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Abstract

The study thoroughly investigates unexplored impact of HRM strategies in less developed countries. It delves into pivotal strategic agility role as mediator among HRM strategies & sustainable competitive advantage. The study aims to establish basic knowledge and emphasize connections linking HRM strategies and SCA, with strategic agility playing mediating role. The information was collected from various internet platforms and analyzed using CB-SEM to assess proposed model. The results found that strategic agility is crucial mediating impact in enhancing HRM strategies influence on competitive advantage. The paper ends by highlighting theoretical and practical contributions, research limitations, and recommendations for future studies.

Keywords: Agility, HRM, CB-SEM, Competitive Advantage, Globalization

1. Introduction

In recent years, globalization has exposed companies to rapid change and strong competition. The main challenge for many large- and medium-sized manufacturing enterprises is navigating a highly competitive environment (Mustafa et al., 2023). Globalization has compelled Pakistani industrial companies to contend with fierce competition from overseas firms (Alshahrani & Iqbal, 2024). Foreign corporations dominate the local market because of their superior production capabilities and extensive knowledge. The issue continues since Pakistani manufacturing enterprises find even more difficulty breaking into nearby regional or international markets. Pakistan's economy is among the lowest in the world due to various factors such as political instability, corruption, and lack of proper infrastructure. Pakistan must continue to address structural concerns and promote sustainable economic growth. However, structural issues and sustainable economic growth in Pakistan demand ongoing efforts, stressing the issue. The fierce rivalry decreased the input. The manufacturing industry's contribution fell due to inadequate expertise, an unfavorable business climate, incentives, infrastructure, staff training, and competent people capital, in addition to competition. Manufacturing has several hurdles due to competition in many developing nations (Hossain et al., 2022). The causes of these issues or challenges need to be identified and resolved. However, prioritizing the primary tactics for managing market competition was an attempt made by earlier research, which found that sustainable competitive advantage is one of the primary causes (Wong & Ngai, 2023). HRM was identified as the most critical component, although numerous factors could influence the development of sustainable competitive advantage (Mustafa et al., 2023). Adequate human resources could identify risks, and develop plans to handle obstacles. Such threats must be controlled to achieve sustainable competitive advances (Pahuja et al., 2024). The literature has extensively documented association among HRM and SCA; however, nature and this relationship have yet to be consistently established, mainly when the relationship has been researched across several countries and cultures. Furthermore, more research needs to be done on the connection between strategic agility and SCA (Manzoor et al., 2022), especially in Pakistan. Drawing upon the insights of Barney's Resource-Based View (RBV) theory (Din et al., 2024), organizational capabilities and resources foster a dynamism that renders competitors unable to replicate, generating sustainable competitive advantage. Therefore, strategic agility is most significant possible characteristics that modify association among HRM and SCA.

This study creates a new path for a more thorough comprehension of the connection between HRM and SCA. It is anticipated that knowledge of how HRM strategies, SCA, and strategic agility interact will be deepened when viewed through RBV theory. Furthermore, the current study will offer helpful advice on how businesses can overcome obstacles to competition and boost competitiveness thrive in resource-constrained markets of developing country, include Pakistan.

2. Literature Review

2.1. HRM Strategies & Sustainable Competitive Advantage

An organization's human resources management strategy is a rationalized effort to manage talent pools. These tactics shape employee attitudes, behaviours, cultures, and perceptions (Chowdhury et al., 2023). HRM strategies are the methods that businesses implement to retain their talented personnel at the appropriate moment. These strategies enable businesses to keep their operations at a high degree of efficiency, to keep organizational development going continuously, and to keep a competitive advantage. HRM strategies are essential in developing organizations to achieve competitive positions and attain higher performance levels.

The concept of SCA has been regarded as one of the most significant ideas in the world of strategic management, as it has the potential to generate value for firms. Using SCA in organizations could bring long-term benefits. Diverse teams are often more effective in problem-solving and creativity, critical components in developing unique products and services (Herring, 2018). This diversity enhances the company's innovation ability and attracts a broader customer base, contributing to sustained growth and market presence.

The strategic integration of HRM practices with organizational goals is essential for achieving sustainable competitive advantage. Organizations can ensure long-term success and resilience in an increasingly competitive landscape by fostering a skilled,

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motivated, and diverse workforce aligned with the company's strategic vision. Thus, the role of HRM in driving SCA must be balanced. Therefore, researchers hypothesize:

H1: HRM strategies have a positive significant effect on SCA.

2.2. HRM strategies & strategic agility

SA is multifarious idea covering several aspects. Mata et al. (2023) described strategic agility as adapting to a business's needs and finding creative solutions to meet its strategic orientations. Yildiz and Aykanat (2021) defined SA as capability that continuously changes to firm's strategic orientations by developing new products and business models. Moreover, strategic agility detects and adjusts to developments, enabling the company to succeed. Capturing prospects, creating SCA, and establishing the core survival ability are necessary.

Organizations must consistently predict market changes and consumer wants and adapt to or interact with those trends without compromising their strategic goals (Kumar et al., 2022). Adaptability to changing circumstances, reaction to emerging market trends, and creating value for customers are all examples of strategic agility. Consequently, organizations' ability to proactively adapt to their reality, exploit opportunities, and manage dangers is enhanced by the interaction of staff competencies, leadership competencies, and strategic agility capacities. Strategic agility is ideal for elevating organizations' HRM strategies and their ability to navigate potential risks in future (Mata et al., 2023). It contrasts with dynamic capabilities that encompass refined adaptability and transformation practices. However, very few studies have investigated the connection between HRM strategies and strategic agility (Ambituuni et al., 2021); however, Ambituuni et al. (2021) empirically investigated firms' HRM activities that have enhanced strategic planning actions. Therefore, the same study further emphasized that HRM strategies boost strategic agility. In a similar vein, Battour et al. (2021) argue that HRM techniques positively contribute to enhancing agility, which, in turn, significantly influences recruitment strategy. However, by adopting flexible and adaptive H.R. practices, organizations can respond more effectively to changing market conditions and labour demands. According to Thathsara and Sutha (2021), adaptability allows firms to attract talent that aligns with strategic goals while fostering a workforce capable of adjusting to new challenges.

Moreover, agile HRM methodologies, such as ongoing skill enhancement, anticipatory workforce planning, and adaptive performance management, guarantee that recruitment strategies match immediate organizational requirements and long-term sustainability. Furthermore, Alqarni et al. (2023) noted that additional research is required to integrate agility into H.R. practices, which must prioritize strategic agility among employers' initiatives. Therefore, it proposed that:

H2. HRM strategies have a direct impact on strategic agility.

2.3. HRM Strategies, S.A. and SCA

Strategic agility (S.A.) is one of the most crucial elements influencing or reshaping specific relationships within organizations and their environments. As businesses strive to enhance their sustainable competitive advantage (SCA), they increasingly focus on adopting flexible and adaptive structures to respond rapidly to changes in the marketplace. This capacity for swift adaptation is essential in dynamic industries with high uncertainty and competition. By fostering an organizational culture that embraces change and innovation, firms can remain competitive and position themselves to capture emerging opportunities in volatile markets.

In this context, human resource management (HRM) is central to supporting the development of strategic agility. Organizations can build a resilient and responsive workforce by implementing HRM strategies that emphasize flexibility, employee empowerment, and continuous learning. This alignment between HRM and strategic agility allows firms to enhance their SCA by ensuring that human resources are effectively managed to meet evolving market demands.

From a theoretical perspective, the Resource-Based View (RBV) provides a solid foundation for understanding how organizations leverage internal resources to achieve competitive advantages. According to RBV, firms that effectively utilize their organizational resources—such as human capital, technological assets, and operational capabilities—are better positioned to capture market share and sustain long-term success. Supervisors and leaders play a crucial role by ensuring that resources are allocated and used efficiently to adapt to market shifts and seize new opportunities.

Dabiri and Gholami (2022) highlight that strategic agility significantly influences competitive advantage through improvements in critical areas such as quality, reliability, delivery, and innovation. Their research supports that agile organizations are better equipped to meet customer expectations and deliver superior value, strengthening their competitive standing. Other scholars have also emphasized that S.A. contributes to the development of SCA, particularly when integrated with HRM practices that foster organizational agility.

In this regard, HRM supports the elements that drive strategic agility and enhances the organization's ability to respond to market changes. Consequently, it is proposed that strategic agility is pivotal in driving sustainable competitive advantage when aligned with effective HRM strategies. Therefore, it proposed that:

H3: Strategic Agility positively mediating the influence between HRM strategies and SCA.

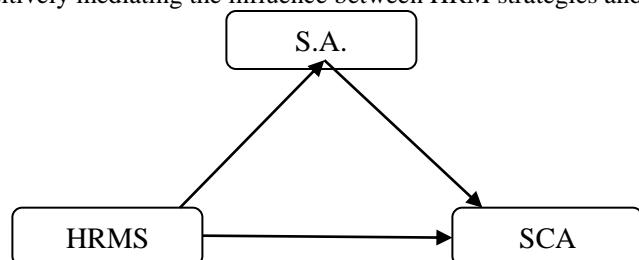


Figure 1: Conceptual Framework

3. Methodology

This research utilized positivist tradition epistemologically and methodologically. It is to present and explain how different variables are related; as such, it is both theoretical and empirical in function. This has the advantage of expediting the hypotheses testing and empirical research. The target population includes middle and upper managers of SME firms in the service industry in Punjab Province in Pakistan. The demographic data about study respondents described shown in Table 1. Specifically, Punjab were selected for investigation of manufacturing industry because the region hosts many such business manufacturing firms and is an industrial area comprising three industrial zones. Some of the reasons that shaped the sampling include the study's characteristics, the time available, the amount of money available, and the nature of the information available. However, in the current research, the sampling size is 195 individuals serving SMEs. Respondent engagement in SMEs was challenging due to the short response to the research questions. Hence, convenience techniques were used to reach out to the respondents. Questionnaires were used in data collection, which is considered better than interviews since the possibility of researcher bias is minimized, a significant drawback of using interview techniques. Data analysis was mainly carried out using AMOS software because this approach was better suited for this study's predictive objective. It includes regression and mediation analysis basics, reliability, validity, and hypotheses testing.

3.1. Sample Characteristics

Data were obtained from manufacturing firm employees in the Punjab regions comprising 275 employees through a standardized questionnaire (Ambituuni et al., 2021). 225 respondents (81.81% response rate) provided a thorough response. Table 1 indicates that 58.22% (the majority) of respondents were men. The age group 21–26 was represented by 30.2% of respondents. Most respondents (31.1%) have worked in the manufacturing sector for at least one year. However, Junior officer mostly high majority that make up 57.5%.

Table 1: Demographics

Variable	Frequency	Cumulative frequency
Gender-Male	131	58.22
Female	94	41.78
		31.11
Age-21–26 years	70	
27–32 years	65	28.89
33–38 years	56	24.89
39 years and above	34	15.11
Experience-less than 1 Year	68	30.22
1-2	62	27.56
3-5	54	24.00
6 and more	41	18.22
Designation-Director	20	8.89
Operational Manager	42	18.67
Supervisor	64	28.44
Technical Specialist	41	18.22
Junior Officer	60	26.67

3.2. Measurement Scale

This study constructed measures of strategic HRM, strategic agility and SCA based on related theoretical and empirical research. Strategic HRM 10 scale items were adopted from research by Akhtar et al. (2008). The strategic HRM was further measured, i.e., employee development, compensation, performance appraisal, recruitment, and training combine impact; however, the SCA 4 items scales were calculated using the Newbert (2008) measurement scale. A six-item measurement scale related to strategic agility based on Doz & Kosonen's (2010) framework; further measurement scale could accessed via three core dimensions: strategic sensitivity, leadership unity, and resource fluidity, using 16 items. Likert scale is usually utilized to measure via (5 points from strongly-disagree to 1 strongly-agree).

3.3. Common Method Bias

Several a priori measures were implemented to address issues of common method bias (Yildiz & Aykanat, 2021). During the pre-test phase, efforts were made to clarify ambiguous questions, ensure distinct psychological separation of constructs, and provide mid-point response options for each survey item (Ambituuni et al., 2021). Additionally, participants were assured confidentiality and anonymity to reduce the likelihood of social desirability bias (Din et al., 2024). After data collection, Harman's single-factor test was employed to examine CMV. The results confirmed that the applied strategies were effective, minimalizing the risk of method bias.

4. Results

CFA model representing HRM strategies, SCA, and SA achieved good fit (χ^2/df , 2.60, RMSEA, 0.054, SRMR, 0.039, Tucker–Lewis Index (TLI), 0.980, Comparative Fit Index (CFI), 0.983). Table 4 shows SEM evaluation to test hypothesized model. Then, the mediating effects were assessed using the bias-corrected bootstrapping technique (Preacher & Hayes, 2008). Empirical investigation mentions via Table 4 indicates HRMS is significantly related to SCA (0.156, $p \leq 0.01$), supporting hypothesis 1. HRMS were shown to be substantially associated with SCA (0.577, $p \leq 0.001$). Therefore, Hypothesis 2 is also supported. Moreover, SA mediates the relationship between HRMS and SCA (0.679, $p \leq 0.001$), supporting hypothesis 3. Moreover, SA has a parallel mediating relationship among HRMS and SCA, thus supported hypothesis 3.

Table 2: CR, AVE & Cronbach Alpha

Variable	Items	F.L	CR	AVE	Cronbach Alpha
HRM Strategies	HRMS1	0.852	0.943	0.654	0.802
	HRMS2	0.897			
	HRMS3	0.855			
	HRMS4	0.71			
	HRMS5	0.672			
	HRMS6	0.681			
	HRMS7	0.692			
	HRMS8	0.661			
	HRMS9	0.676			
	HRMS10	0.76			
Sustainable Competitive Advantage	SCA1	0.83	0.889	0.626	0.762
	SCA2	0.83			
	SCA3	0.852			
	SCA4	0.745			
Strategic Agility	SA1	0.815	0.964	0.624	0.694
	SA2	0.791			
	SA3	0.827			
	SA4	0.754			
	SA5	0.81			
	SA6	0.802			
	SA7	0.776			
	SA8	0.791			
	SA9	0.767			
	SA10	0.78			
	SA11	0.812			
	SA12	0.845			
	SA13	0.738			
	SA14	0.795			
	SA15	0.82			
	SA16	0.792			

Table 3: Discriminant Validity

Variable	1	2	3
HRM Strategies	0.807		
Sustainable Competitive Advantage	0.65	0.791	
Strategic Agility	0.7	0.58	0.790

Table 4: Hypothesis Testing

Path	B	T-Values	p-Values	Remark
H1 HRMS → SCA	0.156	2.541	≤0.01	Supported
H2 HRMS → SCA	0.577	9.521	≤0.001	Supported
H3 HRMs → SA → SCA	0.238	7.482	≤0.001	Partial Mediation

Table 5: Mediating

Path	B	T-Values	95% CI	Remark
H3 HRMs → SA → SCA	0.238	7.482	0.206 : 0.400	Partial Mediation

5. Discussion

The findings confirm significant impact of HRM strategies on Sustainable Competitive Advantage (SCA), with Strategic Agility playing a mediating role. This supports the argument that organizations must focus on effectively implementing HRM practices and cultivate agility to adapt swiftly to dynamic market conditions (Wright et al., 2020). The results align with prior research that highlights the importance of strategic HRM in developing unique capabilities that competitors cannot easily replicate (Barney, 1991).

Strategic Agility was found to partially mediate the relationship between HRM strategies and SCA, suggesting that while HRM practices directly contribute to performance, their impact is enhanced when organizations are agile. This corroborates the findings

of Doz and Kosonen (2010), who argued that agility allows firms to anticipate and respond to environmental changes more effectively, thus sustaining their competitive advantage.

Moreover, the study's results provide further evidence for the resource-based view (RBV) by demonstrating that when strategically managed, human resources are a critical source of sustained advantage (Barney, 1991). The role of Strategic Agility as a mediator highlights its importance as a dynamic capability that enables firms to leverage their human capital more effectively (Teece, 2016).

These findings also have practical implications for H.R. managers. They suggest that fostering an agile culture within organizations can magnify the effectiveness of HRM strategies, leading to long-term success (Lawler & Worley, 2011). Future research should explore other contextual factors, such as organizational culture or leadership style, which may further enhance the HRM-SCA relationship.

5.1. Theoretical Implications

This study provides several theoretical contributions. First, it extends the Resource-Based View (RBV) by emphasizing how HRM strategies, when coupled with Strategic Agility, can create a sustained competitive advantage (Barney, 1991). This highlights the critical role of dynamic capabilities, such as agility, in enhancing the value of organizational resources, specifically human capital. The study confirms that more than HRM strategies are required to sustain competitive advantage. Organizations possess the flexibility to respond to external challenges, thus aligning with the dynamic capabilities framework (Teece, 2016).

Second, the research integrates HRM and Strategic Agility in a novel way, demonstrating the mediating role of agility in the HRM-SCA relationship. Previous studies have primarily treated HRM and organizational agility separately, but this study reveals how they interact to bolster competitive advantage. This helps advance the theoretical discourse on the intersection between static resource-based perspectives and dynamic adaptability models (Wright et al., 2020).

Lastly, this study contributes to the strategic HRM literature by providing empirical support for the notion that organizations can leverage HRM strategies as critical drivers of agility, offering new insights into how HRM practices foster dynamic capabilities (Lengnick-Hall et al., 2011).

5.2. Practical Implications

From a practical standpoint, the findings offer valuable insights for H.R. professionals and organizational leaders. First, it becomes clear that H.R. managers must go beyond conventional HRM practices and actively cultivate Strategic Agility within their organizations. Focusing on adaptability and flexibility in H.R. processes, such as recruitment, training, and performance management, can help organizations remain competitive in dynamic markets (Lawler & Worley, 2011).

Second, companies aiming for Sustainable Competitive Advantage should prioritize building an agile workforce capable of rapidly responding to changing environments. This may include fostering a culture of continuous learning and encouraging innovation at all organizational levels. As agility becomes a strategic imperative, leaders should also consider reconfiguring their organizational structures to allow faster decision-making and responsiveness to market shifts (Doz & Kosonen, 2010).

Moreover, the study suggests that HRM strategies should be aligned with broader organizational strategies to enhance agility. Firms integrating HRM with agility-focused initiatives are more likely to sustain their competitive advantage in today's fast-paced business environment.

5.3. Limitations

Despite its contributions, this study has certain limitations. Using a cross-sectional design limits the ability to draw causal conclusions about the relationships between HRM strategies, Strategic Agility, and Sustainable Competitive Advantage. Future research should consider using a longitudinal design to capture the evolving nature of these constructs over time (Schuberth et al., 2018).

Additionally, the reliance on self-reported data may introduce common method bias, as respondents might have provided socially desirable answers. Future studies could address this limitation by incorporating objective performance measures or obtaining multiple data sources, such as third-party assessments or financial performance indicators (Rhemtulla et al., 2020).

Lastly, this study was conducted in a specific cultural and industrial context. While the findings may apply to similar settings, they may not be generalizable to all industries or regions. Replicating this study in different organizational contexts or countries could provide more comprehensive insights.

5.4. Future Directions

Building on this research's findings, future studies could explore additional contextual factors that may influence the HRM-Strategic Agility-SCA relationship. For instance, organizational culture, leadership styles, and industry-specific factors may further impact how HRM strategies and agility contribute to competitive advantage (Lengnick-Hall et al., 2011). Another promising avenue for research would be to investigate how Strategic Agility mediates the relationship between HRM strategies and other performance outcomes, such as innovation, knowledge management, or employee satisfaction (Teece, 2016). Exploring the interplay between HRM and dynamic capabilities in diverse organizational settings would help validate and expand the findings. Finally, future research should consider employing experimental designs or longitudinal case studies to examine how organizations build Strategic Agility over time and how this capability interacts with HRM strategies in real-world settings (Hwang et al., 2020).

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