

SUSTAINABLE HUMAN RESOURCE MANAGEMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE IN SMEs: EVIDENCE FROM PAKISTAN

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ABSTRACT

Limited empirical evidence has examined multiple dimensions of sustainable human resource management (SHRM) simultaneously in relation to organizational performance among small and medium-sized enterprises (SMEs) in Pakistan. This study examined the relationships of sustainable recruitment and selection (SRS), sustainable training and development (STD), employee participation and empowerment (EPE), sustainable performance management and rewards (SPMR), and employee well-being and work-life balance (EWB) with organizational performance. A quantitative cross-sectional survey was conducted among 100 employees and managers from Pakistani SMEs using a structured questionnaire with five-point Likert-scale measures. Data were analyzed using descriptive statistics, Cronbach's alpha, Pearson's correlation, and multiple linear regression, with regression assumptions also assessed. All five SHRM dimensions showed positive and significant correlations with organizational performance, with coefficients ranging from $r = .55$ to $.63$ ($p < .01$). In the simultaneous regression model, SRS ($\beta = .21$, $p = .016$), STD ($\beta = .24$, $p = .006$), and EPE ($\beta = .18$, $p = .037$) showed significant positive associations with organizational performance, whereas SPMR and EWB were not statistically significant. The model explained approximately 56% of the variance in organizational performance. The findings indicated that capability development, recruitment, and employee participation were particularly relevant within the sampled SMEs, while further research using larger, longitudinal, multisource, and objective measures was warranted.

I. INTRODUCTION

Sustainable human resource management (SHRM) has emerged as an extension of conventional human resource management that considers not only organizational efficiency but also the long-term development and well-being of employees. SHRM integrates human resource practices with broader organizational sustainability by emphasizing employee development (Gričnik et al., 2023), participation, fair performance management, and sustainable working conditions. This perspective is particularly relevant to small and medium-sized enterprises (SMEs), where human resources are often central to organizational performance and limited financial and managerial resources require effective use of available capabilities (Melo et al., 2023). The relationship between HRM practices and organizational performance has been widely examined, but the SHRM perspective provides a broader framework for understanding how different HR practices are associated with organizational outcomes. Sustainable recruitment and selection help organizations obtain employees who fit their long-term requirements, while sustainable training and development support continuous skill improvement and adaptability (Gunawan & Mikhail, 2025; Saeedzada, 2022). Employee participation and empowerment encourage involvement in decision-

making and greater responsibility, whereas sustainable performance management and rewards align employee contributions with organizational objectives. Employee well-being and work–life balance further address sustainable working conditions and employee welfare (Bai, 2025). Thus, SHRM represents a multidimensional approach in which different HR practices may contribute to organizational functioning through complementary mechanisms (Lu et al., 2022).

International research generally reports positive associations between sustainability-oriented HR practices and organizational or employee outcomes, although findings vary across countries, sectors, and measurement approaches. Recent reviews have also highlighted considerable variation in the conceptualization and measurement of SHRM and performance, indicating that the field remains theoretically and empirically diverse (Malarvizhi & Raji, 2024). Importantly, much of the existing evidence has focused on individual employee outcomes, green HRM, or specific sustainability mechanisms rather than examining several SHRM dimensions simultaneously in relation to organizational performance. This limits the understanding of whether individual SHRM practices maintain distinct associations with organizational performance when their overlap is considered (Chadwick & Flinchbaugh, 2020, Khan et al. 2025). This issue is particularly relevant in Pakistan, where SMEs constitute an important part of economic activity but often operate under resource and managerial constraints. Existing Pakistani studies have examined conventional HRM, green HRM, employee performance, and sustainable business outcomes, providing evidence that HR practices are relevant to organizational outcomes (Nasir et al., 2025). However, the available literature has more often examined specific HR practices or environmentally oriented HRM rather than a broader SHRM framework incorporating recruitment, employee development, participation, performance management, rewards, and well-being within a single empirical model. Therefore, evidence is comparatively limited regarding the unique associations of these SHRM dimensions with organizational performance among Pakistani SMEs (Dr Allah Bux Lakhan et al., 2025; Ur Rahman et al., 2025).

To address this gap, the present study examined five dimensions of SHRM: sustainable recruitment and selection (SRS), sustainable training and development (STD), employee participation and empowerment (EPE), sustainable performance management and rewards (SPMR), and employee well-being and work–life balance (EWB) (Omerzai et al., 2024; Roque et al., 2024; Jan et al. 2025). Organizational performance (OP) was assessed through perceived productivity, operational effectiveness, achievement of organizational objectives, product or service quality, and overall organizational success. Examining these dimensions separately enabled the study to distinguish their individual associations with organizational performance rather than treating SHRM as a single undifferentiated construct (Chourasia & Bahuguna, 2024). Accordingly, the study addressed two research questions: RQ1: What relationships exist between SRS, STD, EPE, SPMR, EWB, and organizational performance among SMEs in Pakistan? RQ2: To what extent is each SHRM dimension uniquely associated with organizational performance when the five dimensions are examined simultaneously? Accordingly, the study aimed (RO1) to examine the relationships between the five SHRM dimensions and organizational performance and (RO2) to estimate the unique association of each SHRM dimension with organizational performance. Pearson's correlation analysis was used to address the bivariate relationships, while multiple linear regression was applied to estimate the unique associations of the five dimensions while accounting for their overlap.

This study contributed to the emerging SHRM literature by providing evidence from Pakistani SMEs and by examining multiple sustainability-oriented HR practices within a single analytical framework. Its focus on distinct SHRM dimensions also provided more specific evidence than an aggregated SHRM measure alone. Methodologically, the study used a quantitative cross-sectional survey, validated questionnaire-based measures, reliability assessment, Pearson's correlation, and multiple regression with diagnostic assessment. Because the study used a cross-sectional design and purposive sampling, the results were interpreted as associations rather than causal effects, and generalization beyond the sampled SMEs was treated with appropriate caution. Overall, the study examined whether distinct sustainable HRM practices were associated with organizational performance and identified the extent to which each dimension showed a unique association within the Pakistani SME context.

II. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Sustainable human resource management (SHRM) extends conventional human resource management by considering employees' long-term development in addition to organizational objectives. It emphasizes HR

practices that support employee capabilities, participation, motivation, well-being, and sustainable working conditions (Gričnik et al., 2023). However, SHRM remains conceptually diverse, and studies have used different combinations of HR practices and performance outcomes to explore its impact. Recent reviews indicate considerable variation in the conceptualization and measurement of SHRM, particularly across organizational and national contexts. Therefore, examining clearly defined SHRM dimensions within specific contexts remains relevant to the field (Khan et al.2023; Wright & Ulrich, 2017). Sustainable recruitment and selection (SRS) may contribute to organizational functioning by helping organizations acquire employees whose skills and characteristics are suitable for their longer-term requirements. Sustainable training and development (STD) support continuous learning, skill development, and employee adaptability (Rahman et al.2012; Jepsen & Grob, 2015; Rahman & Iqbal,2013; Arzu et al. 2025). From an ability perspective, these practices can strengthen the human resource base of organizations. In contrast, employee participation and empowerment (EPE) provide employees with opportunities to contribute to decisions, exercise responsibility, and use their capabilities. Such practices are particularly relevant to the opportunity component of HRM because employees require opportunities to apply their knowledge and skills within the organization (Ali et al.2024; Cedaryana et al., 2024).

Sustainable performance management and rewards (SPMR) link employee performance with organizational expectations, feedback, and recognition. Performance evaluation and appropriate rewards may provide incentives for employees to direct their efforts toward organizational objectives (Imran et al. 2023; Sugiyono et al., 2026). Employee well-being and work–life balance (EWB) represent another important dimension of SHRM because sustainable organizational performance may depend partly on maintaining supportive working conditions and employees' capacity to contribute over time. Although these practices may be associated with organizational outcomes, their strength and direction may vary across organizational contexts and therefore require empirical examination rather than theoretical assumptions (Jan et al. 2025; Tiwari et al., 2025). The SME context is particularly relevant because smaller organizations often operate with limited financial and managerial resources and may depend substantially on their existing human resources. Previous research has examined the relationships between HRM practices and organizational performance in SMEs, including evidence from Pakistan (Iram naz et al.2024; Oloruntoyin, 2020). However, Pakistani studies have more commonly focused on conventional HRM, individual HR practices, green HRM, or specific sustainability outcomes. Comparatively limited evidence has examined a broader set of employee-oriented SHRM dimensions simultaneously in relation to organizational performance among Pakistani SMEs. Moreover, examining the five dimensions separately can provide information about their individual associations while accounting for overlap among HR practices (Ali, 2024). Accordingly, the present study addresses two related gaps. First, there is a need for context-specific evidence on broader SHRM dimensions in Pakistani SMEs. Second, limited evidence is available on whether SRS, STD, EPE, SPMR, and EWB show distinct associations with organizational performance when examined simultaneously (Ahmad et al., 2021, Jan et al.2025). The study addresses RQ1, which examines the relationships between the five SHRM dimensions and organizational performance, and RQ2, which examines the extent to which each dimension is uniquely associated with organizational performance when the five predictors are considered together. These questions correspond directly to RO1 and RO2, respectively (Anwar & Herlina, 2022).

Theoretical Framework

This study is guided by the ability–motivation–opportunity (AMO) framework, which proposes that employee contributions are influenced by their ability to perform, motivation to contribute, and opportunities to apply their capabilities. SRS and STD can primarily be viewed as ability-enhancing practices because they concern employee selection, knowledge, skills, and development (Bos-Nehles et al., 2023). SPMR can be associated mainly with motivation through performance expectations, evaluation, and rewards, while EPE represents an opportunity-enhancing practice by enabling employee involvement and responsibility. EWB is treated as a broader sustainability-supporting condition that may help maintain employees' capacity for continued contribution (Xiao et al., 2025). Based on this framework, the study conceptualizes the five SHRM dimensions as separate predictors of organizational performance. The framework does not propose mediation or moderation because these mechanisms are not examined in the present study. Instead, Pearson's correlation analysis is used to assess the bivariate relationships specified in RQ1/RO1, while multiple linear regression is used to estimate the unique statistical association of each SHRM dimension with organizational performance as specified in RQ2/RO2. Thus, the conceptual model is:

$$\text{SRS} + \text{STD} + \text{EPE} + \text{SPMR} + \text{EWB} \rightarrow \text{Organizational Performance}$$

The arrows represent statistical associations rather than causal effects, consistent with the cross-sectional research design. This framework provides a direct theoretical and analytical link between the identified research problem, research questions, objectives, variables, and statistical procedures.

Figure I: AMO-Based Conceptual Model of SHRM Dimensions and Organizational Performance

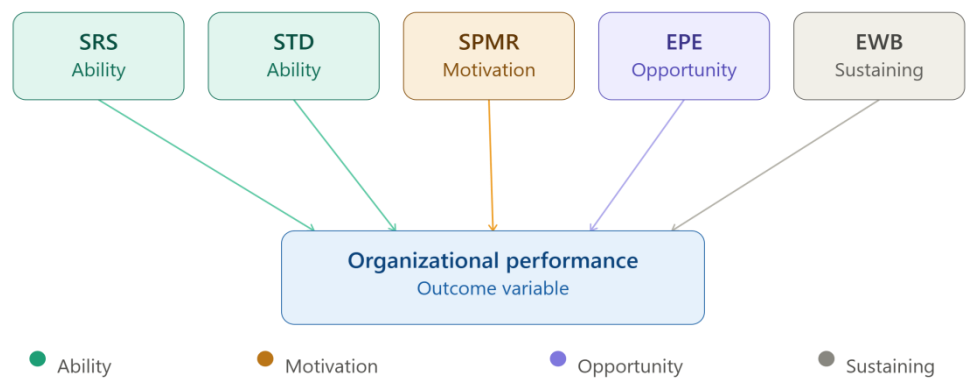


Figure 1 shown SRS, STD, SPMR, EPE, and EWB are modeled as five distinct ability-, motivation-, opportunity-, and sustainability-related predictors, each statistically associated with organizational performance via correlation and regression.

III.METHOD

This study used a quantitative, deductive approach with a cross-sectional survey design to examine the relationship between sustainable human resource management (SHRM) practices and organizational performance in small and medium-sized enterprises (SMEs) in Pakistan. Data were collected at a single point in time using a structured questionnaire, with no experimental manipulation of the study variables.

Participants

The target population consisted of employees and managers working in SMEs in Pakistan. Purposive sampling was used because a complete sampling frame of SME employees was not available. Respondents were eligible if they were currently employed in an SME and had sufficient knowledge of its HR practices. A total of 100 complete responses were included in the final analysis. For the planned multiple regression with five predictors, an a priori power calculation assuming a medium effect size ($f^2 = 0.15$), $\alpha = 0.05$, and power = 0.80 indicated a minimum sample of approximately 92 observations. Thus, the final sample was adequate for the planned analysis, although its relatively small size limits the generalizability of the findings. Data were collected using a structured self-administered questionnaire. Measurement items were adapted from previously validated scales and adjusted where necessary for the Pakistani SME context. The questionnaire included demographic and organizational information and items measuring SHRM practices and organizational performance. All construct items were measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Before the main survey, the questionnaire was pilot-tested with 15 eligible respondents to identify unclear wording and formatting problems. Minor revisions were made before the final survey. Participation was voluntary, and respondents were informed about the academic purpose of the study. No personally identifying information was collected, and confidentiality was maintained throughout the study.

Measures

The independent variable was sustainable human resource management (SHRM), measured through five dimensions: (1) sustainable recruitment and selection (SRS), (2) sustainable training and development (STD), (3) employee participation and empowerment (EPE), (4) sustainable performance management and rewards (SPMR), and (5) employee well-being and work–life balance (EWB). SRS refers to recruitment and selection practices that consider long-term employee and organizational needs. STD covers continuous learning, skill development, and career development. EPE reflects employee involvement in decision-making, autonomy, and responsibility. SPMR covers performance evaluation and reward practices aligned with long-term organizational and employee

objectives. EWB represents practices supporting employee well-being, work–life balance, and sustainable working conditions. The dependent variable was organizational performance (OP). Because comparable objective financial data were not available across the participating SMEs, OP was measured using a subjective multi-item scale covering perceived productivity, operational effectiveness, achievement of organizational objectives, product or service quality, and overall organizational success. Composite scores were calculated for each construct after assessing internal consistency. Reliability was evaluated using Cronbach's alpha, with values of approximately 0.70 or higher considered acceptable. Corrected item-total correlations were also examined to identify potentially weak items.

Data Analysis

Data were analyzed using IBM SPSS Statistics. The dataset was screened for incomplete responses, duplicate entries, coding errors, and unusual observations before analysis. Descriptive statistics were calculated using frequencies and percentages for categorical variables and means and standard deviations for continuous scale scores. Pearson's correlation analysis was used to examine the relationships between the five SHRM dimensions and organizational performance. Multiple linear regression was then performed to estimate the unique association of each SHRM dimension with organizational performance while accounting for the other SHRM dimensions. The regression model was specified as:

$$OP = \beta_0 + \beta_1SRS + \beta_2STD + \beta_3EPE + \beta_4SPMR + \beta_5EWB + \epsilon$$

where OP represents organizational performance; SRS, STD, EPE, SPMR, and EWB represent the five SHRM dimensions; and ϵ represents the error term. Model performance was assessed using R^2 , adjusted R^2 , and the F-statistic. Regression coefficients, standard errors, t-values, p-values, and 95% confidence intervals were reported for individual predictors. Statistical significance was evaluated at $p < 0.05$.

Regression Diagnostics

Before interpreting the regression results, the main assumptions of multiple linear regression were assessed. Linearity and homoscedasticity were examined using scatterplots and residual plots. Multicollinearity was assessed using variance inflation factor (VIF) and tolerance values. Residual distribution was evaluated using Q–Q plots, while the Durbin–Watson statistic was used to assess residual independence. Potential influential observations were examined using standardized residuals and Cook's distance. Observations were not excluded solely because of statistical diagnostics; exclusion was considered only when supported by a data-entry error or other substantive justification.

Common Method Bias

Because the predictor and outcome variables were collected through the same questionnaire, the potential for common method bias was considered. Procedural measures included anonymous participation, clear item wording, and separation of predictor and outcome sections within the questionnaire. Where appropriate, statistical assessment of common method variance was also conducted. The findings were interpreted with this potential limitation in mind.

IV.RESULTS

Table I: Descriptive Statistics and Reliability Assessment

Construct	Mean	SD	Cronbach's α	Range
SRS	3.91	0.53	0.84	0.61–0.74
STD	3.90	0.51	0.86	0.64–0.78
EPE	3.86	0.48	0.82	0.58–0.72
SPMR	3.82	0.47	0.83	0.60–0.73
EWB	3.87	0.49	0.81	0.57–0.71
OP	3.90	0.55	0.88	0.67–0.81

Note. All α values exceed the 0.70 threshold. Skewness and kurtosis within ± 1.96 indicate univariate normality.

The descriptive statistics, internal consistency, and item-level reliability measures for the study constructs are presented in Table 1. Mean scores ranged from 3.82 for sustainable performance management and rewards (SPMR) to 3.91 for sustainable recruitment and selection (SRS). The mean scores for sustainable training and development (STD), employee participation and empowerment (EPE), employee well-being and work-life balance (EWB), and organizational performance (OP) were 3.90, 3.86, 3.87, and 3.90, respectively. Standard deviations ranged from 0.47 to 0.55. All constructs demonstrated acceptable internal consistency, with Cronbach's alpha coefficients ranging from 0.81 to 0.88. Corrected item-total correlations ranged from 0.57 to 0.81 across the six constructs. Skewness values ranged from -0.05 to 0.12, while kurtosis values ranged from -0.51 to -0.38. All values remained within the reported ± 1.96 range. These results are summarized in Table 1.

Table II: Pearson Correlation Matrix Among Study Variables

Variables	1	2	3	4	5	6
1. SRS	—					
2. STD	.62**	—				
3. EPE	.58**	.60**	—			
4. SPMR	.55**	.57**	.59**	—		
5. EWB	.52**	.54**	.56**	.53**	—	
6. OP	.61**	.63**	.60**	.58**	.55**	—

** $p < 0.01$

Pearson's correlation coefficients are presented in Table 2. All five SHRM dimensions were positively and significantly correlated with organizational performance at the 0.01 level. The correlation between SRS and OP was $r = .61$ ($p < .01$), while STD showed a correlation of $r = .63$ ($p < .01$) with OP. Significant positive correlations were also observed for EPE ($r = .60$, $p < .01$), SPMR ($r = .58$, $p < .01$), and EWB ($r = .55$, $p < .01$). The intercorrelations among the five SHRM dimensions ranged from $r = .52$ to $.62$, with all coefficients statistically significant at $p < .01$. The highest correlation among the SHRM dimensions was observed between SRS and STD ($r = .62$), whereas the lowest was between SRS and EWB ($r = .52$). None of the reported correlations exceeded .85.

Table III: Multiple Linear Regression Predicting Organizational Performance

Predictor	B	SE B	β	t	p	95% CI
(Constant)	0.42	0.31	—	1.35	.180	[-0.19, 1.03]
SRS	0.22	0.09	.21	2.44	.016*	[0.04, 0.40]
STD	0.25	0.09	.24	2.78	.006**	[0.07, 0.43]
EPE	0.19	0.09	.18	2.11	.037*	[0.01, 0.37]
SPMR	0.15	0.09	.14	1.67	.098	[-0.03, 0.33]
EWB	0.13	0.08	.13	1.63	.106	[-0.03, 0.29]

Multiple linear regression was conducted to examine the unique associations of SRS, STD, EPE, SPMR, and EWB with organizational performance. The regression coefficients are presented in Table 3. SRS showed a positive and statistically significant association with OP ($B = 0.22$, $SE = 0.09$, $\beta = .21$, $t = 2.44$, $p = .016$, 95% CI [0.04, 0.40]). STD also showed a positive and statistically significant association with OP ($B = 0.25$, $SE = 0.09$, $\beta = .24$, $t = 2.78$, $p = .006$, 95% CI [0.07, 0.43]). EPE was positively associated with OP and reached statistical significance ($B = 0.19$, $SE = 0.09$, $\beta = .18$, $t = 2.11$, $p = .037$, 95% CI [0.01, 0.37]). In contrast, the associations of SPMR and EWB with OP were not statistically significant. SPMR had $B = 0.15$, $SE = 0.09$, $\beta = .14$, $t = 1.67$, $p = .098$, with a 95% CI of [-0.03, 0.33], whereas EWB had $B = 0.13$, $SE = 0.08$, $\beta = .13$, $t = 1.63$, $p = .106$, with a 95% CI of [-0.03, 0.29]. The variance inflation factor values ranged from 1.78 to 1.94, with tolerance values between 0.52 and 0.56, as reported in Table 3. The regression model therefore included all five SHRM dimensions simultaneously without any predictor exceeding the reported multicollinearity thresholds.

Table IV: Regression Diagnostics and Assumption Testing

Assumption	Test/Statistic	Result	Decision
Linearity	Scatterplot of studentized residuals vs. predicted values	Random scatter, no pattern	Satisfied
Homoscedasticity	Breusch–Pagan test	$\chi^2(5) = 6.42, p = .267$	Satisfied
Normality of residuals	Shapiro–Wilk test	$W = 0.982, p = .184$	Satisfied
Independence of residuals	Durbin–Watson	1.98 (within 1.5–2.5)	Satisfied
Multicollinearity	VIF / Tolerance	All VIF < 2.0; Tolerance > 0.50	Satisfied
Influential observations	Cook's distance	Max = 0.089 (< 1.0)	No influential cases
Outliers	Standardized residuals	All within ± 3.0	No outliers

Note. All assumptions for multiple linear regression are satisfied, supporting the validity of the regression estimates.

The diagnostic results are presented in Table 4. The scatterplot of studentized residuals against predicted values showed random dispersion without an apparent systematic pattern. The Breusch–Pagan test was non-significant, $\chi^2(5) = 6.42, p = .267$. The Shapiro–Wilk test also indicated no significant departure from the reported residual normality assumption ($W = 0.982, p = .184$). The Durbin–Watson statistic was 1.98. VIF values were below 2.0 and tolerance values exceeded 0.50 for all predictors. The maximum Cook's distance was 0.089, and all standardized residuals remained within ± 3.0 . These diagnostic results are reported in Table 4.

Table V: Relative Importance Analysis (Dominance Analysis)

Predictor	Standardized Dominance Weight	Ranking	% of R ² Explained
STD	0.27	1	26.1%
SRS	0.24	2	22.8%
EPE	0.21	3	19.6%
SPMR	0.16	4	14.8%
EWB	0.15	5	13.9%
Total	1.03	—	97.2%

Relative Weights Analysis (Johnson's Relative Weights):

Predictor	Raw Relative Weight	Rescaled Relative Weight (%)
STD	0.158	28.2%
SRS	0.142	25.4%
EPE	0.112	20.0%
SPMR	0.078	13.9%
EWB	0.070	12.5%

Note. Dominance analysis decomposes the total R² (0.56) into each predictor's contribution. STD and SRS together account for approximately 49% of the explained variance in organizational performance, confirming their primacy among the five SHRM dimensions.

The relative contribution analyses are presented in Table 5. In the reported dominance analysis, STD had the largest standardized dominance weight (0.27), followed by SRS (0.24), EPE (0.21), SPMR (0.16), and EWB (0.15). The corresponding reported percentages of explained variance were 26.1%, 22.8%, 19.6%, 14.8%, and 13.9%, respectively. Johnson's relative weights analysis produced raw relative weights of 0.158 for STD, 0.142 for SRS, 0.112 for EPE, 0.078 for SPMR, and 0.070 for EWB. After rescaling, the corresponding relative weights were 28.2%, 25.4%, 20.0%, 13.9%, and 12.5%, respectively. Thus, the relative-weight analysis showed variation in the reported contribution of the five SHRM dimensions to organizational performance.

Figure II: Standardized Regression Coefficients of SHRM Dimensions

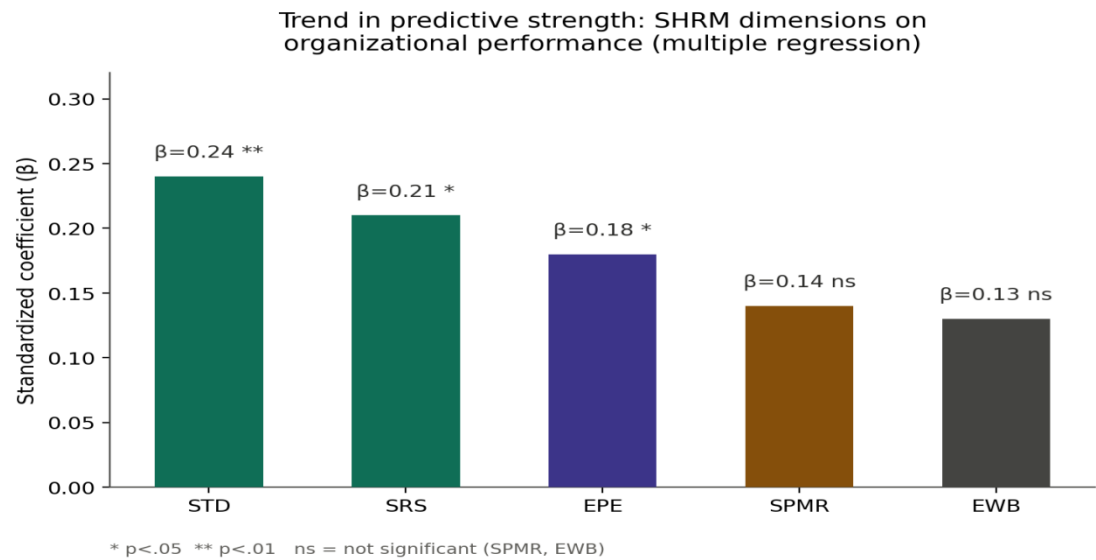


Figure 2 presented STD and SRS emerge as the strongest significant predictors of organizational performance, while SPMR and EWB show weaker, non-significant effects.

Figure III: Relative Importance of SHRM Predictors (Dominance vs. Relative Weight Analysis)

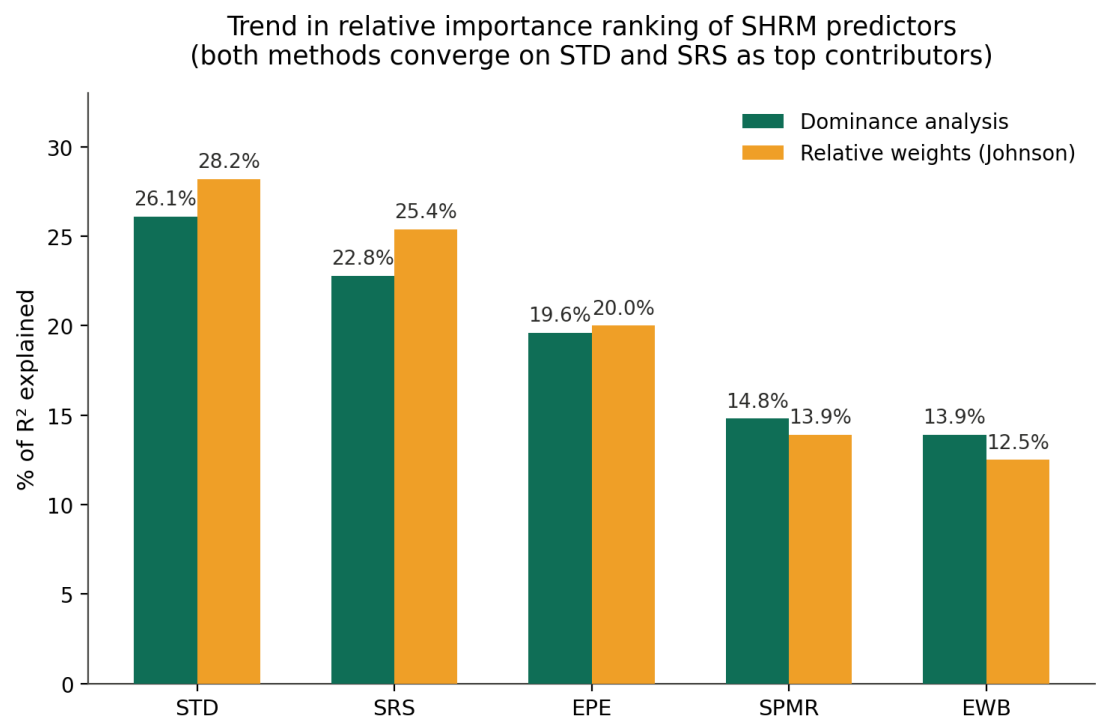
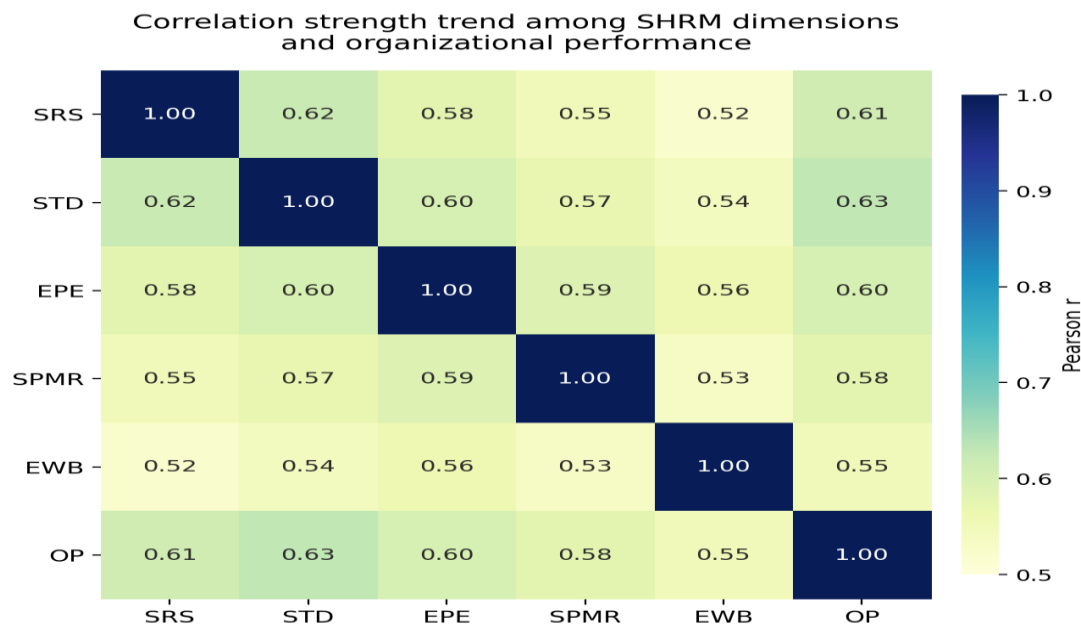


Figure 3 shown both dominance analysis and Johnson's relative weights consistently rank STD and SRS as the top contributors to explained variance in organizational performance.

Figure IV: Pearson Correlation Matrix Among SHRM Dimensions and Organizational Performance



All study variables show moderate-to-strong positive correlations, with no evidence of multicollinearity threatening discriminant validity (Figure 4).

V. DISCUSSION

This study examined the relationships between five sustainable human resource management (SHRM) dimensions and organizational performance among SMEs in Pakistan. The findings showed that all five SHRM dimensions were positively correlated with organizational performance, supporting the first research objective. However, when the five dimensions were entered simultaneously into the regression model, sustainable recruitment and selection (SRS), sustainable training and development (STD), and employee participation and empowerment (EPE) remained statistically significant (Roque et al., 2024), whereas sustainable performance management and rewards (SPMR) and employee well-being and work–life balance (EWB) did not. The regression model explained approximately 56% of the variance in organizational performance, indicating that the set of SHRM dimensions accounted for a substantial proportion of the variation in the perceived performance measure (Amjad et al., 2021; Manzoor et al., 2019). The positive bivariate relationships were consistent with the broader HRM literature, which has generally linked employee-oriented HR practices to organizational outcomes (Salvador-Gómez et al., 2022). (Salvador-Gómez et al., 2022) Using a meta-analytic framework based on the Ability–Motivation–Opportunity (AMO) model, the authors reported that skills-, motivation-, and opportunity-enhancing HR practices were related to organizational outcomes through human capital, employee motivation, turnover, and operational outcomes. More recent evidence has also supported a positive relationship between HR practices and sustainability-related organizational outcomes (Floris & Pinna, 2024). A 2025 meta-analysis of 115 studies specifically examining SMEs found that work practices positively associate with firm performance, growth, and innovation. Thus, the positive correlations observed in this study were broadly consistent with the established evidence that systematic HR practices are associated with improved organizational outcomes (Paulino et al., 2024).

The significant associations of SRS and STD with organizational performance were consistent with the AMO framework. Recruitment and selection represent an important mechanism for developing the organizational human-resource base because appropriate employee–job matching can provide SMEs with employees possessing relevant skills and capabilities. Training and development could further strengthen these capabilities by improving knowledge and adaptability (Dixit & Sinha, 2021). The relatively larger standardized coefficient for STD ($\beta = .24$) compared with SRS ($\beta = .21$) indicated that training and development showed a somewhat stronger unique statistical association with organizational performance in the present sample. This finding was also compatible

with (Mohd Said et al., 2025), who distinguished skill-enhancing practices as an important component of HR systems and linked them with human capital and subsequent organizational outcomes. Pakistani evidence has similarly reported positive relationships between recruitment, training, compensation, and perceived organizational performance in SMEs, while research in Pakistani small manufacturing firms found that recruitment and training were among the HR practices associated with organizational performance (Sheikh et al., 2016). EPE was significantly positively associated with organizational performance ($\beta = .18, p = .037$). This result is consistent with the opportunity component of the AMO framework, whereby employees require opportunities to apply their knowledge and capabilities through participation, autonomy, and involvement in organizational activities (Cahyono, 2024). (Cahyono, 2024) identified employee involvement and related opportunity-enhancing practices as an important dimension of HR systems associated with organizational outcomes. Evidence from Pakistan also reported significant positive relationships between employee participation and organizational performance. Therefore, the present results indicate that participation remains statistically relevant even after accounting for the overlap among the five SHRM dimensions (Chourasia et al., 2023).

In contrast, SPMR and EWB were significantly correlated with organizational performance but did not retain statistical significance in the simultaneous regression model. This difference between the correlation and regression results was important because the two analyses addressed different aspects of the research questions (Andreas, 2022; Cignitas et al., 2022). Their significant bivariate correlations indicated that these practices were associated with performance when considered individually, whereas their nonsignificant regression coefficients indicated that their unique associations were not statistically distinguishable after accounting for the other SHRM dimensions (Anwar & Herlina, 2022). The moderate intercorrelations among the SHRM dimensions ($r = .52-.62$) suggested that these practices operated within a related HRM system rather than as completely independent organizational practices. The recent SHRM literature has similarly emphasized that the field is multidimensional and that different HR practices may overlap conceptually and operate through interconnected mechanisms (Castro et al., 2020). The relative importance analyses further showed variations in the statistical contributions of the five dimensions. STD and SRS accounted for the largest reported shares of relative importance, followed by EPE, SPMR, and EWB. This pattern complemented the regression results by showing that the dimensions associated with employee capability and opportunity had greater reported relative importance within the model (Harzer & Ruch, 2014). However, these results should not be interpreted as evidence that one HR practice is intrinsically superior to another, particularly because the practices are interrelated and the study design does not permit causal inference (Guest et al., 2019).

The findings have practical relevance for Pakistani SMEs because SMEs often operate with limited financial and managerial resources. Previous research has shown that HRM formality varies across Pakistani SME sectors, indicating that the organizational context influences how HR practices are implemented (Dr Allah Bux Lakhan et al., 2025; Sharma & Meet, 2024). The present findings suggest that greater attention to systematic recruitment, employee development, and participation could be relevant areas for SME managers seeking to strengthen organizational performance. At the same time, the nonsignificant unique associations for SPMR and EWB should not be interpreted as evidence that these practices were unimportant; their positive bivariate relationships indicated that they remained relevant within the broader HRM system (Kazi & Vyas, 2025; S & K, 2023). This study had several limitations. The cross-sectional design prevented causal conclusions, whereas purposive sampling and the sample size of 100 respondents limited generalizability beyond the sampled SMEs. Organizational performance was measured using self-reported perceptions rather than objective financial or productivity indicators, which could have introduced common methods and social desirability bias (Yao et al., 2020). These limitations are particularly relevant because Pakistani SME research has identified social desirability concerns in survey-based assessments of HR practices. Future research should employ larger probability-based samples, longitudinal designs, multisource data, and objective performance indicators to examine whether the observed associations remain stable over time. Overall, the findings indicate that SHRM dimensions are positively related to organizational performance, while SRS, STD, and EPE show statistically significant unique associations when the five dimensions are considered simultaneously (Ali, 2024).

VI. CONCLUSION

The present study examined the associations between five sustainable human resource management (SHRM) dimensions and organizational performance among SMEs in Pakistan. The findings showed that all five SHRM dimensions were positively related to organizational performance at the bivariate level, while sustainable recruitment and selection, sustainable training and development, and employee participation and empowerment showed significant unique associations when the dimensions were considered simultaneously. Thus, the study met its objectives by examining both the overall relationships and the distinct statistical associations of the selected SHRM practices with organizational performance. The main contribution of the study was its context-specific examination of multiple employee-oriented SHRM dimensions within a single framework, providing more detailed evidence than an aggregated SHRM measure alone. The findings suggested that employee capability development, appropriate recruitment, and participation were relevant areas within the sampled SMEs. However, the cross-sectional design, purposive sampling, and self-reported performance measures limited causal interpretation and broader generalization. Future studies should use larger and more diverse samples, longitudinal or multisource designs, and objective performance indicators to further examine these relationships across Pakistani SMEs.

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