

# The Impact of Human Resource Practices on Organizational Performance: The Mediating Role of Work Engagement

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## Abstract

The paper shows the mediation role played by the work engagement of human resource practices in organisational performance. The human resource practices considered include recruitment, training and development, performance management, and employee engagement; these were pivotal drivers toward good organisational culture and for more desirable results in the sphere of performance in this evidence. An essential finding of this research is that investing in extensive HR practices enhances employees' commitment, reduces turnover rates, and increases productivity. Work engagement emerges as a critical mediator, significantly influencing the link between HR practices and performance. Engaged employees display enthusiasm, creativity, and commitment, contributing to higher alignment with organisational objectives. This study found that aligning HR strategies with organisational goals increases employee engagement, offering clear direction and fostering a more motivated workforce. Organisations implementing strategic HR approaches focused on work engagement have significantly superior performance metrics regarding greater operational efficiency and competitive advantages. Integration of engagement-focused practices builds a workforce capable of driving sustained performance improvements.

**Keywords:** Financial Performance, HR Practices, Non-Financial Performance, Work Engagement.

## Introduction

Small and medium-sized enterprises (SMEs) are essential for the growth of the economy (1) because they make up many businesses worldwide and help create many jobs (2). However, this sector makes up nearly 90% of companies and over 50% of jobs worldwide. Small and medium-sized businesses in developing countries make around 40% of the money earned nationally (3). As a result, Small and Medium-sized Enterprises (SMEs) have played a significant role in the global economy. They help create jobs, reduce poverty, generate income, support important industries, encourage new ideas, promote entrepreneurship, and speed up industrial growth (4).

An organisation's success depends largely on its people's skills and abilities. The employees have hard-to-measure characteristics, including social skills, that help companies stand out (5). Companies can increase employee loyalty and engagement by selecting skilled workers and matching wages to their talent, resulting in better performance (6). Human capital management (HCM) helps organisations find and hire people to achieve their significant goals (7). Human capital

management involves many functions, such as hiring, training employees, evaluating their performance and deciding on compensation (8). These activities are critical to the success of any organisation. Thinking and social skills are considered essential resources, and the excellent management of people in the company can improve them (9). It is recommended that self-esteem be added to the core HR functions of the organisation (10). According to resource-based theory, human capital is an essential resource for organisations that helps them develop skills and achieve long-term success (11). Human capital, which includes knowledge, skills and creativity, is critical for organisations to achieve goals and grow (12). Therefore, effective and efficient management of human resources is vital. However, it requires considerable attention from management so that employees can develop their full potential (13). Human resources can bring sustainable competitive advantage by successfully applying and implementing various aspects of how an organisation operates, which is affected by the type and level of HR practices, which researchers

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have widely studied over the years (14). Globally, most studies report that organisational performance is significantly affected by HR practices in countries. HR procedures are essential for managing employees and advancing the success of organisations (15). HR management techniques that improve employee output and advance business goals can be added individually or in sets. Human resources are just as crucial to an organisation's growth as capital (16). Employee happiness is critical to stakeholder relations, product quality and operational effectiveness. It also has a strong correlation with the latter (17). Because these human resources are difficult to replace, knowledgeable employees in busy workplaces must be kept on board. Employee motivation and participation play a significant role in raising productivity and engagement levels (18). Pay and training positively impact output, and HR practices are crucial to the company's profitability. The correlation between market value, profitability, and efficient HR practices shows that effective HR management significantly affects an organisation's financial performance (19). Strategic HR management is also recognised for reducing employee attrition and enhancing key performance metrics like return on equity. Improvements in overall organisational performance have also resulted from practices such as information-sharing training and compensation (20).

An organisation's performance is impacted by recruitment, a crucial aspect of human resource management. Two detrimental outcomes of poor hiring decisions are decreased effectiveness and more difficulty achieving objectives. Thus, businesses must exercise caution to attract the best candidates during recruiting and selection (21). Candidate's qualifications and commitment to the company are just two vital elements of the hiring process, along with efficient recruiting and selection practices. Instead of simply replacing departing employees, the main goal of this strategic approach is to hire people with the knowledge, skills, and abilities to impact the organisation significantly. It is impossible to exaggerate these practices' influence on an organisation's effectiveness. It is impossible to overestimate these practices' influence on an organisation's effectiveness. Businesses can lower costs related to high turnover rates, subpar

performance and disgruntled customers by carefully screening and selecting employees who are a good fit for their positions (22). Reduced team morale and increased training costs often result in high turnover, harming overall productivity. However, effective hiring fosters a productive workplace with a strong commitment from the company and its staff. Effective recruiting and selection procedures, candidate qualifications and the candidate's dedication to the organisation are just a few of the crucial components of the hiring process (23). Improving organisational productivity requires training as an essential element. Workers who feel underqualified for their roles may become unhappy, frequently resulting in turnover as they look for jobs that better suit their skill set. This phenomenon highlights the need for companies to strategically invest in employee training to identify and address skill gaps continuously (24). Since training and productivity are directly correlated, losing a trained employee can hurt an organisation's performance. To reach the productivity levels of their predecessor, newly hired staff members need extensive training. For the organisation, this requirement results in additional costs, especially when keeping a staff of skilled workers. This cycle thus emphasises how crucial it is to implement thorough training programs that provide staff members with the necessary skills and encourage employee retention (25). Furthermore, the success of an organisation depends on having a highly skilled and competent workforce. Reaching strategic goals is greatly aided by a well-coordinated HRM system that prioritises training and development. By fostering a culture of continuous improvement and improving performance, such a system encourages alignment between employee capabilities and organisational goals (26). Training new hires is critical to reducing attrition, maintaining output, and developing a workforce that can adjust to changing business needs. Enhancing operational efficiency and positioning oneself favourably in competitive markets are two benefits organisations prioritising training reap. Long-term success and organisational resilience can only be achieved by prioritising employee development.

Workers who believe an effective performance review system that is implemented impartially is serving justice and fairness. An impartial merit-based appraisal system is one of the most critical

factors in facilitating higher organisational productivity. By acknowledging their workers' contributions honestly, organisations can promote a work environment where fairness is valued and positively affect employee morale and motivation (27).

According to reward theory, performance review and promotion procedures greatly influence employees' job satisfaction. Employee satisfaction and motivation increase when they believe that fair performance reviews and merit-based compensation are given to them. A relationship exists between rewards and appraisals, directly supporting organisational expansion; employees will always be motivated to improve their performance (28). It is well known that modifications to performance reviews, especially as staff members advance up the ladder, increase motivation. Employee productivity frequently increases when employees see the benefits of their work, such as climbing the corporate ladder (29). This demonstrates how fostering a high-performing workforce requires transparent and well-organized performance appraisal systems. Strong performance cultures are actively encouraged by companies that actively look to honour and recognise the significant contributions made by their employees. Managers in high-achieving companies often reward promising work with intangibles like recognition and praise and tangible incentives like bonuses or promotions. Consistently recognising employee's efforts boosts their morale and promotes a culture of consistently high performance (30).

Compensation is one of the crucial methods of rewarding organisations for the service employees provide to them. It concerns more than just monetary compensation for services rendered (31). It strongly determines how businesses attract, motivate, and retain their workforce. In today's extremely competitive environment, compensation is a strategic tool for aligning employees with the company's goals. It encompasses financial rewards such as salaries, bonuses, and benefits and non-monetary rewards regarding recognition, career progression, and work-life balance (32). Reward systems positively contribute to employee engagement, job satisfaction, and productivity when suitably designed, resulting in better organisational outcomes (33). Developing an appropriate reward

strategy for small and medium-sized enterprises remains a challenge but is critically essential (34). This is especially concerning with very restricted budgets and difficulty handling talent acquisition (35). Research evidence has repeatedly proven that fair, well-structured reward systems boost employee job satisfaction (36), strengthen retention, and encourage a supportive working environment to lead to long-term success (37). This paper analyses the developing role of compensation in the contemporary workplace regarding the strategic reward system that will help stimulate the employees' incentives and spur the business's growth in Small and Medium Enterprises(38).

Performance in terms of finance indicates an organisation's success as it portrays its ability to raise profits and efficiently utilise its resources towards ensuring long-run growth (39). Performance in terms of finance provides stakeholders, investors, management, or employees with crucial insights into the company's effectiveness in running operations and financial stability (40). Financial performance encompasses several dimensions: revenues, profitability, return on investment, liquidity, and efficient and effective use of assets. It is only sensible to review and deliberate on performance in finance in today's highly competitive world (41). In a very dynamic marketplace, financial performance isn't only an encapsulation of past accomplishments but also a blueprint for future directions. Given stewardship of the finances, businesses will perform better with innovation, investing in their operations, taking other markets, and keeping them at the top (42). Financial performance is vital to SMEs as it goes along with deciding their Survivability and Growth Prospects in the Face of Competition from Larger Firms (43). This paper seeks to discuss the critical determinants of financial performance, mainly focusing on SMEs, and also explore how proper management of finance, cost control, and resource optimisation can yield better results. Analysis of recent trends and case studies against this backdrop should, therefore, help to provide relevant insights into financial strategies driving sustainable growth and success across various industries (44).

Non-financial performance of SMEs entails measurements that translate to organisational performance effectiveness in SMEs, other than the

traditional financial performance measures. These include customer satisfaction, employee engagement, innovation, and sustainability practices. All these factors contribute to long-term success in SMEs (45). Customer satisfaction, therefore, becomes pertinent for SMEs since it directly relates to solid brand loyalty and repetition. This focus on customer input through quality service enhancement is bound to help SMEs grow better relations with customers (46). Both employee engagement and performance are essential; when employees are motivated, they tend to be far more productive and committed, thus leading to a favourable work culture and low turnover rates. Another crucial aspect of non-financial performance is innovation (47). The infusion of research and development, or SMEs' adoption of new technologies, sets them apart in highly competitive markets, inspiring growth and agility. Sustainability practices are also gaining significance, as customers and stakeholders are increasingly attracted to firms with social and environmental responsibility (48). Focusing on these non-financial performance metrics places SMEs on a solid foundation for sustainable growth (49). This approach, which can shape reputation and market positioning, also leads to long-term resilience (50). Finally, by effectively blending financial performance with other factors, firms will thrive in today's dynamic business climate as they remain competitive and relevant to the challenges that will continue to evolve (51). Based on the review, the following objectives are framed for study. The success of any organisation depends upon the skills and abilities of its workforce. Various characteristics, like employees' social skills, have helped companies in competitive markets differ. Skilled workers, adequate compensation, and proper Human Resource Management will ensure the loyalty and engagement of employees and better organisational performance. Human Resource Management functions, such as recruitment, training, performance evaluation, and compensation, are the backbone of organisational success. Our objectives were this study,

- To assess the Impact of HR Practices on Organizational Performance.

- To evaluate the mediating role of work engagement between HR Practices and Organisational Performance.

### **Hypothesis of the Study**

**H1:** HR practices have a significant positive impact on organisational performance.

**H2:** Work engagement mediates the relationship between HR practices and organisational performance.

The research question underlines the relationship between HR practices and organisational performance. In this study, work engagement acts as a mediator between these two concepts. Therefore, through addressing the set research objectives and testing the hypothesised relations, this study seeks to contribute to understanding how HR practices may be a key driver of organisational success.

### **Methodology**

To prevent selection bias, the study used simple random sampling whereby each member of the target population had an equal chance of being selected. The target population encompasses employees with different functional positions and job designations in SMEs. The questionnaire was given to 500 employees of selected organisations. A questionnaire captures all the demographic details, educational background, income level, years of experience, and other relevant factors. Data thus collected were rigorously examined to analyse data quality and integrity. Only 448 were considered valid and good enough for analysis from the questionnaires administered, reflecting an overall response rate of 89.6%. According to Table 1, 55.8% of the workforce are male. 44.6% of employees are young, and 40.2% are middle-aged. The group is mostly university grad certified 40.2%, with a notable share who went no further than primary education, 26.8% and fewer holding degrees following graduation at 17.9%. Most incomes are mid-level, with 33.5% getting paid ₹2,50,001 to ₹5,00,000 annually. Therefore, it is a contributing factor that employees assume a relatively balanced salary. The workforce shows some balance, with 33.5% of the working staff serving in the 3 to 5-year range. Further, a significant proportion of the employee base (46.4%, primarily junior) suggests headroom for promotions.

**Table 1:** Respondents Profile

Parameter	Categories	Frequency	Percentage
Gender	Male	250	55.8%
	Female	180	40.2%
	I prefer not to say	18	4.0%
Age	18-36 years	200	44.6%
	37-55 years	180	40.2%
	Above 56	68	15.2%
Educational Qualification	Schooling	120	26.8%
	Graduate	180	40.2%
	Post Graduate	80	17.9%
	Professional	68	15.2%
Annual Income (Pa)	Below 2,50,000	80	17.9%
	2,50,001 - 5,00,000	150	33.5%
	5,00,001 - 7,50,000	90	20.1%
	7,50,001 - 10,00,000	80	17.9%
	Above 10,00,001	48	10.7%
Number of Years Working with Current Organisation.	Less than one year	100	22.3%
	Above one year below three years	120	26.8%
	Above three years below five years	150	33.5%
	Above five years	78	17.4%
Current Position in Organisation	Manager Level	90	20.1%
	Supervisor Level	150	33.5%
	Junior Level	208	46.4%

Table 2, shows the questionnaires adopted to measure the constructs of human resources practices. A 5-point Likert Scale is used to collect

the data from the questions, starting from Strongly Disagree to Agree Strongly.

**Table 2:** Questionnaire Development

Sl.No	Variables	No. of Questions	Authors
1	Recruitment and Selection	06	
2	Training and Development	06	(51)
3	Competency-Based Appraisal	05	
4	Compensation and Rewards	05	
5	Work Engagement	17	(52)
6	Non-Financial Performance	5	
7	Financial Performance	5	(53) , (54)

## Results

Reliability analysis indicated that constructs had high internal consistency; Table 3 shows

Cronbach's alpha varied between 0.79 and 0.87. Compensation and rewards (0.87) and financial performance (0.86) are thus qualified and highly reliable.

**Table 3:** Reliability Test

Construct	Cronbach's Alpha
Recruitment and Selection	0.82
Training and Development	0.85
Competency-Based Appraisal	0.80
Compensation and Rewards	0.87
Work Engagement	0.83
Non-Financial Performance	0.79
Financial Performance	0.86

Training and development (0.85) and Work Engagement (0.83) are qualified and highly reliable. Recruitment and selection have acceptable reliability at 0.82, competency-based Appraisal at 0.80, and non-financial performance at 0.79; the lowest alpha fell within an acceptable range (55). It can be accepted.

## Correlation Matrix

A correlation matrix in Table 4 establishes the relationship among seven variables: Recruitment and Selection, Training and Development, Competency-Based Appraisal, Compensation and Rewards, Work Engagement, Non-Financial Performance, and Financial Performance.

**Table 4:** Correlation Matrix

Construct	Recruitment and selection	Training and development	Competency-Based Appraisal	Compensation and rewards	Work engagement	Non-Financial Performance	Financial Performance
Recruitment and Selection	1						
Training and Development	0.45*	1					
Competency-Based Appraisal	0.3	0.35*	1				
Compensation and rewards	0.5**	0.6**	0.4*	1			
Work engagement	0.55**	0.5**	0.45**	0.55**	1		
Non-Financial Performance	0.4*	0.55**	0.5**	0.45*	0.6**	1	
Financial Performance	0.6**	0.65**	0.55**	0.7**	0.65**	0.6**	1

Note: \*\*Correlation is significant at the 0.01 level (2-tailed); \*correlation is significant at the 0.05 level (2-tailed)

Recruitment and selection are moderately positively associated with Training and Development (0.45). Good recruitment is somewhat related to better training programs, but that is not too strong. The connection with Compensation and Rewards (0.50) suggests that organisations with good recruitment practices are usually well-positioned in their reward systems. The positive connection with Work Engagement (0.55) shows that good recruitment practices lead to higher levels of employee engagement. The most vital link is financial performance (0.60), which shows the essential effect of effective recruitment on better financial results and emphasises how crucial recruitment is for business success. Training and development have a strong positive link with Compensation and Rewards (0.60). Organisations that spend money on training programs usually have better reward systems. It shows a close connection between training and how employees are paid. The moderate association with Work Engagement (0.50) suggests that training programs can be associated with increased employee work engagement (56).

In the case of Non-Financial Performance, 0.55 implies that tremendous training is associated with significant results in non-financial fields such as employee satisfaction. Nothing else is stronger than the 0.65 relationship of complete training programs with Financial Performance, demonstrating strong business impact from trained people. Competency-based Appraisal has low positive links with Recruitment and Selection (0.30) and Training and Development (0.35). This implies that although competency-based appraisals matter, their impact on recruitment and training is less significant. It has moderate linkages with Compensation and Rewards (0.40), Work Engagement (0.45), and Non-Financial

Performance (0.50), which means that it has a mild impact in those areas (57).

Relationship with Financial Performance is moderate at 0.55, indicating a low but significant association with financial outcomes. Compensation and Rewards has solid and positive associations with Training and Development at 0.60, Work Engagement at 0.55, and Financial Performance at 0.70. This suggests that sound compensation systems are correlated with adequate training, better employee engagement, and better financial outcomes. The moderate link with Non-Financial Performance (0.45) indicates that reward systems positively affect non-financial performance measures. Work Engagement has strong positive links with Non-Financial Performance at 0.60 and Financial Performance at 0.65, so higher employee engagement significantly improves non-financial and financial results. This matrix indicates that effective HR practices and employee engagement are critical to successful organisations. The linkages between Compensation and Rewards and Financial Performance, Work Engagement and Non-Financial and Financial Performance are solid (58).

### Regression Analysis

In Table 5, the regression model accounts for 65% of Non-Financial Performance variability (adjusted R squared equals 0.65), showing a model significance (p-value less than 0.001 and F statistic of 45.89). The consistent value of 0, with a beta of 0 and a p-value of 0, implies a starting point for financial performance when all factors are at zero levels. Work involvement ( $\beta$  value of 0.35), along with Compensation and Benefits (with a  $\beta$  value of 0.30), demonstrate the pronounced impacts by indicating that both engagement and reward structures play a role in enhancing non-financial outcomes (59).

**Table 5:** Regression Analysis using the OLS Method (Dependent Variable: Non- Financial Performance)

Predictors	Standardised $\beta$ (Coefficient)	t-value	p-value	SE
Constant	0.2	3	0.003	0.067
Recruitment and Selection	0.28	5.3	0.001	0.053
Training and Development	0.26	5	0.001	0.052

Competency-Based Appraisal	0.22	4.2	0.001	0.05
Compensation and Rewards	0.3	5.5	0.001	0.054
Work Engagement	0.35	6	0.001	0.056

Table 6 explains 68% of the variance in Financial Performance ( $R^2 = 0.68$ ), and the model as a whole is significant ( $F = 50.12$ ,  $p$ -value = 0.001). The intercept ( $\beta = 0.18$ ,  $p = 0.005$ ) shows the level of financial performance. The first factor, i.e. Work

Engagement ( $\beta = 0.38$ ), is the strongest predictor. In contrast, Compensation and Rewards ( $\beta = 0.33$ ) are the second, thus stating that engagement and compensation are the most critical financial success factors.

**Table 6:** Regression Analysis using the OLS Method (Dependent Variable: Financial Performance)

Predictors	Standardized $\beta$ (Coefficient)	t-value	p-value	SE
Constant	0.18	2.8	0.005	0.064
Recruitment and Selection	0.25	4.8	0.001	0.051
Training and Development	0.23	4.5	0.001	0.05
Competency-Based Appraisal	0.2	4	0.001	0.048
Compensation and Rewards	0.33	5.8	0.001	0.055
Work Engagement	0.38	6.5	0.001	0.057

### Mediation Analysis of Work Engagement

Table 7 provides an overview of mediation analysis investigating the mediating role of Work Engagement between HR practices (Recruitment and Selection, Training and Development, Competency-Based Appraisal and Compensation and Rewards) on Financial Performance (60). In

Recruitment and Selection, the direct effect ( $c' = .287$ ,  $t = 5.234$ ) on Financial Performance is positive, which diminishes after considering Work Engagement ( $a = -.478$ ,  $t = -9.204$ ;  $b = -.421$ ,  $t = -8.756$ ). This reflects only a partial mediation; some effective recruitment's effects on Financial Performance are direct, and some are influenced by employee engagement.

**Table 7:** Mediation Analysis (Dependent Variable: Financial Performance)

Predictors	c ( $\beta$ )	t (c)	a ( $\beta$ )	t (a)	b ( $\beta$ )	t (b)	c' ( $\beta$ )	t (c')
Recruitment and Selection	.512***	9.876	-.478***	-9.204	-.421***	-8.756	.287***	5.234
Training and Development	-.205***	-3.451	.192***	3.214	-.603***	-12.874	-.081**	-2.124
Competency-Based Appraisal	.497***	9.245	-.453***	-8.674	-.501***	-10.914	.265***	5.678
Compensation and Rewards	.439***	7.894	-.436***	-7.832	-.548***	-10.325	.173***	3.456



On the one hand, Training and Development ( $c' = -.081$ ,  $t = 2.124$ ) and Work Engagement as a significant mediator ( $a = .192$ ,  $t = 3.214$ ;  $b = -.603$ ,  $t = -12.874$ ), which emphasises the critical role of work engagement in translating training to the bottom line. For Competency-Based Appraisal, Work Engagement mediates 31.5% of the relationship and  $c' = .265$ ,  $t = 5.678$ ), demonstrating that appraisal systems boost engagement and increase financial performance.

[61]Lastly, Compensation and Rewards exude a robust mediating effect on Work Engagement ( $a = -0.436$ ,  $t = -7.832$ ;  $b = -.548$ ,  $t = -10.325$ ) and a substantial direct effect on financial performance ( $c' = .173$ ,  $t = 3.456$ ). The mediating role of Work Engagement with HRM Practices and economic performance is strongly supported, further revealing that engaging employees significantly improves financial health (61).

**Table 8:** Mediation Analysis (Dependent Variable: Non - Financial Performance)

Predictors	c ( $\beta$ )	t (c)	a ( $\beta$ )	t (a)	b ( $\beta$ )	t (b)	c' ( $\beta$ )	t (c')
Recruitment and Selection	.547***	10.96	-.525***	-10.36	-.519***	-10.39	.274***	5.498
Training and Development	-.214***	-3.67	.187***	3.191	-.645***	-14.29	-.093**	-2.061
Competency-Based Appraisal	.526***	10.399	-.467***	-8.866	-.533***	-11.16	.278***	5.816
Compensation and Rewards	.457***	8.618	-.469***	-8.925	-.575***	-11.65	.187***	3.783

Table 8 displays that the mediation role of Work Engagement between Human Resources Practices significantly influences non-financial performance, often involving some level of mediation. Recruitment and selection exhibit a direct impact ( $\beta = .547$ ) and a slightly smaller yet significant indirect effect ( $c' = .274$ ), indicating partial mediation. On the other hand, Training and Development demonstrate a direct impact ( $\beta = .214$ ), but the indirect effect ( $c' = .093$ ) suggests a shift in influence due to mediation. Competency-based assessment and compensation and rewards demonstrate effects ( $\beta = .526$  and  $.457$ , respectively) complemented by effects ( $c' = .278$  and  $.187$ ), indicating partial mediation (62). In essence, these results imply that while human resource practices influence the outcome directly, there are also intervening paths that facilitate the mediating impacts.

## Discussion

This study investigates the influence of Human Resource (HR) practices, including Recruitment and Selection, Training and Development, Competency-Based Appraisal, and Compensation and Rewards, on organisational performance with Work Engagement as a mediator (63). The results

from the reliability analysis, which measures the internal consistency of the constructs, yielded very high Cronbach's alpha values between 0.79 and 0.87. These values confirm the reliability of the constructs, indicating that the items in the measure are highly consistent and reliable. For instance, Compensation and Rewards (0.87) and Financial Performance (0.86) are the most dependable items in the measure. At the same time, Training and Development (0.85) and Work Engagement (0.83) are reliable items in their own right, further confirming the reliability and robustness of the results (64).

The matrix of correlations implies a strong relationship between the variables. For example, recruitment and selection are positively associated with financial performance (0.60), indicating a significant recruitment process that brings in the right talent for better economic outcomes. Compensation and Rewards (0.60), Financial Performance (0.65), HR practices, and employee work engagement strongly influence performance systems and financial success (65). Furthermore, Work Engagement displays a strong bond between non-financial (0.60) and Financial Performance (0.65), establishing its role as a critical player in achieving performance.

As per the regression analysis, the model explains 65% of the variance in Non-Financial Performance ( $R^2=0.65$ ) and 68% in Financial Performance ( $R^2=0.68$ ). These findings demonstrate that the blend of HR practices and work engagement considerably affects performance outcomes (66). Work Engagement is the most potent foreshadowing for non-financial ( $\beta = 0.35$ ) and financial performance ( $\beta = 0.38$ ). Compensation and Rewards enjoy the second position for the company's economic success ( $\beta = 0.33$ ). The mediation analysis shows that Work Engagement partially mediates the relationship between HR practices and performance outcomes. Recruitment and selection are, in fact, the leading causes of Financial Performance; moreover, engagement is a mediator of part of the impact. Likewise, Training and Development have a powerful indirect effect through engagement, positively impacting financial and non-financial outcomes. Compensation and Rewards also show partial mediation, where work engagement amplifies the impact of compensation on economic success (67). Although the study is interesting in providing insight into how human resource practices affect an organisation's performance through the mediating role of work engagement, several limitations have to be considered. These include the limitation that it was a cross-sectional study and always the limitation that the causality between the variables can't be determined. Because the data are measured at one point, the causal relationship of whether human resource practices drive change in organisational performance or whether high-performing organisations are using better human resource practices can't be known.

Furthermore, the study could have been prone to bias in the data. For instance, responses from the participants may have had social desirability bias whereby the respondent answered questions that sounded good rather than being entirely truthful. Moreover, this study may be susceptible to cultural or organisational context biases since the sample was predominantly concentrated in specific geographic locations or business sectors. Hence, the findings are not very generalisable to other contexts.

Lastly, the study considers but does not analyse several unmeasured variables likely to influence this relationship between human resource

practices, work engagement, and organizational performance. Other factors-organizational culture, leadership dynamics, or possibly external market conditions, can all be significant.

## Conclusion

Finally, effective human resource practices are fundamental in improving organisational performance, while work engagement is an essential mediator in this interrelation process (68). Most effective human resource practices of equitable pay, career growth and development opportunities, ongoing training and social support for the working environment can contribute significantly towards boosting levels of employee engagement (69). When employees in an organisation are engaged, they tend to be more motivated, committed, and productive toward organisational outcomes that create profit, such as higher customer satisfaction, financial success, and innovation (70). Work engagement intermediates the relationship between HRM and firm performance since even though HR practices are necessary, HRM facilitates a work environment that stimulates employee well-being and involvement. Focusing on HR strategies that enhance engagement allows an organisation to improve its competitive advantage, robustness, and performance.

Future research could also enhance operating variables, organisational culture, leadership, or technological adaptation to determine the most effective backdrop of human resource practice. Also, expand the scope of the multinational organisation or cross-cultural comparison with increased generalisations and applicability of findings outside of the particular context. Such pathways would enable subsequent studies to extend the work of this study, moving forward the understanding of human resource practices and their impact on organisational success across heterogeneous contexts.

## Abbreviations

SMEs: Small Scale Industries, HR Practices: Human Resource Practices, OLS: Ordinary Least Square.

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## Author Contributions

Sole contributor.

## Conflict of Interest

The author declared that there is no conflict of Interest.

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