9899
HRO			0.5113	0.0674	7.5806***
HRO_X_IC		.0001	-0.0159	0.075	-0.2115
LR			-0.3119	0.0723	-4.313***
HRO_X_LR		.0024	-0.0637	0.0718	-0.8874
For OSF as IV	.4542***				
Constant			2.5289	0.0416	60.7564***
IC			0.1061	0.0653	1.6237
OSF			0.8735	0.0637	13.7034***
OSF_X_IC		.0003	0.0264	0.0748	0.3526
LR			-0.1449	0.0549	-2.6374**
OSF_X_LR		.0082**	-0.1431	0.0716	-1.9984**

N=273, \*\*\*  $p < .01$ ; \*\*  $p < .05$ ; \*  $p < .1$ .

The  $t(272) = -.211$ ,  $p > 0.05$  was insignificant for HRO\_X\_IC, which confirmed the null hypothesis implying that industry characteristics did not significantly moderate the HRO-OP relationship in Pakistan-based SMEs. The last research hypothesis showed a moderation effect of industry characteristics on the association between organizational success factors and organizational competitiveness. However, statistical results for HRO\_X\_IC were insignificant in the model;  $t(272) = .3526$ ,  $p > 0.05$  (Table 7). In other words, the null hypothesis was confirmed indicating no moderation effect of industry characteristics on the HRO-OP association.

## 5. RESULTS AND DISCUSSION

The demographic analysis reported useful insights into the adoption of SHRM practices by Pakistani SMEs. Overall, results indicated career planning and health and safety as largely emphasized SHRM practices among Pakistani SMEs. In contrast, staffing and performance appraisal was found to be less appreciated and strategically valued by Pakistani SMEs. Consistent with Rohra et al. (2009), the findings of this research showed that the structure of HRM practices in Pakistan-based SMEs is still fragile. Comparison of mean findings exhibited statistically significant differences in SHRM practices of small-sized firms and medium-sized firms. Conversely, study results found no significant difference in SHRM practices of manufacturing and service sector SMEs. In line with Kotey and Slade (2005), Zheng et al. (2006), and Fabi et al. (2007), it is inferred that organizational characteristics matter while setting up SHRM practices in SMEs.

To examine the objective of study, authors tested and validated a conceptual model comprising of seven multi-dimensional constructs. SHRM practices (staffing, job/work



design, T&D, compensation, career planning, health & safety, and performance appraisal) were hypothesized as determinants of HRM outcome and organizational success factor, which were in turn, hypothesized to influence organizational performance under the moderation effects of legal and regulatory environment and industry characteristics. In line with this conceptual model, eight main hypotheses were tested.

Research findings of R-square showed that 17% variance in HRO and 14% variance in OSF was explained by SHRM factors. In addition, HRO, OSF, industry characteristics and legal and regulatory factors collectively explained approx. 48% variance in organizational performance. Consistent with Shafeek (2016) and Mulolli et al. (2015) empirical results statistically supported all four hypotheses indicating that SHRM practices significantly maximize HR outcomes and organizational success factors, which further maximized the organizational competitiveness.

The next set of five to six hypotheses proposed moderating effect of legal and regulatory environment and industry characteristics on the HRM outcome-organizational competitiveness and organizational success factor-organizational competitiveness relationships, respectively. The empirical analysis could only validate the sixth hypothesis indicating the inverse effect of legal and regulatory environment on the relationship between organizational success factors and organizational competitiveness. The last two hypotheses were insignificant; hence, results showed no moderation effect of industry characteristics on the relationship between HRM outcomes and organizational competitiveness, and organizational success factors and organizational competitiveness.

In the earlier studies, researchers provided evidence on the positive relationship between SHRM practices and economic productivity of organization (Gamage, 2014; Methuku & Ramadan, 2015). Likewise, the findings of the study suggested that SHRM practices (such as staffing, job design, training, performance appraisal, compensation, career planning and health & safety) are the key factors for success. Therefore, it is clear that the success of Pakistani SMEs is linked to SHRM practices. Therefore, results of the current research imply that HR practices play a central role in shaping the organizational performance of SMEs in the given economic sector. Though the effects of different HRM practices are contingent upon other HR practices, SMEs should adopt a bundling approach towards these practices rather than treating each HRM practice as stand-alone. Also, the findings of the study imply that SME owners/managers need to focus on implementing HRM practices to enhance firm performance. If the HR system is successful and functional, it may help integrate other organizational functions with better efficiency and time management.

In this study, authors were able to test the conceptual model, which may not be conclusive enough to be applied in totality; however, its adaptation is likely to bring sustainability in SMEs. Though HR practitioners should be mindful of the process of adaptability and they are suggested to closely monitor it. The model is likely to benefit SME owners/managers in devising policies and practices that may help increase firm competitiveness. At the national level, government support and lucrative policy framework are lucrative for SME sectoral development in Pakistan. In line with the above data analysis, the government is suggested to focus on implementing a wider array of management practices to improve growth potential. At present, a number of SMEs are implementing adequate management practices with the objective of improving firm performance; however, these firms lack in the management aspect. Hence, the

government is suggested to develop a way forward by creating an institutional link that bridges the gap between standard and actual management practices of SMEs in Pakistan.

Here, SMEDA can play an eminent role in strengthening the organizational system of SMEs by organizing workshops, seminars and short-programs that facilitate management and technical skills. Nonetheless, adapting technology in management functions at large may change the current scenario of SMEs. Accessibility to and appropriate utilization of advanced technologies can be a source of competitive advantage for SMEs; however, it can only be possible when SMEs envision and deploy strategies on the adopt-and-adapt basis. The government should provide an infrastructure for SMEs owner/managers to replicate the technological changes, followed in international business. Hence, the government should launch a program, at the country level, to invite experts from the different fields to help SMEs in adapting the “best practices”.

## **6. CONCLUSION AND IMPLICATION**

This study opens up new avenues for further research on SHRM practices and firm competitiveness in SMEs context. The conceptual model tested in this study should be tested in other industries using longitudinal data to gauge true nature and magnitude of the association between strategic HRM practices and firm competitiveness. In future, cross-country analysis can also be conducted to compare and contrast the impact of HRM practices on firm competitiveness across developing Asian economies such as India, China, Malaysia and Indonesia because these economies are attracting sizable proportion of foreign direct investments (FDI) (United Nations Conference on Trade and Development [UNCTAD], 2017). This may reflect a window of opportunity for comparing the role of HRM practices in improving the performance and competitiveness of export and non-export-oriented SMEs in the Asia-Pacific region. Also, future researchers may investigate the effectiveness of SHRM practices in public and private sector firms. Moreover, some social and cultural measures should also be considered in determining the link of SHRM with organizational success factors, SHRM outcomes, legal and regulatory environment, industry characteristics, and organizational performance.

This study was conducted at the organizational level; thus, to extend the effect of the conceptual model, an avenue of research could be to add few situational factors such as workforce characteristics, management philosophy, an adaptation of technology and societal well-being elements. This extension is likely to generalize the effect of SHRM practices on SME effectiveness. Moreover, it would provide academics and practitioners with a new insight on possible performance and strategy improvements at the organizational level.

## REFERENCES

- AïtRazouk, A. (2011). High-performance work systems and performance of French small-and medium-sized enterprises: examining causal order. *The International Journal of Human Resource Management*, 22(02), 311-330.
- Akbar, R., Pilcher, R., & Perrin, B. (2012). Performance measurement in Indonesia: the case of local government. *Pacific Accounting Review*, 24(3), 262-291.
- Akinboade, O. A., & Kinfaek, E. (2012). Regulation, awareness, compliance and SME performance in Cameroon's manufacturing and retail sectors. *International Journal of Social Economics*, 39(12), 933-950.
- Ali, F. (2018). SME-Prime mover of the economy. Business Recorder. Retrieved from <https://fp.brecorder.com/2018/01/20180120337020/>
- Al-Qudah, M. K., Osman, A., & Safizal, M. A. (2014). Critical success factors of organizational performance: A study of small and medium enterprises in Jordan. *IOSR Journal of Humanities and Social Sciences*, 19(6), 53-57.
- Anas, M., & Zafar, F. (2018). Standards and Certifications: An Overview of SME sector, Market Access, ISO Certifications and Compliance. *SMEDA Observer*, 8(1), 9-14.
- Arifeen, M. (2018). The bright future of Pakistan depends upon the development of SMEs. *Pakistan Economist*.
- Arthur, J. B. (1994). Effects of human resource systems on manufacturing performance and turnover. *Academy of Management journal*, 37(3), 670-687.
- Barney, J. B. (2000). Firm resources and sustained competitive advantage. In *Economics Meets Sociology in Strategic Management* (pp. 203-227). Emerald Group Publishing Limited.
- Beck, T., Demirgüç-Kunt, A. S. L. I., & Maksimovic, V. (2005). Financial and legal constraints to growth: does firm size matter?. *The Journal of Finance*, 60(1), 137-177.
- Beer, M., Spector, B., Lawrence, P., Quinn, M. D., & Walton, R. (1984). Managing human assets: The ground-breaking. *Harvard Business School Program*.
- Bhutta, M. K. S., Rana, A. I., & Asad, U. (2008). Owner characteristics and health of SMEs in Pakistan. *Journal of Small Business and Enterprise Development*.
- Council, O. E. C. D. (2017). Enhancing the contributions of SMEs in a global and digitalised economy. In *Meeting of the OECD Council at Ministerial Level. Paris*.
- Croucher, R., Stumbitz, B., Quinlan, M., & Vickers, I. (2013). Can better working conditions improve the performance of SMEs? An international literature review.
- Dang, T., Dung, T. T., Phuong, V. T., & Vinh, T. D. (2018). Human resource management practices and firm outcomes: evidence from Vietnam. *Journal of Asian Business and Economic Studies*, 25(2), 221-238.
- Dar, M. S., Ahmed, S., & Raziq, A. (2017). Small and medium-size enterprises in Pakistan: Definition and critical issues. *Pakistan Business Review*, 19(1), 46-70.

- deBrito, R. P., & de Oliveira, L. B. (2016). The relationship between human resource management and organizational performance. *Brazilian Business Review*, 13(3), 90-110.
- De Guinea, A. O., Titah, R., & Léger, P. M. (2013). Measure for measure: A two study multi-trait multi-method investigation of construct validity in IS research. *Computers in Human Behavior*, 29(3), 833-844.
- Delery, J. E., & Roumpi, D. (2017). Strategic human resource management, human capital and competitive advantage: is the field going in circles?. *Human Resource Management Journal*, 27(1), 1-21.
- Devanna, M. A. (1984). A Framework for a Strategic Human Resource Management" in Fombrun, CJ, Tichy, NM and Devanna, MA (eds) Strategic Human Resource Management.
- Fabi, B., Raymond, L., & Lacoursière, R. (2007). HRM practice clusters in relation to size and performance: An empirical investigation in Canadian manufacturing SMEs. *Journal of Small Business & Entrepreneurship*, 20(1), 25-39.
- Fernández Sánchez, E., Iglesias Antelo, S., LópezLópez, V., Rodríguez Rey, M., & FernándezJardón, C.M. (2018). Firm and industry effects on small, medium-sized and large firms' performance. *BRQ Business Research Quarterly*.
- Gamage, A. S. (2014). Recruitment and selection practices in manufacturing SMEs in Japan: An analysis of the link with business performance. *Ruhuna Journal of Management and Finance*, 1(1), 37-52.
- Gaskin, C. J., & Happell, B. (2014). On exploratory factor analysis: A review of recent evidence, an assessment of current practice, and recommendations for future use. *International journal of nursing studies*, 51(3), 511-521.
- Genc, K. Y. (2014). Environmental factors affecting human resources management activities of Turkish large firms. *International Journal of Business and Management*, 9(11), 102.
- Ghodrati, A., & Zulkifli, N. (2013). The impact of 5s implementation on industrial organizations' performance. *International journal of business and management invention*, 2(3), 43-49.
- Guest, D. E. (1997). Human resource management and performance: a review and research agenda. *International journal of human resource management*, 8(3), 263-276.
- Gunday, G., Ulusoy, G., Kilic, K., & Alpkan, L. (2011). Effects of innovation types on firm performance. *International Journal of production economics*, 133(2), 662-676.
- Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (1998). *Multivariate data analysis*, 5, (3), 207-219.
- Hair, J. F., Money, A. H., Samouel, P., & Page, M. (2007). Research methods for business. *Education+ Training*.
- Hauff, S., Alewell, D., & Hansen, N. K. (2018). Further exploring the links between high-performance work practices and firm performance: A multiple-mediation model in the German context. *German Journal of Human Resource Management*, 32(1), 5-26.

- Hayes, A. F. (2013). SPSS, SAS, and Mplus macros and code. *Andrew F. Hayes, Ph. D.*
- Hussain, A., Ahmad, Q. W., Haq, I. U., Nazir, A., Imran, S., & Islam, B. U. (2015). Improving Productivity and Quality in SMEs of Pakistan: A case study. *Technical Journal*, 20(2), 103-114.
- Ivars, J. V. P., & Martínez, J. M. C. (2015). The effect of high performance work systems on small and medium size enterprises. *Journal of Business Research*, 68(7), 1463-1465.
- Jackson, S. E., Schuler, R. S., & Jiang, K. (2014). An aspirational framework for strategic human resource management. *The Academy of Management Annals*, 8(1), 1-56.
- Kanu, A. M. (2015). How do recruitment and selection practices impact small and medium enterprises performance in the construction industry in Sierra Leone. *Journal of Economics and Sustainable Development*, 6 (5), 254-269.
- Khan, M., & Abasyn, J. (2017). An exploratory evidence of the types of challenges and opportunities perceived by the Small and Medium Enterprises (SMEs) in the apparel export sector of Pakistan. *University Journal of Social Sciences*, 10(2), 373-395.
- Khan, N. R., & Khan, M. (2012). Human resource practices in SME sector: an exploratory case study of Pakistan. *EuroEconomica*, 3(31), 7-19.
- Kline, R. B. (2015). *Principles and practice of structural equation modeling*. Guilford publications.
- Kotey, B., & Slade, P. (2005). Formal human resource management practices in small growing firms. *Journal of small business management*, 43(1), 16-40.
- lalRohra, C., Junejo, M. A., & Kanasro, H. A. (2009). Analyzing the stylized facts for developing SME's business opportunities in Pakistan. *Australian Journal of Basic and Applied Sciences*, 3(3), 2315-2321.
- Little, T. D., Bovaird, J. A., & Widaman, K. F. (2006). On the merits of orthogonalizing powered and product terms: Implications for modeling interactions among latent variables. *Structural Equation Modeling*, 13(4), 497-519.
- Lo, M. C., Wang, Y. C., Wah, C. R. J., & Ramayah, T. (2016). The critical success factors for organizational performance of SMEs in Malaysia: a partial least squares approach. *Revistabrasileira de gestão de negócios*, 18(61), 370-391.
- Mallett, O., Wapshott, R., & Vorley, T. (2019). How do regulations affect SMEs? A review of the qualitative evidence and a research agenda. *International Journal of Management Reviews*, 21(3), 294-316.
- Masood, F., Soomro, S., & Ali, A. (2018). State of Growth Barriers of SMEs in Pakistan: A Review based on Empirical and Theoretical Models. *The NICE Research Journal*, 158-182.
- McCarthy, K. F., & Jinnett, K. J. (2001). *A new framework for building participation in the arts*. Rand Corporation.
- Melo, P. M. R. N., & Machado, C. F. S. C. (2013). Human resource management in small and medium enterprises in Portugal: rhetoric or reality?. *International Journal of Entrepreneurship and Small Business*, 20(1), 117-134.

- Methuku, H., & Ramadan, H. (2013). A study on developing the role of human resource information systems for good leadership. *American Journal of Industrial and Business Management*, 3(5), 497.
- Mounira, B. A., & Anas, E. L. M. E. L. K. I. (2008). Managing risks and liquidity in an interest free banking framework: the case of the Islamic banks. *International Journal of Business and Management*, 3(9), 80-95.
- Mulloji, E., Islami, X., & Skenderi, N. (2015). Human resource management practices and SMEs performance: study based in Kosovo. *International Review of Management and Business Research*, 4(4).
- Nasiri, A., Sultan, B., & Alleyne, A. (2018). Analysis of French SMEs' International Competitiveness. *Journal of Economics and Management Sciences*, 1(1), p1-p1.
- Naz, F., Aftab, J., & Awais, M. (2016). Impact of human resource management practices (HRM) on performance of SMEs in Multan, Pakistan. *International Journal of Management, Accounting and Economics*, 3(11), 699-708.
- Ogunyomi, P., & Brunning, N. S. (2015). Human resource management and organizational performance of small and medium enterprises (SMEs) in Nigeria. *The International Journal of Human Resource Management*, 1-25.
- Osman, I., Ho, T. C., & Carmen Galang, M. (2011). The relationship between human resource practices and firm performance: an empirical assessment of firms in Malaysia. *Business Strategy Series*, 12(1), 41-48.
- Patmore, G. (2010). *Happiness as an objective of labour law*. Centre for Employment and Labour Relations Law, The University of Melbourne.
- Porter, M. E., & Advantage, C. (1985). Creating and sustaining superior performance. *Competitive advantage*, 167.
- Quinton, S., Canhoto, A., Molinillo, S., Pera, R., & Budhathoki, T. (2018). Conceptualising a digital orientation: antecedents of supporting SME performance in the digital economy. *Journal of Strategic Marketing*, 26(5), 427-439.
- Rana, N. P., Barnard, D. J., Baabdullah, A. M., Rees, D., & Roderick, S. (2019). Exploring barriers of m-commerce adoption in SMEs in the UK: Developing a framework using ISM. *International Journal of Information Management*, 44, 141-153.
- Raziq, A., & Wiesner, R. (2016). High performance management practices and sustainability of SMEs. Evidence from manufacturing and services-based industries in Pakistan. *Journal of Management Sciences*, 3(2), 83-107.
- Rengkung, L. R., Pangemanan, L. R. J., & Sondak, L. W. (2017). Competitiveness of Small and Medium Firms (SMEs) in Facing ASEAN Economic Community. *International Research Journal of Business Studies*, 10(2), 123-133.
- Saha, N., Gregar, A., & Saha, P. (2017). Organizational agility and HRM strategy: Do they really enhance firms' competitiveness?. *International Journal of Organizational Leadership*, 6, 323-334.
- Saridakis, G., Lai, Y., & Cooper, C. L. (2017). Exploring the relationship between HRM and firm performance: A meta-analysis of longitudinal studies. *Human Resource Management Review*, 27(1), 87-96.

- Saunders, M. N. (2011). *Research methods for business students, 5/e*. Pearson Education India.
- Sekaran, U., & Bougie, R. (2016). *Research methods for business: A skill building approach*. John Wiley & Sons.
- Shafeek, H. (2016). The Impact of Human Resources Management Practices in SMEs. *Annals of Faculty Engineering Hunedoara-International Journal of Engineering, 14(4)*, 91-102.
- Singh, R. K., Garg, S.K., & Deshmukh, S. G. (2009). The competitiveness of SMEs in a globalized economy: Observations from China and India. *Management research review, 33(1)*, 54-65.
- Smeda, W. (2017). *Unfolding information needs to improve the utilization of antenatal care services: a descriptive case study in the Western Cape* (Doctoral dissertation, Stellenbosch: Stellenbosch University).
- SMEDA.(n.d.).Productivity improvement initiatives [Industry support program].
- Tabacknick, B. G., & Fidell, L. S. (2013). *Using Multivariate Statistics*. New York: Pearson.
- UNCTAD, U. (2017). World Investment Report 2017: investment and the digital economy. In *United Nations Conference on Trade and Development, United Nations, Geneva*.
- Vandenberg, P., Chantapacdepong, P., & Yoshino, N. (2016). *SMEs in developing Asia: new approaches to overcoming market failures*. Asian Development Bank Institute.
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic management journal, 5(2)*, 171-180.
- World Bank. (2018). Small and Medium Enterprises (SMEs) Finance. Improving SMEs' Access to Finance and Finding Innovative Solutions to Unlock Sources of Capital.
- Zheng, C., Morrison, M., & O'Neill, G. (2006). An empirical study of high performance HRM practices in Chinese SMEs. *The International Journal of Human Resource Management, 17(10)*, 1772-1803.
- Zhou, K. Z., & Li, C. B. (2010). How strategic orientations influence the building of dynamic capability in emerging economies. *Journal of Business Research, 63(3)*, 224-231.