

Chapter 4

Quantitative Analysis of Strategic Human Resource Management and Organizational Learning: The Sustainability of MSMEs in Brunei Darussalam

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ABSTRACT

It is crucial for business organizations to maintain sustainability within the globalized market environment. However, the organizational ability of micro, small, and medium enterprises (MSMEs) is inadequate to generate sustainable competitive advantage. Moreover, strategic management theories are developed based on large business organizations which cannot be fully applied in MSMEs. From this knowledge gap, this research study addressed the core question of “Does strategic human resource management (SHRM) and organizational learning impact the sustainability of service-based MSMEs in Brunei Darussalam, with competitive strategy as mediator?” From a questionnaire survey of 275 service-based MSMEs, this research study confirmed SHRM and organizational learning to yield significant impact on organizational performance of service-based MSMEs. These results are partial significantly mediated by competitive strategy. From these findings, this research study extended the knowledge on resource-based view, contingency theory, and organizational alignment theory within the MSME context.

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INTRODUCTION

The survivability of any business organizations to adapt with the globalized business environment stemmed from their sustainability to compete within their market industry (Bilan et al., 2015). This requires the business organizations to be flexible towards allocating their strategic resources to outperform their competitors (Gelhard & Delft, 2016; Hindasah & Nuryakin, 2020). Thus, the importance of sustainable development, within strategic management context, has been highlighted by various researchers and practitioners (Macke & Genari, 2018; Maletic et al., 2018; Varadarajan, 2015).

In line with the above discussion, micro, small and medium enterprises (MSMEs) have been receiving attentions due to their impact towards the country's economic growth (Abubakar et al., 2018; Hindasah & Nuryakin, 2020; L'Ecuyer & Raymond, 2017; Matthews et al., 2017; Yanuarti & Murwatiningsih, 2019; Yu et al., 2017). This is apparent in Asian region, in which, 30% to 60% of the gross domestic product and 40% to 80% of the country's employment is contributed by the MSMEs (Abubakar et al., 2018; Chen, 2016; Matthews et al., 2017). In Brunei Darussalam, the importance of MSMEs is also well-documented. The Brunei Government has emphasized on service-based MSMEs development to gain sustainable development for competing with global market (Brunei Ministry of Development, 2019; Ministry of Finance, 2017). However, the organizational ability of MSMEs is not adequate to cope with the dynamic competitive environment (Hindasah & Nuryakin, 2020). Moreover, the prevalence of strategic management theories is based on the sophisticated management structure of large business organizations which cannot be wholly applied to the simplicity and transparency of MSMEs (L'Ecuyer & Raymond, 2017; Shirokova et al., 2013). Thus, this research study focused the investigation of the research phenomenon on the service-based MSMEs in Brunei Darussalam.

Within the strategic management literature, Resource-Based View has been incorporated to explain business growth (Hitt et al., 2016; Nason & Wiklund, 2018). Particularly, the Resource-Based View reasoned the differences in organizational performance derived from the allocation of resources and capabilities (Castrogiovanni et al., 2011; Tan et al., 2014). It is necessary to clarify how sustainability can be achieved through articulating the strategic resources in the business organizations (Hindasah & Nuryakin, 2020; Maletic et al., 2018). In view of this, organizational performance is frequently incorporated as dependent variable for evaluating the sustainability of business organizations within a specific timeframe (Gharakhani & Mousakhani, 2012; Hooi & Ngui, 2014; Ramawickrama et al., 2017). Therefore, this research study adopted Resource-Based View to explain the sustainability of service-based MSMEs in Brunei Darussalam by examining their organizational performance.

The Resource-Based View highlights the aspects of valuable, rare, inimitable and non-substitutability (VRIN) in strategic resources to be responsible for achieving sustainable competitive advantage (Bilan et al., 2020; Donnellan & Rutledge, 2019; Hitt et al., 2016; Nason & Wiklund, 2018; Yuen et al., 2019). Drawing from this ideology, the current study critically assessed the impact of strategic human resource management (SHRM) and organizational learning, particularly the development of employees' skills and knowledge as strategic VRIN resources, towards the performance of service-based MSMEs in Brunei Darussalam.

SHRM is essential for achieving sustainable competitive advantage by aligning human resource management with organizational goals (Harrison & Bazzy, 2017; L'Ecuyer & Raymond, 2017; Martinson & Leon, 2018) to adapt with the globalized market industry (Cunningham & Rowley, 2007; Saha et al., 2016). Despite the importance of SHRM being well-established, majority of these discussions stemmed from large business organizations which are often assumed to be applicable in MSMEs context at a

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