

MANAGEMENT PHILOSOPHY: AN INTERNAL BOUNDARY CONDITION TO HPWS-SME PERFORMANCE NEXUS IN NIGERIA

Abdussalaam Iyanda Ismail, Universiti Utara Malaysia

Abdul-Halim Abdul-Majid, Universiti Utara Malaysia

Mohd Hasanur Raihan Joarder, United International University

ABSTRACT

Although existing research evidence establishes positive effect of high performance work system (HPWS) on firm performance, it is deemed worthwhile to advance the field of knowledge further and attain much more profound insights about the subject matter. It is supposed by the contingency theory that the environment within which organizations operates matters most. Therefore, this context-specific and SHRM-based research investigates moderating effect of management philosophy on the relationship between HPWS and SME performance. The study employed cross-sectional research approach in which data were collected from a sample of 518 of SME managers in Nigeria. Partial Least Squares Method (PLS) algorithm and bootstrapping technique were used to test the study's hypotheses. The overall findings signified a positive effect of HPWS on SME performance and management philosophy was found to interact negatively with HPWS in enhancing performance. This result portrays presence of mismatch between SME managers' philosophies and organizational practices (HPWS). It also indicates that firm performance hinges on the effective alignment of managerial attitudes and philosophies with HPWS. Thus, management philosophy and organizational practices (HPWS) should be aligned in order to guarantee enhanced firm performance. Lastly, implications, limitations and suggestions for future research are discussed.

Keywords: SME Performance, HPWS, SHRM, Management Philosophy, Contingency Theory.

INTRODUCTION

It is common-knowledge that proliferation of well-oiled and well-off firms, the firms with competitive advantage and enhanced performance, would metamorphose in to enhanced and better national socio-economic development. Likewise, the context within which organizations operate can precipitate success or failure of such organizations. These, coupled with the fact that new streams of research have identified strategic human resource management as a basis for competitive advantage (Bamberger & Meshoulam, 2000), enhanced performance (Seidu, 2011) and the attendant nation's development (Bida, Abdul-Halim & Ismail, 2016), underscore the need for a context-specific and SHRM-based research model that would explicate robust contributory role played by high-performance work system (HPWS) in guaranteeing firms' competitive advantage and enhancing optimal firm performance.

Thus, the current research is based on effect of HPWS on SME performance. Researching Small and Medium Enterprises (SMEs) in this very period is indispensable, given that SMEs has become a mainstay of the world economic growth and has played crucial roles in

nations' economic development, industrial development, job creation cum poverty reduction (International Finance Corporation (IFC), 2013; Mahmood & Hanafi, 2013).

Research efforts to substantiate that HPWS precipitates competitive advantage and enhanced performance began in the 1990s (Arthur, 1994; Huselid, 1995) and quite numbers of empirical research have emerged as a result. Human resources and its management form an indispensable part of the whole of competitive advantage (Allen & Wright, 2007). Strategic HR that enhances task, targets and performance are formed through the effective adoption of HPWS. Moreover, competitive advantage of an organization over another is connected with improvement in technical competencies, productivity and organizational performance via the instrumentality of human resources which are equipped with the required skills, knowledge and competencies needed for the execution of organizational strategy and planning (Fu, 2013; Ismail, Abdul-Halim & Joarder, 2015).

In the same vein, Mason, Bauer & Erdogan (2010) opined that enhanced organizational performance is contingent upon HPWS that connote a systematic bundle of high performance work practices (HPWPs), called HR architectures/practices, because systems or bundles of HPWPs are more influential than individual practices (Fan et al., 2014; Shin & Konrad, 2014). This might have informed the cautionary assertion made by Boxall, Guthrie & Paauwe (2016) in the editorial introduction to Human Resource Management Journal's special issue entitled "progressing our understanding of the mediating variables linking HRM, employee well-being and organizational performance", The scholars assert that researchers should take caution against measuring HRM by just putting up some HR architectures (i.e. HR practices) into a unitary index. Bundling of HPWS should be in a cost-effective manner which represents contextualization. In other word, HRM should be measured based on contexts of the study.

In addressing this, Ismail et al. (2016b) posited that configuration of HPWS is many-sided but it should be context-specific. Moreover, HPWS should be employee-oriented for it to precipitate higher SME performance (Ismail et al., 2016a). Considering this explication, HPWS in this research would involve HPWPs that are context-specific and employee-oriented. Thus, HPWPs are job design/autonomy, non-financial reward, pay-for performance, employee participation and communication and training and development. This composition of HPWS is a blend of 'best practices', broads and peripherals of HR architectures and it is consistent with HPWS studies such as (Ismail et al., 2016a; Ismail et al., 2016b; Posthuma et al., 2013; Zakaria, 2013) and the host of others. This selection also supports AMO HRM model which proposed that HRM architectures are poised to play three roles. The first role is to improve workers' KSAs (Knowledge, Skills and Abilities). Through training, job design and compensation. The second role entails workers' empowerment via discretionary use of time and talent while the third role involves motivation of workers via incentive compensation.

Besides, the strategic orientations of firms also have bearing on the application of HR practices and effect on the firm's performance (Teo, Le Clerc & Galang, 2011). HPWS can be destructive or helpful because failure or success of HPWS depends on internal and external boundary conditions (Chadwick, Way, Kerr & Thacker, 2013). For that reason, the functions of the HRM are contingent upon the situations of the firm regardless of the size of the firm. It is then observed that management philosophy, otherwise known as managerial values, which is employee-oriented, would reinforce the effectiveness of HPWS and in turn enhance performance (Marchington & Wilkinson, 2005). It has been found that management ideologies or values regarding employees have influence on the effectiveness of HPWS (Osterman, 1994). With this and underpinned by contingency theory's supposition that the context within which firms'

functions matter most, it is therefore expected that management philosophy would moderate HPWS-SME performance nexus.

LITERATURE REVIEW

In this section of the study, literature review on HPWS, SME performance and management philosophy was done to authenticate the research questions the current research aims to answer.

Overview of HPWS, SME Performance and Management Philosophy

HPWS is a harmonized combination of HPWPs, otherwise known as HR architectures (Posthuma et al., 2013), that creates synergistic effects whereby particular practices strengthen one another to augment organizational efficiency and effectiveness (Horgan & Muhlau, 2006; Toh, Morgeson & Campion, 2008). It also refers to a bundle of HR architectures configured to augment workers' skills, commitment and productivity in such a way that workers become a source of viable competitive advantage (Datta, Guthrie & Wright, 2005).

SME performance denotes the indicators that appraise how well SMEs accomplish its objectives (Ho, 2008). This involves financial and non-financial performance (Kaplan & Norton, 2000). Financial indicators of SME performance can include profitability, financial strength, operating efficiency, performance stability and ability to raise capital and level of indebtedness while non-financial indicators can involve public image and goodwill, employees' morale, adaptability, innovativeness, customers' patronage and growth rate of number of employees (Ogunyomi & Bruning, 2015).

Management philosophy refers to organization's view of employees as an important strategic resource (Osterman, 1994). It also means managers' thinking and managerial practices informed by managers' culturally-inherent belief regarding human nature and human behavior (Koprowski, 1981). According to Margolis (2015), management philosophy denotes the managerial values, leadership style of the top management and the existing corporate culture, values and the vision of the top management. This implies that management philosophy includes the values that are central, unique and lasting to the organization.

Hypothetical Moderating Effect of Management Philosophy on HPWS-Performance Nexus

HPWS symbolizes an assertion that higher performance can be accomplished through a set of work practices for core workers in an organization (Boxall & Macky, 2009). Commonsensical analysis of HPWS concept signifies the existence of a bundle of work practices that stimulate, in many ways, higher organizational performance. HPWS is a fuzzy concept that connotes three loosely-fused terms; performance, systemic effects and practices of work of some sort (Boxall, 2012; Boxall & Macky, 2009). A myriad of research (Martinaityte, 2014; Ogunyomi & Bruning, 2015; Seidu, 2011) has established the positive effect of HPWS on performance.

According to Ogunyomi & Bruning (2015), who conducted their research on the relationship between HPWS and organizational performance of small and medium enterprises (SMEs) in Nigeria via survey of 236 respondents, the selected HR architectures had a direct relationship with firm performance. Also, Seidu (2011) who conducted his research in the context of Ghana, confirm that management-rated HPWS influenced firm profitability. The

finding of Martinaityte (2014), who did her research in the context of Lithuania's SMEs, indicates that HPWS for creativity simultaneously influences individual and branch creativity leading to firm profitability.

Nevertheless, the environment in which organization operates determine to a large extent the HR policies and practices (Schuler & MacMillan, 1984). The strategic orientations of firms also have bearing on the application of HPWPs and its effect on the firm's performance (Teo, Le Clerc & Galang, 2011). So, HPWS can be destructive or helpful because failure or success of HPWPs depends on boundary conditions (Chadwick, Way, Kerr & Thacker, 2013). Moreover, HPWS components (i.e. HPWPs) should be both vertically and horizontally fit and should be synergistically bundled up to produce higher organizational performance (Buller & McEvoy, 2012; Huselid, 1995; Subramony, 2009), but this cannot be achieved without management philosophy, because management philosophy would be translated to firm's strategy and consequently give rise to aligned HPWS.

In HPWS research, it is common to see scholars that affirm the nexus between investment in HPWS and fundamental organizational philosophies or values (Roche, 1999). This implies that HPWS program in the organization is shaped by the philosophies adopted by the management and values considered useful. It is assumed that HPWS reflect unitarist belief which means that management and the employee should share common interest, there shouldn't be any divergent interests between the two. HPWS also recognizes pluralist values by providing mechanism such as employee involvement schemes that provide more opportunity for employee voice. It is also assumed that management philosophy that is employee-oriented would reinforce the effectiveness of HPWS and in turn enhance performance (Marchington & Wilkinson, 2005). It has also been found that management ideologies or philosophies regarding employees have influence on the effectiveness of HPWS (Osterman, 1994). In the research conducted by (Alas, Papalexandris, Niglas & Galanaki, 2011), it is signified that employee commitment hinges on managerial values elements. The implication is that top management should see to the welfare of employees as employees, in turn will show commitment to their respective jobs.

Moreover, it has been found that management ideologies or values regarding employees have influence on the effectiveness of HPWS (Osterman, 1994). However, it is discerned from the literature reviewed so far that there is lack of studies that have examined the moderating effect of management philosophy. In fact, only one research was discovered to have examined the moderating effect of the construct in the HPWS research field. The research is that of Heffernan (2012). She found that management philosophy has no moderating effect on the nexus between HPWS and organizational performance in the context of Ireland. It is noteworthy here that this finding may not be generalized and there is need for more research to solidify the finding if at all it can hold water in other contexts.

With this, the research question of the current study goes thus:

Does HPWS-SME performance nexus hinge on Management philosophy in the context of SMEs?

This research question is posed to inquire whether the positive nexus between HPWS and Nigerian SME financial performance will be stronger for firms with high employee-oriented management philosophy.

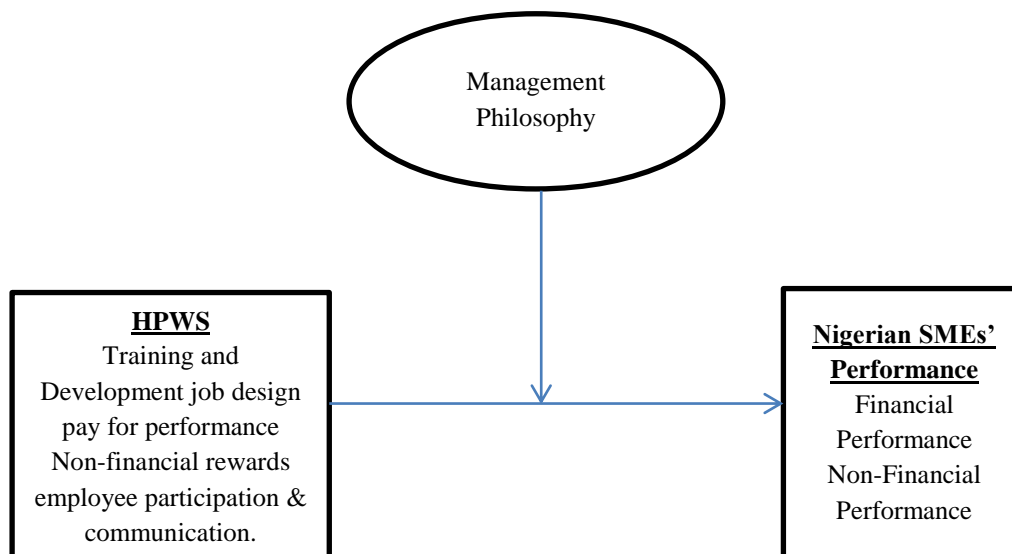


Figure 1
RESEARCH FRAMEWORK

METHODOLOGY

This study adopted cross sectional survey method in which data collection and analysis were done to proffer answer to the lone research question in Figure 1. Measurement of HPWS was adapted from Martinaityte (2014); management philosophy was adapted from (Huselid & Rau, 1997; Datta, Guthrie & Wright, 2005) and SME performance was adapted from Ogunyomi & Bruning (2015). The survey instruments included demographic information of the respondents, HPWS' instruments, the instruments of management philosophy and SME performance. HPWS was measured with 17 items; management philosophy and SME performance have 5 and 12 items respectively. The three constructs were scaled with 5-point Likert scale that range from 1 (strongly disagree) to 5 (strongly agree). All the constructs' instruments were measured reflectively.

The population of the study comprises the management of the selected Lagos-based SMEs drawn from the recent and latest SMEDAN and National Bureau of Statistics Collaborative Survey: Selected Findings (2013). The survey reveals that the total Nigerian SMEs in Lagos state is 11,044. Thus, the total population is 11,044. Using priori power analysis via G*Power 3.1.2.9 software (Faul, Erdfelder, Buchner & Lang, 2009; Faul, Erdfelder, Lang & Buchner, 2007), but underpinned by recommendations of (Krejcie & Morgan, 1970; Salkind, 1997), the sample size of the study is 518 and respondents were selected through quota sampling technique, given the large population (Wilson, 2010), presence of homogeneity within the group and heterogeneity across the groups of the SMEs (Cooper & Schindler, 2009) and unavailability of enough resources (time and money) for the researchers (Hair, Money, Samouel & Page, 2007). Thus, a total number of 518 questionnaires were distributed to the management of the selected SMEs, but 372 completed questionnaires, representing 72% response rate, were returned and usable for further analysis. This response rate is considered adequate and sufficient, given the position of Sekaran (2003) that a response rate of 30% is sufficient for survey. The data collected were analyzed using SPSS version 21 and smart PLS 2.0 m3 software packages and 2-

step approach as suggested by (Chin, 1998) was adopted to obtain valid and reliable results. Based on Hair, Ringle & Sarstedt's (2011)'s proposition, the 2-stage approach which includes measurement model and structural model was undertaken before testing for mediation. The stage one entails validity and reliability of the measurement model. The second stage involves structural model which entails R² values for the latent variables in the model (Chin, 1998); sign, magnitude and significance of path coefficients (Henseler, Ringle & Sinkovics, 2009); effect size (f^2) of predictor variables (Cohen, 1988); and predictive relevance of the model (Q²) using blindfolding (a sample reuse estimation technique that excludes every dth data point to predict the excluded portions of the data) to obtain cross-validated redundancy measures.

DATA ANALYSIS AND RESULTS

Demographic and Descriptive Analysis

Bio-data of the respondents of the current study indicates that 137 (37%) respondents out of 372 respondents are executive directors in their respected firms while 94 (25%) and 44 (12%) are marketing managers and HR manager respectively. The remaining 97 (26%) respondents are either supervisors or line managers. Forty percent of the sampled firms are in Agriculture-related business, as 22% of them are firms dealing on construction, logistics and oil Energy, 46 (12%) and 39 (11%) are workers in the firms transacting in computer, financial, manufacturing and info-tech, mechanical and medical equipment. The remaining firms, which are 57 (15%) in numbers, belong to Arts, Entertainment and Recreation or Water Supply, Sewage, Waste Management industries. In addition, majority of the firms sampled (40%) have been operating for a decade or less while 83 (22%) firms' years of operation ranged between 11-20 years and 50 (13%) firms' years of operation ranged between 21-30 years. While 39 (11%) firms' years of operation ranged between 31-40 years, 53 (14%) firms have been in operation for more than four decades. In addition, the selected firms have different forms of ownership structure, 169 (45%) firms are owned by individual owners (sole proprietors), 70 (19%) firms are owned by two or more people called partners (partnership). A total of 82 (22%) firms among the selected firms are Private Limited Liability Companies, but 19 (5%) firms are cooperative companies. As 20 (5%) firms are faith-based organizations, the remaining 12 (3%) firms are franchise-based business.

Concerning the number of employees in the respondents' firms, 348 (94%) firms have 100 employees or less. While 16 (4%) firms have between 101-150 employees, the remaining 8 (2%) firms have between 151-200 employees. Moreover, the total annual operating expenses accounted for by labor costs in 183 (49%) respondents' firms are 25% or less, while that of 129 (35%) firms ranged between 26-50%. While 52 (14%) firms' total annual operating expenses accounted for by labor costs ranged between 51-75%, only 8 (2%) firms have the total annual operating expenses accounted for by labor costs of more than 75%.

In sum, it can be fathomed from the above exposition that the sampled firms varied substantially in terms of their backgrounds and this implies that the data used in the current study was from the respondents of diverse demographic backgrounds and thus enriching generalizability of the result of the research.

Considering descriptive analysis of the latent constructs, all variables and their dimensions possessed a mean ranging from 3.71 to 6.76 and the standard deviation of all dimensions ranged from 0.71 to 1.06. These values of overall mean and standard deviation for all the variables and their dimensions are quite acceptable. Hence, it can be proven that the responses of the respondents clearly indicate an acceptable and satisfactory level of

implementation with regard to all dimensions involving job design/autonomy, non-financial reward, pay-for-performance, employee participation and communication, training and development, management philosophy, financial performance and non-financial performance. The scale used in measuring the questionnaire items was 1 to 5 Likert scales; strongly disagree, disagree, Neutral, agree and strongly agree.

Measurement Model

Shown in Figure 2, Table 1 and Table 2 is the measurement model estimation for validating the indicator reliability, internal consistency reliability, convergent validity and discriminant validity of the constructs (Hair, Hult, Ringle & Sarstedt, 2014).

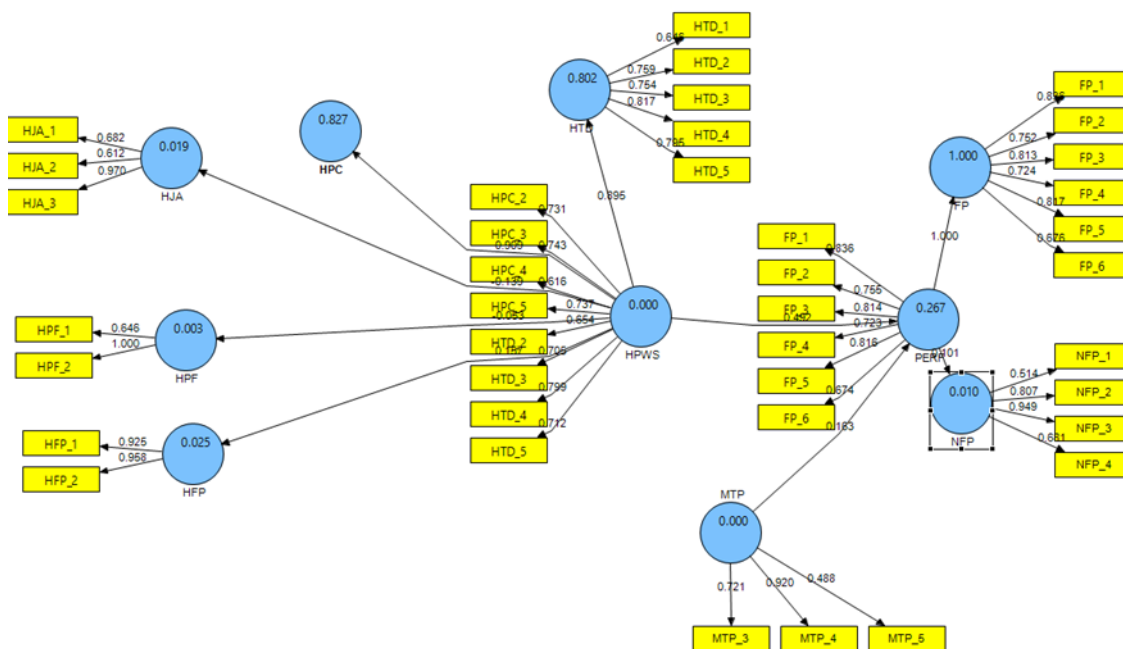


Figure 2
MEASUREMENT MODEL

Constructs	Items	Item Loadings	AVE	CR	CA
Financial Performance	FP_1	0.836	0.596	0.898	0.863
	FP_2	0.752			
	FP_3	0.813			
	FP_4	0.724			
	FP_5	0.817			
	FP_6	0.676			
Non-Financial Performance	HFP_1	0.925	0.887	0.940	0.875
	HFP_2	0.958			
Job Autonomy/design	HJA_1	0.682	0.593	0.808	0.753
	HJA_2	0.612			

	HJA_3	0.970			
Employee Participation and Communication	HPC_1	0.651	0.559	0.863	0.801
	HPC_2	0.787			
	HPC_3	0.822			
	HPC_4	0.689			
	HPC_5	0.775			
Pay-For-Performance	HPF_1	0.646	0.708	0.823	0.768
	HPF_2	0.999			
Training & Development	HTD_1	0.646	0.572	0.869	0.814
	HTD_2	0.759			
	HTD_3	0.754			
	HTD_4	0.817			
	HTD_5	0.795			
Management Philosophy	MTP_3	0.721	0.535	0.765	0.624
	MTP_4	0.920			
	MTP_5	0.488			
Non-Financial Performance	NFP_1	0.514	0.570	0.835	0.812
	NFP_2	0.807			
	NFP_3	0.949			
	NFP_4	0.681			

Note: AVE: Average Variance Extracted; CR: Composite Reliability; CA: Cronbach Alpha.

Table 2 DISCRIMINANT VALIDITY								
Variable	FP	HFP	HJA	HPC	HPF	HTD	MTP	NFP
FP	0.772							
HFP	-0.084	0.942						
HJA	-0.078	0.080	0.770					
HPC	0.501	0.039	-0.134	0.747				
HPF	-0.035	0.050	-0.151	-0.031	0.842			
HTD	0.376	0.244	-0.097	0.646	-0.057	0.756		
MTP	0.156	0.044	0.172	-0.026	-0.041	-0.016	0.732	
NFP	0.101	-0.031	0.086	0.102	0.095	0.085	0.032	0.755

Note: HJA: Job Autonomy; HFP: Non-Financial Reward; HPF: Pay-for-Performance; HPC: Employee Participation and Communication; HTD: Training & Development; MTP: Management Philosophy; FP: Financial Performance; NFP: Non-Financial Performance.

The column tagged “items loadings” in Table 1 and Figure 2 in the current study represent the estimation of individual indicator reliability. As described by Hair et al. (2010), indicator reliability indicates the suitability and capability of items (i.e. indicators) spawned for a particular construct in measuring the main concept in a given research. An item that has loading above 0.5 is held to have fulfilled the threshold for indicator reliability (Hair et al., 2014). Indicator reliability is estimated through vetting outer loadings, which means estimates for the relationships between the reflective latent variables and their indicators (Hair, Hult, Ringle & Sarstedt, 2017).

Table 1 and Figure 2 in the current study show that items loadings of individual items in their respective constructs show higher value on their respective constructs, showed satisfactory outer loadings ranging from 0.514 to 0.999 and thus signifying sufficient levels of indicator reliability. However, two items from performance, which are NFP_5 and NFP_6 and two items from management philosophy, involving MTP_1 and MTP_2, fell below the threshold value of 0.5 (Hair et al., 2011). The four items did not fulfill the required levels of indicator reliability and

were all removed from the subsequent analysis, because an indicator whose outer loading falls below the threshold value of 0.5 should be removed to avoid distortion of result at structural model estimation stage.

The two columns tagged “composite reliability and Cronbach’s alpha” in Table 1 depicts the estimation of internal consistency reliability. Internal consistency reliability is a form of reliability used to judge the consistency of results across items on the same test. It determines whether the items measuring a construct are similar in their scores (i.e., if the correlations between the items are large) (Hair et al., 2017). To check for internal consistency reliability, composite reliability value and Cronbach’s alpha value should be vetted, composite reliability should be higher than 0.70, but composite reliability values below 0.60 indicate a lack of internal consistency reliability (Hair et al., 2017). Also, the minimum threshold for the value of Cronbach’s Alpha is put at 0.6 by Sekaran (2003). The result in the in Table 1 indicates that all the constructs of the study have high levels of internal consistency reliability, as the composite reliability and Cronbach’s alpha values of all the constructs are well above the threshold values of 0.7 and 0.6 respectively.

The third aspect of measurement model evaluation, otherwise known as outer model evaluation, involves convergent validity assessment. Convergent validity is the extent to which a measure correlates positively with alternative measures of the same construct (Hair et al., 2017). Convergent validity assessment is based on Average Variance Extracted (AVE) values. AVE, which should be 0.5 or above, refers to the grand mean value of the squared loadings of the indicators associated with the construct (i.e., the sum of the squared loadings divided by the number of indicators) (Hair et al., 2017). Thus, the AVE is equivalent to the communality of a construct. AVE values of the constructs of the current study ranged between 0.535 and 0.887 and thus well above the minimum requirements of 0.5 (Hair et al., 2011). This informs that all the constructs of the study have the highest levels of convergent validity.

The last aspect of the measurement model involves discriminant validity which denotes the extent to which a construct is truly distinct from other constructs by empirical standards. Thus, establishing discriminant validity implies that a construct is unique and captures phenomena not represented by other constructs in the model. Fornell-Larcker criterion is the approach used in the current study to assess discriminant validity. This was done by comparing the square root of the AVE values with the latent variable correlations. Specifically, the square root of each construct’s AVE should be greater than its highest correlation with any other construct. The logic of the Fornell-Larcker method is based on the idea that a construct shares more variance with its associated indicators than with any other construct (Hair et al., 2017). In the current study, Table 2 depicts the result of discriminant validity and it was deemed satisfactory, as each latent construct’s AVE emerged greater than its highest squared correlation with any other latent construct in the model (Hair et al., 2017).

Structural Model

Structural model estimation is depicted in Figure 3 and Table 3 and Table 4. PLS algorithm was run to generate the path coefficients and bootstrapping with a number of 5000 bootstrapping samples and 372 cases was run to examine significance of the path coefficients (Hair et al., 2014; Hair et al., 2011; Henseler et al., 2009). The purpose of running the model with all variables was to establish the results of direct effect of HPWS on SME performance and the moderating effect of management support on the HPWS-SME performance nexus.

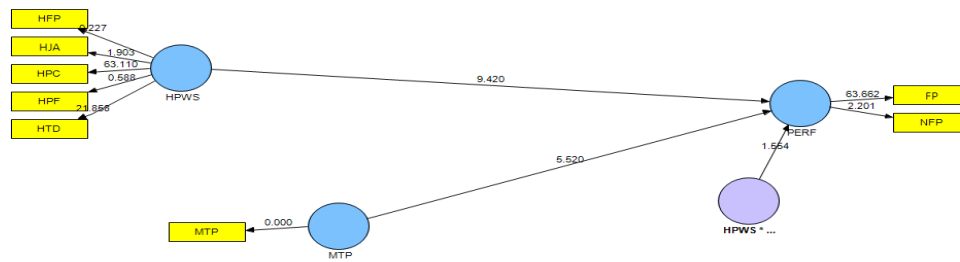


Figure 3
STRUCTURAL MODEL

Table 3
HYPOTHESES TESTING

Relationships	BETA	Standard Error	T Statistics	P-value	Decision
HPWS -> PERF	0.494	0.052	9.420	0.000	supported
HPWS * MTP -> PERF	-0.122	0.078	1.554	0.061	supported
MTP -> PERF	0.182	0.033	5.520	0.000	supported

***: P<0.01; **: P<0.05; *: P<0.1

Table 4
Effect Size on the Endogenous Variable (SME performance)

Exogenous Constructs	F ²	Effect Size
HPWS	0.398	Large
Management Philosophy	0.0.067	Small

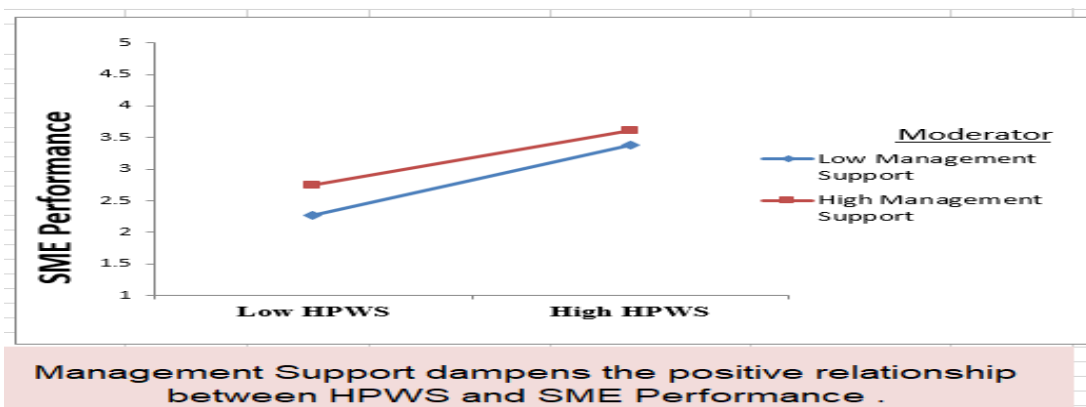


Figure 4
HPWS-MTP INTERACTION EFFECT ON SME PERFORMANCE

Given the result in Figure 2, Figure 3 and Table 3, it is discerned that R square value is 0.267 (See Figure 2) signifying that HPWS and management philosophy explain 27% of SME performance. With beta value of 0.494 at significant level 0.000, it can be claimed that the finding of this study validates the existing empirical finding that HPWS positively influence firm performance. Furthermore, the result ($\beta=0.182$, $t=5.520$, $p<0.001$) indicate positive effect of management philosophy on firm performance.

Based on product indicator approach, the result depicted in table 3 ($\beta=-0.122$, $t=1.554$, $p<0.10$) that the relationship between HPWS and SME performance hinges on management philosophy. In other word, management philosophy moderates HPWS-SME performance relationship. However, this direction of the result is not expected as the result signifies that positive nexus between HPWS and SME performance do not get stronger for firm with high employee-oriented management philosophy. Considering Hair et al. (2013) analysis of moderation effect, this result implies that SME performance would decrease by the size of the interaction term. In addition, in Figure 4, it is shown that the interaction plot (Dawson, 2014) in which line tagged low MTP, which indicate lack of employee-oriented management philosophy, has a steeper gradient as against high MTP (presence of employee-oriented management philosophy). This signifies that positive nexus between HPWS and SME performance do not get stronger for firm with high employee-oriented management philosophy.

Therefore, in a firm with high employee-oriented management philosophy, HPWS becomes less important for explaining performance while in a firm with less employee-oriented management philosophy; HPWS would increase in its importance for explaining performance.

Going by the suggestion of (Cohen, 1988; Hair et al., 2013), the result in Table 4 shows that SME performance is explained by HPWS and management philosophy with effect size (f^2) of 0.398 and 0.067 respectively, indicating that HPWS has large effect size on SME performance while the effect size of management philosophy on SME performance is minimal. Besides, with the Cross-Validation Redundancy (CVR) value of 0.152, this research model has adequate predictive relevance (Fornell & Cha, 1994).

DISCUSSION

The result of the current study signifies that HPWS, which is a system containing a synergistic and coherent bundle of HR architectures (HPWPs), is a strong and positive predictor of SME performance. This result solidifies the findings of the extant HPWS studies which include among others (Mudulia, Vermab & Datta, 2016; Ogunyomi & Bruning, 2015; Shin & Konrad, 2014). For example, Ogunyomi & Bruning (2015), who conducted their research on the relationship between HPWS and organizational performance of small and medium enterprises (SMEs) in Nigeria via survey of 236 respondents and Seidu (2011), who conducted his research in the context of Ghana, confirm that management-rated HPWS influenced firm performance. This substantiates the earlier claim that HPWS form an indispensable part of the whole of competitive advantage and strategic HR architectures that enhance task, targets and performance of SMEs are formed through the effective adoption of high performance work system (HPWS).

Although management philosophy is shown to be a moderator in HPWS-SME performance connection, the result signifies that philosophies of SMEs' management do not positively fortify the effectiveness of the HPWS-performance relationship in the SMEs context. This result implies that in a firm with high employee-oriented management philosophy, HPWS becomes less important for explaining financial performance while in a firm with less employee-

oriented management philosophy; HPWS would increase in its importance for explaining financial performance.

The result may be connected with the presence of mismatch between managers' philosophies in SMEs and organizational practices (HPWS) and the consequent is that such philosophy would not reinforce and strengthen the impact of organizational practices on the firm's performance. Thus, unfit managerial philosophy weakens the effect of HPWS on SME performance. According to contingency theory, managerial values and attitudes should go in line with the organizational practices for the accomplishment of higher performance (Selto, Renner & Young, 1995). In other word, assumption of contingency theory states that organizational performance hinges on effective alignment of managerial attitudes and philosophy with crucial organizational practices (HPWS).

Moreover, this finding is also consistent with Tam's (2013) finding that the positive effect of HR practices on organizational performance cannot be strengthened if management philosophy of a firm is not consistent with the values, attitudes and beliefs of all employees. Also, HPWS-performance relationship has been established and the relationship between the two constructs has, as well, been recognized as being contingent on organizational factors or environmental factors. Nevertheless, the finding of the current study signifies that it is not all the organizational factors moderate the HPWS-performance relationship in a positive manner. In other word, HPWS-performance relationship is contingent not on all but specific organizational factors or environmental factors, as observed by Takeuchi Lepak & Wang (2007).

CONCLUSION

The growth of countries of the world, as earlier claimed, is contingent on SMEs performance and it plays a crucial role in the economic development, industrial development, job creation cum poverty reduction (International Finance Corporation (IFC), 2013) and SME performance can be uplifted by employee-oriented HPWS, which is a key foundation of competitive advantage. Therefore, managers and other stakeholders in SMEs sector need to entrench HPWS that is employee-oriented. Likewise, SMEs should configure and implement HPWS via the strategy and values that can stimulate positive employee behavior and creativity rather than a process of work intensification which can induce negative responses from employees. Management philosophy is important because it reflects managers' mind-set and promotion of any managerial practices or HR architectures is connected with fitting ideologies and philosophies of the managers. Thus, management philosophy and organizational practices (HPWS) should be aligned in order to guarantee enhanced firm performance.

The findings of this study have offered more insights in to HPWS research field, but it should be decoded and translated with caution, given the limitations associated with the study. The current study employed cross sectional research approach for data collection, but the approach does not guarantee causal inferences to be made from the population (Sekaran & Bougie, 2010). This is considered a limitation and thus affects generalizability of the findings of this study. Therefore, longitudinal research approach can be an alternative research approach for the future research. Also, self-reporting approach was employed to collect data from managers for investigation of moderating role of management philosophy in the relationship between HPWS and SME performance. Although, managers/owners are most effective and reliable pathway through which information about SMEs' internal processes can be got, this approach, despite its relevancy and usability, is susceptible to likely raters' bias and employees' perspective regarding firm performance and HPWS is necessary to be obtained for complete understanding.

Moreover, since this study offers some empirical evidences regarding HPWS-performance nexus, it could be worthwhile to replicate the findings across diverse industries, sectors and contexts, as this will enhance the generalizability of the current research findings.

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