

Antecedents of Strategic Human Resource Management Practices on Intangible Firm Performance: Analytical Investigation of SMEs

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Abstract

In spite of the growing style of literature on strategic Human Resource Management and the undeniable opinion connecting SHRM to organizational performance, empirical research has produced varied results. Addressing these challenges, this study examines the influence of strategic human resource management on intangible firm performance. Data collected from 250 SMEs in Lagos Nigeria was analyzed. Overall, the result showed that SHRM practices has a positive relationship with intangible performance except for knowledge sharing which show no relationship. The findings suggest that not all SHRM practices significantly influence firm performance. Implications of the results for managers as well as researchers were also discussed.

Keywords: SHRM, SME, intangible firm performance

1. Introduction

Growing environmental changes and the competition to offer innovative products, changing customers and investor demands have become a standard for organizations. To compete successfully in this type of environment, firms must continuously improve on their performance by decreasing costs, improve quality and continuously make a difference in their products and services. Therefore, it is expected that managers constantly seek for a new approach to gain competitive advantage. Strategic human resource management (SHRM) remained one of the most significant developments of this rethinking process. This assumption has been sustained by empirical evidence (Huselid, 1995). However, one significant unresolved debate is whether SHRM offered positive performance to small firm. The fundamental assumption is that smaller firm performance is influenced by a set of HRM practices. These new observation has broaden the focus of SHRM and managers to be conscious of practices that can provide their organizations a competitive advantage. This is because intelligent organizations should look beyond the tangible financial gain to areas that had rarely been considered as a possible source of competitive advantage for the organization. Some scholars suggested that firms can have a major direction on the achievement of better performance if such firm embraces certain SHRM practice (Barney, 2001). Researchers have also noted that the success of SHRM practices is subject to the specific organizational and environmental context (Mayer, Tsui & Hinings, 1993). However, previous researchers have not studied in-depth the importance of SHRM to SMEs or if in reality smaller firms practices SHRM. Accordingly, Chang and Huang (2005) suggested for a better understanding of the role of SHRM in creating and sustaining competitive advantage for the firms should be realize through empirical evidence. In the light of the above argument, this study propose a model that integrate four possible combination of SHRM practices such as work skills, knowledge sharing, team cooperation and individual contribution which previous studies has not given a considerable attention. Thus, in an effort to provide new empirical evidence on the question, the objective of this study is to examine the influence of these practices on intangible performance of the firm using SMEs in Lagos to empower managers in the SHRM process. Intangible performance is the performance that cannot be adequately measured and are difficult for competitor to replicate.

When these practices are jointly employed, the potential impact increases employee's commitment and boost firm performance. This is due to the believed that employees are strategic resource for achieving competitive advantage when they are committed (Baker, 1999). Developing a suitable approach to achieve this would be an important way to achieve positive performance. Though, such an approach is not a new innovation in business management, but SHRM researchers has consistently focuses on larger firms, less has been given to smaller

firms. Particularly, studies on this nature in developing economy are limited. Even though smaller firms have been identified as lacking Strategic HRM (Ayanda, 2011; Okpara, 2011). Therefore, it seems there would be significant distinctiveness in the strategy of larger and smaller firms which would also affect their level of performance. Hence, this element of SHRM can be a driving force with regards to the performance of smaller firms (Ugheoke, Isah, & Noor, 2014). Besides, because SHRM places strong emphasis on moral values, firms approach can be influenced by looking further than the immediate tangible gains of the firm (Baker, 1999). Noting that SHRM grows out of organic development process that was built on the standard of skills development as well as uninterrupted cooperation (Mueller, 1996). This ought to have ensured that the most excellent practices and attitudes are maintained and the same time ensuring that the practices are aligned with the overall goal of the organization. As a result, this study is arranged as follows; first we give a brief development of SHRM. Next we review recent literature on the relationship between SHRM and firm performance, Previous studies on work skills, knowledge sharing, team cooperation and individual contribution, theoretical framework, hypothesis, research method, measurement of variables and findings. We conclude by discussing how smaller firms appear to implement SHRM practices in the model.

2. Literature Review

2.1 Development of Strategic Human Resource Management (SHRM)

Strategic human resource management has developed significantly over the past two decades. It emerged out of researcher's curiosity in understanding the link between HRM and firm performance (Delery & Doty, 1996). The field has continued to generate concern, because of its evolutionary phase and complexity in identifying a specific framework to retrofit the current spread view. According to Schuler, Dolan and Jackson (2001), SHRM was developed from the field of personnel management in two transformational phases. Firstly, from personnel management to traditional human resource and then from traditional human resource management to SHRM. SHRM was premeditated to identify firm strategic needs as well as planned talent development needed to implement a competitive strategy in addition to the achievement of operational objective (Huselid, Jackson, & Schuler, 1997).

In spite of the consideration attention in the field of SHRM, the phrase SHRM is indistinguishable. Some researchers view SHRM as input, to some SHRM is a process or outcome, while others considered it to be a combination of process and outcome. As an input, Delaney and Huseli (1996) defined SHRM as the Skills and motivation of employees that facilitate organization human resource management processes to build and distribute manufactured goods and services that are appreciated by customers. SHRM practices translate these inputs such as employees' skills and motivation via different interconnected behavior, functions, and processes to achieve firm performance (Lado & Wilson, 1994). As a process, Ulrich and Lake (1991) defined SHRM as a process of connecting human resource practices and business strategy. According to Bamberger and Meshoulam (2000), SHRM link human resource functions with strategic objectives and organizational objectives in an effort to improve firm performance through the understanding of the culture of the organization that will encourage employee's commitment and involvement. As an outcome, Cooke, Shen and McBride (2005) defined SHRM as a well-organized function that survives with the changes in the environment. Nevertheless, lack of a universal definition of SHRM has prompted researchers to agree that the fundamental feature of SHRM entails designing and implementing a set of internally consistent practices that will ensure the human capital of the firm contribute to the achievement of business objectives (Gratton, Hope-Hailey, Stiles, & Truss, 1999; Jackson & Schuler, 1995). This study integrate these practices based on previous works by Ugheoke et al., (2014) suggesting that HR practice such as work skills, knowledge sharing, team cooperation and individual contribution will play a significant role in impacting firm performance. All the above practices are planned to ensure that firm human capital add value to the achievement of business objective.

2.2 The Relationship between Strategy Human Resource Management (SHRM) and Firm Performance

Studies on SHRM had recommended that bundles of HR practices lead to organizational performance by improving employee's skills and motivation (Gong, Law, Chang, & Xin, 2009; Sun, Aryee & Law, 2007). Following this, similar studies have also found that SHRM practices with some influential elements outwardly increases firm performance. For instance, Youndt, Snell and Lepak (1996) established that the strategy adopted by firm and the interaction of its HRM practices serve as a key elements for the effectiveness of the organization. Richard and Johnson (2001) also found that the linkage between Strategic human resource practices and organizational performance is moderated by business strategy. In view of that, Chow and Gong (2010) affirmed that SHRM practices have a significant positive impact on firm performance. Chang and Chen (2002) also conducted a wide-range of study to assess the relationship between strategic HRM practices and firm

performance in Taiwan high-technology firms. Their results showed that the human resource management practices have significant effect on employee productivity. Corbett and Harrison (1992) conducted a study on employee involvement and manufacturing performance in New Zealand and Australia, the results showed that employees-associated programs that will promote enormous improvement in quality and communication all over the firm will help to sustain firm performance. Huselid, Jackson and Schuler (1997) examine the effect of human resource management on corporate firm performance using 293 US firms. The researchers grouped human resource management effectiveness into two categories such as HRM effectiveness and strategic human resource management effectiveness. They found that there is a positive relationship between strategic human resource management effectiveness and firm performance. On this note, Baird and Meshoulam (1988) signified that when implementing human resource management practices, firms should take note of the desirability of fit between HRM practices and firm strategy. Furthermore, Wright and Sherman (1999) asserted that one significant goal of SHRM is to ensure human resource management practices is integrated with the strategic needs of firms in an effort to gain competitive advantage. Truss and Gratton (1994) also found that SHRM do not only improve firm performance but also encourage innovation as well as flexibility. So, implementing SHRM practices can positively influences firm performance.

Furthermore, the contingency theory also holds the view that a close link exists between firm strategy and HRM practices. The theory holds that strategic human resource management practices are determined by the type of strategy that a firm adopts (Lee, Lee, & Wu, 2010). Believing that firms that directly match their strategy with the HRM practices achieve a better performance than others who do not (Huang, 2001). Similarly, the universal use of best practice bundles of human resource practices directly and indirectly enhances firm performance (Dimba, 2010). However, majority of the organizations on which best practices bundles have been examined studies have been conducted in large manufacturing organizations, predominantly in United State and United Kingdom (Arthur, 1994). On the other hand, the applicability of developed economy models of strategic human resource management practices in developing countries is questionable because the link between the use of SHRM practices and performance may not hold across context. Consequently, researchers have suggested for a study that will pay attention to a wider scope of practices (Dimba, 2010, Guerin, Wils, & Lemire, 1997). A wider scope is important because it will help small firm to avoid practices that will hinder them the achievement of better performance. More specifically, Ugheoke et al. (2014) suggested future studies to verify whether the presence of certain practices such as work skills, knowledge sharing, individual contribution and team cooperation can have an effect on intangible performance of small firms. In the next section, we review and then test the relationship between these practices. Doing this, we enable the researchers to offer managers with the most suitable practices they can utilized in achieving better performance.

2.3 The Relationship between Work Skills and Intangible Performance

In a competitive environment, competitive advantage is held by firms who engage skillful employees. Studies have shown that there is a relationship between work skills and performance in large organization. Giving employees greater skills have higher chances of identifying customer's desires and satisfaction which subsequently lead to better performance (Davis & Albright, 2004). The work skills possess by employees is significant to the success of the organization because skillful employees hold the value of the firm and understand the needs of the customers. A study by Hamid (2013) found that firms which have invested more in employee's skills development have an average of 75% outcome. In contrast to those firms which do not develop this practice. In addition, Battacharya, Donald, Gibson and Doty (2005) found that firms, who engage employees with the needed skills, respond quickly to market competition than others who had to enter the open market and acquire skills to meet new demand. A finding by Mcnamara, Luce and Tompson (2002) also support that skills possess by managers has significant relationship with organization ability to compete in the market. Kaplan and Norton (1996) found that Building employees skills facilitate firms to improve customer relationship which afterward results to the achievement of better performance. Conversely, Lloyd (2003) argued that he hardly found a link between technical skills and performance, even if human resource practitioners believe that employee skill is a significant factor of work process. Despite Lloyd finds a contrary view on employees work skills, in the current competitive environment, the skills that firms acquire is a significant feature for achieving and sustaining competitive success. Hence, the relationship between work skills and intangible performance is likely in the context of small firms. Therefore we propose

H1a: There is a positive relationship between work skills and intangible performance of small firms.

2.4 The Relationship between Knowledge Sharing and Intangible Performance

In knowledge intensive business environment, firms in great extent trust on information to increase innovation

and performance. The interpersonal relationships in workplace play a significant role in current market environment. Thus, Knowledge sharing refers to the exchange of unambiguous and implicit knowledge that is significant to the job. The relationship between knowledge sharing has also been suggested in a number of studies. According to Lichtenthaler (2009), knowledge sharing remains a significant driver to firm performance. A study by Hamid (2013) found a significant positive relationship between knowledge sharing and firm performance. This is consistent with the result by Morishima (1991) and Marchington, Wilkinson, Ackers and Goodman (1994). It was also acknowledged that the current challenges facing firms is not to simply implement but to think and solve problems by sharing information (Hamid, 2013). This is because, in current competitive environment, it is the collective knowledge that differentiates one firm from another. Doing this require firms to have information to take good decision. Thus, sharing knowledge will assist managers to evaluate and predict future decisions that will positively affect the performance of their firms. Accordingly, Ahmadi and Mirsepassi (2010) avowed that in an organizational environment with strong interpersonal connection the desire to perform better is always stronger when knowledge is shared among employees. A study by Srivastava, Bartol and Locke (2006) found that Knowledge sharing has a significant effect on team performance. Suggesting that sharing knowledge among team is notable, because the team's leader has every opportunity to energetically persuade the level of knowledge sharing. Similarly, Lee, Gillespie, Mann and Wearing (2010) findings showed that team knowledge sharing significantly influences their performance. Therefore, when managers share knowledge among themselves, it smoothen the progress of meeting project goals, achieving quality, efficiency and meeting the expectation of the customers. Thus, we can say that knowledge sharing may give firms the power to act and to react to changes that take place in the market. This study propose

H1b: There is a positive relationship between knowledge sharing and intangible performance of small firms.

2.5 The Relationship between Team Cooperation and Intangible Performance

Team cooperation is the mutual assistance of the team. Researchers had classified team cooperation into two, such as by proactively involving in behaviors that support team efficacy (Tyler & Blader, 2000). For instance, providing support, volunteering programs and developing a means of exchanging idea. Another approach is to cease from behavior that hinder team efficiency, such as, keeping away from using the resources of the team for personal benefit (Tyler & Blader, 2000). Team cooperation is important to firms because cooperation is the fundamental responsibility of the teams. As a result, studies have demonstrated a positive relationship between team cooperation and firm performance. For instance, Berg (1999) found a positive relationship between work teams or semi-autonomous and performance. Consequently, Hackman (1987) argued that even if team members have knowledge and skill for the job and they apply high energy, builds up task strategies, all this will be ineffective if they lack the approach in pooling their efforts together. A study by Webber and Donahue (2001); Gupta, Huang, and Niranjana (2010) found a positive relationship between team cooperation and performance. Thus, it is the responsibility of managers to give a comprehensible direction and goal, encourage the standard of contribution into team's behavior and strategies and nurture a positive environment that will help employees to encourage one another and energetically recognize each other's input (Heather, McIntyre & Roseanne, 2013).

The findings above contradict the result of Young, Fisher and Lindquist (1993), who acknowledged that cooperation among team has no significant relationship with firm performance. Seong, Kristof-Brown, Park, Hong, and Shin (2012) further strengthen that the relationship of social cooperation is not a strong predictor of team performance. The above findings were restricted within the context of large and manufacturing sector, and their focus was broadly on tangible performance such as profitability, return on asset (ROA), and return on investment (ROI). Little attention has been given to the relationship between team cooperation and intangible performance. In addition, most of the previous study was conducted in western and Asia settings (Tung-Chun Huang, 1999; Ahmad & Schroeder, 2003; Gurbuz & Mert, 2011). Therefore, the relationship between team cooperation and intangible performance may also be possible in the context of small firms. We therefore propose the following hypotheses.

H1c: There is a positive relationship between team cooperation and intangible performance of small firms.

2.6 The Relationship between Individual Contribution and Intangible Performance

In the current competitive market, where innovation has become a vital factor for firms wishing to remain competitive, it is vital for firms to understand how to encourage the creative potential of their employees to make input to the smooth functioning of the business. Undeniably, it is believed that individual contribution is an important characteristic for assuring the success of an organization. Some researchers have even argued that firms experience a significant boost when individual greatly play their role. According to Alxei and Eva (2012), individual contribution significantly influences operating performance of firms that is located in close proximity.

Believing that at the center of a successful innovative process of any firm are individuals of high quality and ability with strong commitment to the innovation (Rothwell, 1994). Reagans, Argote and Brooks (2005) affirmed that as individual increases their contribution to the organization, severity of the cases also declines. Other researchers have emphasized that social context determines individual contribution (Yang, Moon, & Rowley, 2009). Stressing that individual relationship with their team influences the degree to which they are encouraged to contribute their creative ideas (Hirst, Van Dick, & Van Knippenberg, 2009; Pirola-Merlo & Mann, 2004; Shalley, Zhou, & Oldham, 2004). Therefore, the team to which an individual fit in influences their contribution (Woodman, Sawyer, & Griffin, 1993; Scott & Bruce, 1994). For that reason, management have the machinery to influence individual behavior and creativity (Yukl, 2008; Atwater & Carmeli, 2009), such as structuring their role, defining their target, allocating rewards for their contribution (Muñoz-Doyague & Nieto, 2012). This is due to the believed that individual contribute greatly when they are being motivated. In a study, Atwater and Carmeli (2009) established that individuals who enjoy a better relationship with their supervisors contribute greatly and disclose a high involvement in creative work.

Hence, in an effort to add new support to extant empirical studies on the basis of the aforementioned arguments, we hypothesize that:

H1d: There is a positive relationship between individual contribution and intangible performance of small firms.

3. Research Model

Based on the review of past theoretical and empirical analysis, we propose a model that includes four SHRM practices that influence intangible performance.

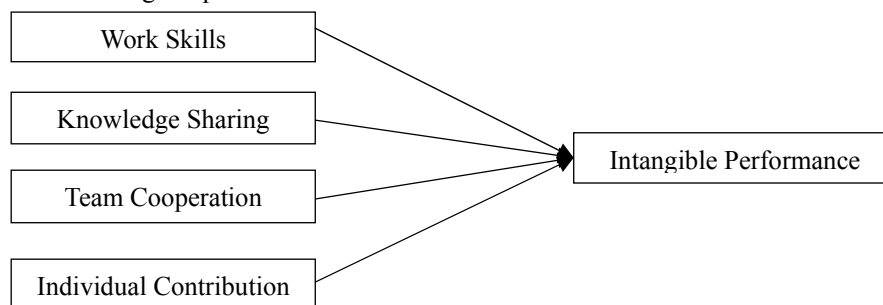


Figure 1.

4. Methods

The population object of analysis consists of 250 SMEs in Lagos Nigeria. Specifically, questionnaires with a cover letter unfolding the nature of the survey were sent to managers of each of the SMEs. A total of one hundred and sixty three (163) questionnaires were returned, with varied level of completion. Giving a response rate of 65.2 percent greater than that of other similar studies, which achieved response rates of 25, 21, 20 (Chang & Huang, 2005; Delery & Doty, 1996; Lau & Ngo, 2001). Out of the 163 that were retrieved 11 (4.4%) were unusable because they were not properly filled.

4.1 Measurement of Variables

The items in this study comprises of two major variables: strategic human resource management (SHRM) and intangible performance. SHRM practices comprises of four dimensions such as work skills, knowledge sharing, team cooperation and individual contribution. To measure work skills we draw on the measure developed by Battacharya, Donald, Gibson and Doty (2005). To measure team cooperation and knowledge sharing, we built on items scale based on the work of Ahmad and Schroeder (2003). Meanwhile, individual contribution was based on the measured by Alxei and Eva (2012). In the absence of a clear consensus on performance measures we followed previous research to recognize the original set of items developed by Tung-Chun Huang (1999) which is significant within our research context. We conducted a confirmatory factor analysis for all the practices using principal component extraction to find out the underlying practices (Kaiser-Meyer-Olkin measure of sampling adequacy was above .750). All items were measured on a seven point Likert scale in which managers were appealed to state their degree of agreement with the statement (from 1= strongly disagree to seven = strongly agree). According to this scale, a score of 1 indicate that managers do not believe their firm's places important on the SHRM practices, while 7 implies they regard these practices very important.

4.2 Analytical Procedures

Data analysis was subjected to two analyses. The demographic characteristics of the respondents were calculated using frequency distribution of the respondents, while descriptive statistics were used in determining the level of Strategic HRM practices of the firm under examination. The other analysis conducted in this study is correlation analysis for establishing the interrelationships among the practices and regression analysis to determine the practice that has the most predicting strength to firm performance.

5. Results

We went further to test compliance with the conditions for ensuring the validity of the correlation and regression analysis conducted. In particular, we checked that the assumptions of linearity, homoscedasticity as well as normality were satisfied, in order for the results to be reliable. Table I illustrate that among the practices, identified in this study work skills has the strongest correlation (r 0.831, at 0.00) to intangible performance. Next was individual contribution (r 0.332, at 0.00), and lastly team cooperation (r 0.256, at 0.00). For this reason, we can validate the proposed hypotheses looking to the result of the aforesaid practices analyzed and their influence on intangible firm performance. Surprisingly, Knowledge sharing was not correlated with intangible performance (r 0.030 at 0.359) and does not support our hypothesis. This demonstrated that even though there was a relationship between knowledge sharing and intangible performance it could be indirect through another variable which was not part of the present study.

Table 2 indicates the multiple regression analysis of SHRM dimensions to the intangible firm performance. The outcome of the analysis shows adjusted R^2 of 0.659 which implies that 65.9% of the variance of intangible firm performance is adequately explained by the SHRM practices. The results also showed that among the practices work skills has the highest contribution to intangible performance with a beta value of 0.751. Next was team cooperation 0.437 and individual contribution 0.254. Knowledge sharing was found not to have much effect on intangible firm performance with coefficient beta value of 0.028 at 0.05 level of significance. The F-statistics of 39.283 illustrate that the model is valuable in establishing whether any significant relationship exist between the dimensions and intangible firm performance.

The correlation and regression results between the variables of our study are illustrated in Table 1 and 2.

Table 1. Correlation for SHRM practices and intangible performance

Variables	Pearson Correlation (r)	Level of Significance (p)
Work Skills	0.831 (**)	0.000
Knowledge Sharing	0.030	0.359
Team Cooperation	0.256 (**)	0.000
Individual contribution	0.332 (**)	0.000

** Correlation is significant at 0.05 level (2 tailed), ** $P < 0.05$

Table 2. Regression analysis for SHRM practices and intangible performance

SHRM Dimension	Beta	Sig.
Work skills	0.751	0.00**
Knowledge sharing	0.028	0.056
Team cooperation	0.437	0.002**
Individual contribution	0.254	0.00**

** $p < 0.05$ $R^2 = 0.719$, $F = 39.283$, $\text{Sig } F = 0.00$

6. Discussions

Studies have offered a diversity of empirical approaches to explain the relationship between strategic human resource management (SHRM) and firm performance such as: the Universalistic approach, the contingency approach and the configuration approach (Delery & Doty, 1996; Dimba, 2010; Huselid, 1995; Pfeffer, 1994). This was done in large manufacturing industry and within the context of developed economy. Hardly had any study examined the way or whether small firm practices strategic human resource management (SHRM) in developing economy. To fill this gap, this study has examined the impact of SHRM on intangible firm

performance. To achieve this objective, we tested the relationship between SHRM practices such as work skills, knowledge sharing, team cooperation and individual contribution on intangible performance. The results lead to acceptance of the hypotheses that there is a positive relationship between SHRM practices and intangible firm performance except for knowledge sharing which did not support that there is a relationship.

Work skill was found to be an important determinant of firm performance. This result showed that majority of SMEs places significant interest on employees work skills, noting that the skills poses by employee serves as an important source of competitive advantage in a knowledge-based economy. This is important going by the increasing competition in Lagos market where majority of SMEs in Nigeria are located. As a result, firms want to have market advantage achieving these required firms to have employees who has the needed skills. Therefore, firms who engage employees with high level of work skills in this type of market environment will excellently perform better than others. This is because; technology and capital can no longer offer firm a sustainable competitive advantage because technology and capital are short-term logical. This demonstrated that the skills acquires by employees would undeniable be a key lever for firm performance. Therefore, firms are expected to invest in skills of their workforce. Emphasizing on work skills will permit firms to distinguish themselves from their competitors.

While we found a relationship between work skills and intangible performance, conversely, the result also shows that knowledge sharing does not have positive influence on intangible performance. This indicates that knowledge sharing within small firms in Lagos is low compare to developed economy. This has to some extent confirm the argument by Pfeffer (2001) that most firm disincline to share information with their employees because of the fear of taking advantage of the firm and losing control of them. Besides, even though majority of the previous studies had reported positive relationships between knowledge sharing and firm performance, when critically examined, every strategic human resource practices requires adaptation to fit the Nigeria context. This evidence support the idea that situational factor need to be considered in identifying practices that will improve firm performance. Additionally, the inconsistency of the result is not surprising because of the common believe by most firms and their managers that sharing knowledge may mean revealing their strength to the competitors which may eventually lead to their exit. Again, small firms are recognized globally as the engine of growth of every nation through tax payment. This recognition is complicated considering SMEs in Nigeria as majority of them are not tax compliance. This circumstance probably encourages them to conceal sharing knowledge or giving information for the fear of disclosing their financial information to tax officials. Furthermore, the result does not support the universal perspective, which recommended that strategic human resource management is the best practice and foundation for sustainable competitive advantage at all settings. However, this study agreed with the contingency perspective demonstrating that practices should be choosing base on situational factors. Giving the context of this study, the result recommended small firms should align with the practices that will give them competitive advantage. This indicated that firms that choose to compete should seriously examine the practices that will add value to its human resources.

Team cooperation was positively correlated to intangible firm performance. It therefore means that the higher the level of cooperation among team, the greater their performance. The fact that employee perceives that they have a better quality exchange with one another and to a lesser extent with their immediate superior, the better their performance. This is consistent with Pfiffer (1998); Webber and Donahue (2001); Gupta, Huang, and Niranjana (2010), that found a positive relationship between team cooperation and performance. Teams allow employees to key in their idea together in order to get better resourceful solutions to market challenges. Pulling skills together enhance the possibility of addressing difficulties confronting the firm. Dyer and Reeves (1995), also found that teamwork will positively influence the satisfaction, motivation and the commitment that employee will develop on the job thereby resulting to higher performance. When members of a team work cooperatively it enhances their competitiveness.

The analysis of the result also indicate that individual contribution have a positive relationship with intangible performance. This is consistent with the findings by Delarue, Van Hootegem, Procter and Burrridge (2008) that the effort and motivation of individual worker improve overall performance of the firm. Hence, individual contribution is an important trove of performance. So firms are increasingly challenged to encourage individual contribution in order to be competitive. Besides, the interaction of employees in the workplace potentially determines their contribution to the overall performance of the firm. Individual effort provides the foundation for competitive advantage of the firms, it is indispensable for firms to engage individual who can contribute innovative idea, emotionally support and be committed to the firm. Therefore, a creative contribution made by individual employees will have a significant positively impact on firm competitive advantage.

7. Conclusion

The aim of this study was to examine the impact of SHRM on the intangible performance of small firms. The result of this study has helped in understanding the key element that provides competitive advantage for small firms. The result of this study provides statistical evidence that investment in human resource management practices will result in higher firm performance. The study has also provided evidence that not all practices that work well in western context can be successful in developing economy. These serve as a guide for managers, supervisors, and HR practitioners to see the implementation of Strategic HRM practices that would bring the best of their firms.

Although this study has offered a significant contribution to the field of SHRM, it is not without limitations. The first likely problem relates to the subjective data subject to personal respondent judgments. Hence, to achieve better results, future studies could consider objective performance using secondary data sources as complementary information which also serves the concept of firm performance. Second, the present study purely focused on the view of the managers engaged by SMEs. This showed that examining the link between work skills, knowledge sharing, team cooperation and individual contribution on intangible performance was only subjected to the view of managers without seeking the options of other employees. Hence, it is suggested for future study to sample the view of both managers and employees. Thirdly, the researchers only select four out of numerous SHRM practices. Finally, this study only focused on 250 SMEs in Lagos Nigeria, the results may differ from other industries in Nigeria or other developing context. Therefore, it would be interested to compare SHRM practices in this study with other developing economy by broadening these practices. Comparing these practices will present a significant opportunity to better understand the role of situational factor in adopting SHRM. The unstable market environment in developing economy provides opportunity for another research to broaden these practices to help to manage the employees in this context.

Despite its limitations, the findings of this study are important for several reasons. First, even though SHRM role is extensively discussed in the literature, existing empirical evidence about its value is limited to large organization and western context. This study has examined SHRM from small firms in developing economy which present unique characteristics in terms of strategy. The results of this study also provide strong support for the validity of the contingency model in Nigeria context. This suggests that situational factor should be considered in the process of investing in SHRM. Second, the current business environment in Nigeria creates pressures for managers to continuously improve on their operation and work structures. Implementing these practices in their business would permit firms to improve on their performance. The results of this study recommended that managers in small firms need to recognize that their role as strategic planners should integrate these practices into their strategic planning process. This is because the practices are needed to encourage employees in workplace and enhance their participation in any decision that will increase the performance of the business. This is predominantly essential for firms as they are seeking new approach to act in response to the pressures from the external environment.

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