The Role of Human Resource Management Practices on Palm Oil Firm’s Performance in Malaysia with Mediating Role of Organizational Learning Capabilities and Moderating Role of Organizational Support

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Abstract

Human resources practices are the essential elements for high organizational performance and attain recent researchers' focus. Therefore, the current study aims to examine the role of human resource practices such as selection, training, and compensation on the firm performance of Malaysia's palm oil industry. The examination of mediating role of organizational learning capabilities and the moderating role of organizational support among the nexus of human resource practices and firm performance of palm oil industry in Malaysia is also part of the study's objectives. The data has been collected by using questionnaires, and PLS-SEM was used for analysis. The results revealed that all the predictors such as selection, training, and compensation have positive nexus with firm performance. The results also exposed that organizational support moderated the nexus of selection, training, and firm performance while organizational learning capabilities have positively mediated the nexus of selection, training, compensation, and the palm oil industry's performance in Malaysia. These findings are valuable for the policymakers who maintain the regulations related to the human resource practices that enhance firm performance.

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1. Introduction

Any business firm's primary objective is to show superior performance and exceed the competitors in the market. This objective does not provide a base for their survival only but also for their success in the emerging market. And the performance of any firm depends on the firm’s workforce (Kianto, Sáenz, & Aramburu, 2017). Human resources are taken as the most significant firms' sources (Haq, Nawaz, Mahtab, & Cheema, 2012). Even the human resources are more critical to the firm’s survival and performance than any other resources as it is the workforce in the firms that uses other assets to operate the firm’s functions, create competitive advantages, and realize the firms’ goals in the form of superior performance.

Similarly, in the palm oil industry, human resources' crucial role cannot be denied as it is the workforce that performs function from the exploration, acquisition, cleanliness of palm to its distribution in the market. Keeping in mind the core significance of human resources in a firm, the human resource management practices must be efficiently implemented and executed so that the human resources have skills, talent, proper education, knowledge, organizational commitment, and work motivation (Ogunyomi & Bruning, 2016). This study addresses three significant human resource management practices, such as selecting employees, training, and compensation to employees. The selection of human resources for business firms is a significant...
Selection is one of the effective practices of human resource management, choosing and picking the right candidate who seems to be most appropriate for the vacant job position in the business firm. In the words of Abernethy, Dekker, and Schulz (2015), the selection is the way of interviewing the candidate for the vacant job and judgment of their qualities required for the vacant position and then choosing an appropriate candidate. The study proposes that the candidate's selection by the human resources managers for a specific job ultimately affects its performance. The selection of competent, educated, talented, and experienced persons for a vacant positive will surely be an asset to the firm, helping achieve performance-related goals (Bender, Bloom, Card, Van Reenen, & Wolter, 2018).

Training is an essential human resource management practice that affects the employees' skills and attitudes, which further affects the overall firm's performance. Training is the way to provide the employees with the required skills to perform their functions efficiently, accurately, and skillfully. It's not a continuous process, but it's provided periodically within a specific time, and training is provided by a professional or an expert in the concerned field. Long term research and investigation have proved that training is needed almost at every stage of the job and for everyone on the job. The quality of the employees to be Up-dated contributes a lot to the firm's overall performance and keeps them updated with the rapidly changing environment, concepts, and technologies periodical training proves to be significant (Alasadi & Al Sabbagh, 2015).

For improved and consistent performance, organizational retention and organizational commitment are needed, which is possible if the human resource management arranges compensation to the employees. Compensation is the provision of rewards to employees in return for their labor, and it consists of payments such as profit sharing, bonuses, overtime payment, sales commission, recognition awards, retirement benefits, pension, and different allowances. Compensation is an essential practice of human resource management that encourages the workforce and improves organizational effectiveness and overall performance (Bennett, Bettis, Gopalan, & Milbourn, 2017). In Malaysia, some of the reasons for firms' consistent performance are efficient ways of selecting suitable applicants for the vacant positions, the arrangement of training for the employees, and the provision of compensation to the workforce.

Organizational support plays a moderating role between human resource practices such as selection, training, compensation, and a firm's financial performance. Organizational support is the employees' perception that the organization values their work and their contribution to the business performance and the sense that the organization cares for their welfare (Hur, Han, Yoo, & Moon, 2015). The employees who have organizational support are more willing to work for the better performance of the firms. Organizational support also results in inefficient selection, training, and compensation to the employees. On the other hand, organizational learning capability is a mediator between the selection and training of employees and compensation to them and firms' performance. Human resource practices like selection, training, and compensation to the employees add to the organizational learning capability, further improving the firm’s overall performance.

2. Literature Review

Palm oil is one of Malaysia’s emerging industries, and Malaysia is considered the World’s 2nd largest producer of palm oil after Indonesia. IOI and Sime Darby are Malaysian enterprises that enjoy domination in the global palm oil industry. Palm oil is mostly used in consumer goods. The Worldwide use of palm oil has increased in recent years, and it is most likely to increase shortly. In 2019, Malaysian exports of palm oil was a third of the global palm oil exports and particularly to Malaysia’s important palm oil export markets: China, India, and the European
Union. The progress of the Malaysian palm oil industry is mostly dependent on the human resources employed in the firms involved in the palm oil industry as they are the human resources that regulate the organization, use another resource in the interest of firms, and have an active part in the accomplishment of performance goals. The presence of efficient human resources is the cause of survival of the firms and the source of success and superior performance. The efficiency and effectiveness of human resources depend on the effective implementation and execution of human resource management (Shin & Konrad, 2017). Here in this study, three effective human resource management practices are addressed: the selection of human resources, their periodical training, and compensation activities for the welfare of employees, which ultimately bring improvement in the firm's performance and economic growth country. Organizational support is a moderator between selection and training of employees and compensation to the employees and firm's performance as it put favorable effects on the mutual association of human resource practices and firm’s performance. In contrast, organizational learning capability is a mediator between human resource practices and a firm’s performance as the human resource practices affect the organizational learning capability, which further results in the firm’s superior performance.

The firm’s performance-related objectives are possible in a suitable, efficient, talented, skilled, having a good attitude, and less expensive workforce. The selection of employees by the human resource management makes it possible to appoint such an efficient workforce. The fundamental objective of efficient human resource selection is to match the organizations' requirements with the candidates' qualifications and skills applying for the vacant job position. A good selection of on the part of human resource managers ensures that the firms will get the right group of employees with the right work behavior, and it is essential in the sense that the hiring of the appropriate resources enables the firm to increase the overall performance (O'Boyle, Patel, & Gonzalez-Mulé, 2016). In contrast, if there is bad hiring resulting from the flawed selection process, the business activities will negatively be affected, and the inadequate resources are to be replaced, which cause high cost badly affecting the firm’s overall performance. The selection process is favorable for the overall firm performance in which the most suitable person is selected for the vacant job position after the elimination of several candidates who don’t fulfill the vacant job (Nieves & Quintana, 2018). In Malaysia's palm oil industry, efficient and effective methods are applied to select candidates for the vacant job positions, which considerably contribute to the firms' ultimate performance in the palm oil industry.

**H1:** The selection process has a positive relationship with the firm’s performance.

Innovations in the skills, attitudes, activities, and knowledge of the employees are needed for innovation in the operations, production, and marketing of the products, which adds to the firm’s performance (Akram, Siddiqui, Nawaz, Ghauri, & Cheema, 2011). To attain up-dated-ness in the employees’ skills, attitudes, and knowledge, the periodical training arrangement for the employees must be made (Georgiadis & Pitelis, 2016). Moreover, the training process improves employees' knowledge, and behavior as the training's efficient application creates awareness of the rule and methods to mend the behavior. It brings positive changes in the employees’ knowledge, which increases the firm's operational and financial performance. For instance, when an employee is moved from one assignment to another assignment, he needs to have the knowledge and skills required for the new assignment. The periodical training makes him prepare to work on a new assignment as it improves the knowledge, skills, and talent to use the techniques, technology, and procedures required for the new assignment. The better skills and knowledge resulting from efficient training bring improvement in the operation, production, and market, which show superior performance among market rivals (Riley, Michael, & Mahoney, 2017). In the Malaysian palm oil industry, the human resource practice provision of periodical training to the employees enables them to achieve relatively better performance.

**H2:** There is a positive association between the training of employees and the firm’s performance.

The provision of compensation on the part of human resource managers to the firm's employees brings improved operational performance, production quality, more fantastic
marketing, and fewer waste financial performance. Adequate compensation is necessary for the firm's overall performance as it provides an employee with a reason to stick to the firm and work wholeheartedly (Maas, 2018). To exceed in the highly competitive market, it is compulsory that all the business functions are being performed effectively and efficiently, which is possible if the human resources perform their functions with a great sense of responsibility. Different rewards, allowances, and facilities make the employees emotionally attached to the organization and result in the employees' efficient working. Similarly, the medical and residential facilities give the employees a sense of security and let them work wholeheartedly and with a great sense of responsibility (Perryman, Fernando, & Tripathy, 2016). The Malaysian palm oil industries have the firms providing compensation to their employees differently and showing outstanding overall performance.

**H3:** Compensation to employees has positive influences on the firm’s overall performance.

The sense of having organizational support creates a desire in the employees to remain in the same firm, and the retention of the employees guarantees the firm's success as it creates satisfaction in the employees (Ajmal, Bashir, Abrar, Khan, & Saqib, 2015). While on the other hand, if the employees do not perceive encouragement, care, and financial support from the firm, it results in the employees' lack of motivation for their work and adverse effects on the firm’s performance. Organizational support has a considerable link with human resource practices. As firms spend on the employee with the free hand, they attempt their best to hire the best skilled and better-qualified workers, which prove to be an asset for the firms. Likewise, the firms providing organizational support to their employees actively arrange for giving periodic training to the employees, and better skills give better production and better performance. Besides, the firm’s attempt to provide emotional and financial support to the employees results in compensation to the employees and motivates them to work honestly, which adds to the firm’s performance (Li & Wang, 2016).

**H4:** Organizational support is a moderator between the selection of employees and the firm’s performance.

**H5:** Organizational support plays a moderating role between the training of employees and the firm’s performance.

**H6:** Organizational support is a considerable moderator between compensation and a firm’s performance.

The human resource practices such as selecting employees, training, and compensation to the employees contribute to the organizational learning capability, which further improves the firm’s overall performance. Organizational learning capability is the ability of the organization to process information and knowledge. It can acquire, create, execute, use and transfer information and knowledge (Camps, Oltra, Aldás-Manzano, Buenaventura-Vera, & Torres-Carballo, 2016). The social practice, the process of selecting candidates for the vacant job position, contributes to organizational learning capability as in this way the firm interacts with many persons and acquires information required for the vacant job position. Similarly, the experts and professionals appointed for giving training to the employees are supposed to acquire and execute information about the market shifts, changes in the business environment, changes in technologies and procedures that are further used to achieve superior performance. Besides, providing compensation benefits to employees for their welfare needs information about different compensation-related policies and employees. Hence.

**H7:** Organizational learning capability is a mediator between the selection of candidates and the firm’s performance.

**H8:** Organizational learning capability is a considerable mediator between training and a firm’s performance.

**H9:** Organizational learning capability plays an important mediating role between compensation and a firm’s performance.
3. **Methodology**

The present study aim is to investigate the effects of selection, training, and compensation on the firm performance of the palm oil industry in Malaysia along with the examination of mediating role of organizational learning capabilities along with moderating role of organizational support among the nexus of human resource practices and firm performance of palm oil industry in Malaysia are also the part of the objectives of the study. The study has used the quantitative methods of data gathering while simple random sampling was used to select the respondents. Besides, the data has been collected by using questionnaires that were distributed through a personal visit. A total of 420 surveys has been sent to the employee of the human resource department of the palm oil industry, but only 310 were returned that has 73.81 percent rate of response. Moreover, PLS-SEM was used for analysis due to the complex model, and also the purpose of the study is hypotheses testing (Hair, Ringle, & Sarstedt, 2016). This study has adopted human resource practices such as selection (S.L.), training (T.R.), and compensation (CM) as predictors of the study, and all of the dimensions have three items (Sánchez-Marín, Meroño-Cerdán, & Carrasco-Hernández, 2019). Also, firm performance (F.P.) has been used as dependent constructs with four items (Vickery, Droge, Setia, & Sambamurthy, 2010). Finally, organizational support (O.S.) has been used as a moderator. It has five items, while organizational learning capabilities (OLC) have been taken as the mediator with four items (Kought & Zander, 1992). These variables have been mentioned in Figure 1.

![Theoretical model](image)

**Figure 1:** Theoretical model

4. **Results**

The findings of the current study have exposed the convergent validity about the correlation between items, and the figures show that valid convergent validity and proved high nexus among items because the Alpha along with C.R. is more than 0.70 while loadings along with AVE are higher than 0.50. These are highlighted in Table 1.
Table 1

Convergent validity

| Constructs                     | Items | Loadings | Alpha | CR   | AVE  |
|-------------------------------|-------|----------|-------|------|------|
| Compensation                  | CM1   | 0.888    | 0.873 | 0.922| 0.797|
|                               | CM2   | 0.895    |       |      |      |
|                               | CM3   | 0.895    |       |      |      |
| Firm Performance              | FP1   | 0.831    | 0.852 | 0.900| 0.693|
|                               | FP2   | 0.835    |       |      |      |
|                               | FP3   | 0.847    |       |      |      |
|                               | FP4   | 0.815    |       |      |      |
| Organizational Learning Capabilities | OLC1 | 0.973    | 0.944 | 0.962| 0.863|
|                                | OLC2  | 0.785    |       |      |      |
|                                | OLC3  | 0.971    |       |      |      |
|                                | OLC4  | 0.973    |       |      |      |
| Organizational Support        | OS1   | 0.887    | 0.845 | 0.819| 0.534|
|                                | OS2   | 0.667    |       |      |      |
|                                | OS4   | 0.673    |       |      |      |
|                                | OS5   | 0.673    |       |      |      |
| Selection                     | SL1   | 0.913    | 0.871 | 0.921| 0.795|
|                                | SL2   | 0.880    |       |      |      |
|                                | SL3   | 0.882    |       |      |      |
| Training                      | TR1   | 0.924    | 0.954 | 0.970| 0.916|
|                                | TR2   | 0.971    |       |      |      |
|                                | TR3   | 0.976    |       |      |      |

The findings of the current study have also exposed the discriminant validity that is about the correlation between variables and checked by using Fornell Larcker along with cross-loadings and the figures show that valid discriminant validity and proved low nexus among variables because the values associated with nexus with variable itself are more than the values associated with nexus with variable itself. These are highlighted in Table 2 and Table 3.

Table 2

Fornell Larcker

| CM   | FP   | OLC  | OS   | SL   | T.R. |
|------|------|------|------|------|------|
| CM   | 0.893|      |      |      |      |
| FP   | 0.374| 0.832|      |      |      |
| OLC  | 0.342| 0.492| 0.929|      |      |
| OS   | 0.328| 0.328| 0.397| 0.731|      |
| SL   | 0.367| 0.512| 0.422| 0.394| 0.892|
| TR   | 0.383| 0.403| 0.476| 0.746| 0.472| 0.957|

The findings have also exposed the discriminant validity by using Heterotrait Monotrait (HTMT) ratio, and the figures show that valid discriminant validity and proved low nexus among variables because the values are lower than 0.90. These are highlighted in Table 4.
### Table 3
**Cross-loadings**

|       | CM  | FP  | OLC | OS  | SL  | T.R. |
|-------|-----|-----|-----|-----|-----|------|
| CM1   | 0.888 | 0.342 | 0.284 | 0.314 | 0.311 | 0.324 |
| CM2   | 0.895 | 0.340 | 0.333 | 0.276 | 0.339 | 0.359 |
| CM3   | 0.895 | 0.319 | 0.298 | 0.290 | 0.334 | 0.342 |
| FP1   | 0.299 | 0.831 | 0.491 | 0.334 | 0.461 | 0.372 |
| FP2   | 0.313 | 0.835 | 0.397 | 0.288 | 0.456 | 0.342 |
| FP3   | 0.291 | 0.847 | 0.390 | 0.243 | 0.374 | 0.289 |
| FP4   | 0.341 | 0.815 | 0.350 | 0.214 | 0.404 | 0.329 |
| OLC1  | 0.301 | 0.452 | 0.973 | 0.368 | 0.343 | 0.443 |
| OLC2  | 0.358 | 0.464 | 0.785 | 0.354 | 0.394 | 0.429 |
| OLC3  | 0.302 | 0.457 | 0.971 | 0.369 | 0.444 | 0.445 |
| OLC4  | 0.303 | 0.446 | 0.973 | 0.376 | 0.348 | 0.443 |
| OS1   | 0.367 | 0.381 | 0.464 | 0.887 | 0.454 | 0.821 |
| OS2   | 0.115 | 0.090 | 0.106 | 0.667 | 0.140 | 0.275 |
| OS4   | 0.103 | 0.097 | 0.101 | 0.673 | 0.078 | 0.270 |
| OS5   | 0.111 | 0.072 | 0.098 | 0.673 | 0.117 | 0.250 |
| SL1   | 0.323 | 0.452 | 0.723 | 0.332 | 0.913 | 0.385 |
| SL2   | 0.323 | 0.464 | 0.754 | 0.363 | 0.880 | 0.434 |
| SL3   | 0.337 | 0.454 | 0.716 | 0.357 | 0.882 | 0.444 |
| TR1   | 0.327 | 0.401 | 0.465 | 0.715 | 0.452 | 0.924 |
| TR2   | 0.396 | 0.362 | 0.444 | 0.706 | 0.449 | 0.971 |
| TR3   | 0.380 | 0.392 | 0.456 | 0.719 | 0.453 | 0.976 |

### Table 4
**Heterotrait Monotrait ratio**

|       | CM  | FP  | OLC | OS  | SL  | TR  |
|-------|-----|-----|-----|-----|-----|-----|
| CM    | 0.433 |     |     |     |     |     |
| FP    | 0.375 | 0.543 |     |     |     |     |
| OLC   | 0.246 | 0.225 | 0.260 |     |     |     |
| OS    | 0.421 | 0.590 | 0.402 | 0.278 |     |     |
| SL    | 0.420 | 0.443 | 0.500 | 0.544 | 0.517 |     |
A path analysis results revealed that all the predictors such as selection, training, and compensation have positive nexus with firm performance and accept H1, H2 and H3. The results also exposed that organizational support moderated the nexus of selection, training, and firm performance and accepted H4 and H5. However, organizational support has not moderated the nexus of compensation and firm performance and reject H6 while organizational learning capabilities were positively mediating the nexus of selection, training, compensation, and firm performance of the palm oil industry in Malaysia and accept H7, H8, and H9. These are highlighted in Table 5.

Table 5
Path analysis

| Relationships      | Beta  | S.D.  | T-statistics | P-values | L.L.   | U.L.   |
|--------------------|-------|-------|--------------|----------|--------|--------|
| CM -> FP           | 0.200 | 0.060 | 3.314        | 0.001    | 0.096  | 0.300  |
| CM*OS -> FP        | 0.074 | 0.065 | 1.144        | 0.128    | -0.048 | 0.179  |
| OLC -> FP          | 0.162 | 0.076 | 2.132        | 0.018    | 0.051  | 0.282  |
| SL -> FP           | 0.214 | 0.090 | 2.367        | 0.010    | 0.067  | 0.361  |
| SL*OS -> FP        | -0.227| 0.060 | 3.768        | 0.000    | -0.331 | -0.146 |
| TR -> FP           | 0.204 | 0.108 | 1.878        | 0.032    | 0.029  | 0.392  |
| TR*OS -> FP        | 0.173 | 0.074 | 2.360        | 0.010    | 0.039  | 0.306  |
| CM -> OLC -> FP    | 0.103 | 0.057 | 1.807        | 0.042    | 0.003  | 0.089  |
| SL -> OLC -> FP    | 0.123 | 0.058 | 2.131        | 0.018    | 0.039  | 0.217  |
| TR -> OLC -> FP    | 0.018 | 0.010 | 1.728        | 0.044    | 0.001  | 0.036  |
Figure 3: Structural model assessment

Figure 4: CM* O.S.
5. Discussion and Implications

The results have revealed that employees' selection has a positive association with the firm's overall performance. These results are in line with the past studies Shaukat, Ashraf, and Ghafoor (2015), which show that the selection of employees is human resource management, which contributes a lot to the firm's overall performance. The results have indicated that the training is positively associated with the firm's overall performance. These results agree with the past studies Asfaw, Argaw, and Bayissa (2015), which prove that the training improves the working skills and the knowledge of the employees, which results in the improver firm's performance. The results have proved that compensation to the employees puts positive influences on the firm's financial performance. These results match with the studies De Angelis and Grinstein (2015) where the importance of compensation benefits to the employees for the firm's performance has been shown. The results have indicated that organizational support is an appropriate moderator between selecting candidates, training and compensation, and firms' performance. These results are approved by Tsai, Horng, Liu, and Hu (2015). The results have represented that the organizational learning capability plays a moderating role in selecting candidates, training, compensation, and firms’ performance. These results are in line with the previous studies Peris-Ortiz, Devece-Carañana, and Navarro-Garcia (2018).
This study contributes to the literature on business and management as it gives a detailed description of three significant practices of human resource management as drivers of the firm’s overall performance. This study has introduced both moderator and mediator at the same time. Moreover, the study makes an empirical implication. It provides a guideline to the business management on how to raise the firm’s overall performance with the implementation and execution of three significant practices of human resource management like selection, training, and compensation.

5.1. Conclusion and Limitations

In short, it can be said that the selection of suitable candidates for the vacant job position imparts positive influences on the firm’s overall performance. The study examines that training of the existing employees improves employees’ working performance and thereby the firm’s overall performance. Moreover, the paper analyses that the provision of compensation benefits to the employees for their well-being results in the firm's overall superior performance. The study also reveals that organizational support is a moderator between selection, training, and compensation and the firm’s financial performance. Finally, the organizational learning capability is a mediator between human resource practices and the firm’s overall performance.

The paper has described only three practices of human resource management about the overall firm’s performance. Future scholars should address all human resource management practices about the firms’ overall performance. The study checks the improvement in the firms' overall performance due to human resource practices only in the palm oil industry of Malaysia. Future scholars should expand the scope of the study by including more industries and more countries.

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