

THE FUTURE OF HR ECOSYSTEM FOR BUSINESS SUSTAINABILITY OF INDIAN  
MSMES: ASSESSING THE TRENDS, OPPORTUNITIES AND CHALLENGES

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## **Dedication**

This dissertation is dedicated to all the employees, HR professionals, leaders and entrepreneurs of  
Micro, Small and Medium enterprises

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One thing I have learned from my doctoral journey is that a doctoral thesis is often the result of a team effort. I am fortunate enough to have a supportive team of wonderful people without whose support and dedication I would not have been able to complete my journey. I take this opportunity to acknowledge and thank all of them for their encouragement and support.

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## ABSTRACT

THE FUTURE OF HR ECOSYSTEM FOR BUSINESS SUSTAINABILITY OF INDIAN  
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2025

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This is an exploratory study on the evolving role of Human Resources (HR) ecosystem within Indian Micro, Small, and Medium Enterprises (MSMEs) which is considered as the backbone of Indian economic growth. Despite their significant contribution to the Indian economy, MSMEs face unique challenges that often impede their development and competitive stance. This study delves into these challenges, particularly focusing on the Human Resource Management (HRM) which is a neglected area, to unveil the opportunities and strategies essential for fostering a robust, efficient and business driven HR ecosystem that contributes to business sustainability of Indian MSMEs.

The research objectives encompass a comprehensive identification and analysis of the HR ecosystem and challenges in Indian MSMEs, assessing the impact of elements of HR ecosystem on business growth and sustainability, exploring opportunities within the HR ecosystem, and developing strategic recommendations to build competitive advantage through people practices in

these enterprises. Understanding the HR ecosystem's influence on business sustainability involves a deep dive into how these ecosystem elements and sustainability parameters are interlinked. The study also explores the impact of different elements of HR ecosystem on the business sustainability parameters.

The methodology proposed is a mixed-method approach, integrating both qualitative and quantitative data collected through literature reviews, surveys, and interviews with stakeholders in the MSME sector. Quantitative data were analysed with AMOS for understanding the dynamics between the variables and for testing of the study hypotheses. The qualitative data were analysed through manual thematic analysis technique.

The adoption of an ecosystem approach in HR management could emerge as a potential game-changer for building business resilience and sustainability for Indian MSMEs. The insights from this exploration would be helpful to the owners, managers, practitioners, consultants, HR service providers and government agencies to look into the current status of the HRM practices in MSMEs and redesign them from a business-driven ecosystem perspective for thriving their business in a challenging business environment rather than relying on silo practices and the practices followed by larger organizations which have a different business context.

**Key Words:** MSMEs, Geen HRM, Business Sustainability, HR ecosystem, People Capability Maturity Model, Gig economy, Formalization of HR, Ethical Governance, Employee Experience, Legal compliance behaviour, Digital HR, Environmental & Social responsibility, Technology adoption capability, Positive work culture, Strategic HR framework, Economic viability, Customer & Stakeholder loyalty, Employer Image, Organisational Agility & Responsiveness, Innovation, Employee Engagement, Employee retention.

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## CHAPTER I

### INTRODUCTION

#### **1.1 Statement of the Problem**

The Micro, Small and Medium Enterprises (MSME) sector is often regarded as the backbone of the Indian economy, providing a breeding ground for entrepreneurs, small-scale industries and innovations. The sector plays a critical role in the economic framework of India as it significantly contributes to exports, employment creation, and Gross Domestic Product (GDP) of the country (Shelly et al., 2020). However, Indian MSMEs face several challenges such as scarcity of resources, technology adoption, accessibility to market, regulatory compliances, uneven competition etc. that impede their growth and sustainability.

One of the crucial challenges which cripples the sector is Human Resource Management which is an under explored area in the MSMEs context in India. MSMEs in India frequently encounter issues pertaining to attracting skilled staff, retention, and development issues, limiting their capacity to maintain a competent and engaged workforce. Whereas, MSMEs' competitiveness and long-term performance hinges on their competency to implement sustainable business practices (Purnomo et al., 2024) and HR can contribute significantly to the business's growth, agility, and competitive edge. The unique economic, operational, and cultural demands of MSMEs are often not adequately addressed through the conventional HR approaches which are more appropriate for larger organisations (Mukherjee, 2018). According to numerous pieces of research, there are no such appropriate HRM practices in MSMEs (Karman et al., 2022). The lack of a comprehensive and cohesive HR ecosystem adapted particularly for the unique demands and restrictions of these organisations poses a strong threat to MSMEs in India.

Exploring the elements of an HR ecosystem in the context of Indian MSMEs and their functions in MSMEs comprehensively can give significant new insights into how certain HR practices impact corporate sustainability metrics including customer loyalty, innovation, economic resilience, and environmental obligation. In particular, the question here is how much a holistic HR strategy with interlinked components influences operational effectiveness and customer happiness leading to business sustainability with regards to MSMEs. Exploring the possibilities of a unique and business-driven HR ecosystem that could close these gaps is imperative. By adopting an ecosystem approach to HRM, MSMEs can achieve their strategic goals by encouraging stakeholder loyalty, ethical governance, and economic viability, all of which are crucial for long-term survival of MSMEs. Such an exploration of the key elements of the HR ecosystem in the context of MSMEs' business imperatives and their synergetic influence on the business sustainability would support in developing an alternative model of HR ecosystem that would enable MSMEs to leverage the human potential for business successes.

## **1.2 Significance of the Study**

The research study's significance originates from its evaluation of the HR systems in Indian MSMEs, a sector that makes a significant contribution to the country's economic development but often experiences specific hardships that limit its viability and expansion. The Indian government, recognizing the importance of MSMEs, has brought out numerous schemes to support and propel the sector's growth. These initiatives aim to enhance competitiveness, facilitate access to finance, and provide incentives for innovation and modernization (Hussain et al., 2018). However, the performances of the MSME in the globalization period have not been satisfactory as the number of sick MSME is increasing year by year. They are often

impeded by an absence of formal HR processes, a lack of resources, and challenges in attracting and retaining individuals. This study is particularly significant since it discusses the little-known contribution that HR practices make to address the unique challenges and the long-term viability of MSMEs' businesses. The research aims to offer strategic suggestions that stress the significance of people practices, employee engagement, and innovative HR policies by assessing current HR trends, issues, and possibilities. Business executives, HR specialists, legislators, academicians, researchers and governmental organisations will find the study's conclusions to be an invaluable resource as they provide a better understanding of how customised HR strategies can boost employee satisfaction, innovation, productivity, and agility while also giving MSMEs a competitive edge. Moreover, by utilising an ecosystem approach, the research study means to offer a path for long-term company success by bridging the gap between traditional HR models driven by large organisations and the particular dynamics of MSMEs. The prime goal of this study is to empower MSMEs to abandon compartmentalised HR procedures and embrace a comprehensive people strategy by adopting an ecosystem approach that not only meets short-term operational demands but also fosters enduring company expansion and resilience. Thus, the thesis topic, "The Future of HR Ecosystem for Business Sustainability of Indian MSMEs: Assessing the Trends, Opportunities, and Challenges," is both timely and essential, addressing critical aspects of the Indian small scale business landscape.

### **1.3 Research Questions**

In an era marked by unprecedented technological advancements and fluctuating market demands, the ability of an HR ecosystem is pivotal for building and sustaining competitive advantage and driving business growth. By and large, the MSMEs in India follow the footsteps of large organisation to develop their people strategies. Whereas, the internal and

external factors, forces of competition, limitation of resources, ever changing demand scenario, technology adoption, etc. make it challenging and they call for customised strategic approach to HRM in MSMEs build on the business imperatives which are different from large companies. On the contrary, the ever-changing landscape of technologies, demographic shifts, emergence of gig economy, cultural changes etc. open up immense opportunities for MSMEs to reform and reposition themselves for business advantage. In this backdrop, exploration of the key elements of the HR ecosystem which can create synergy to MSMEs for addressing the current and emerging challenges, capitalizing on the opportunities and building a competitive advantage to withstand in a dynamic business environment stand as the cornerstone for organizational success of MSMEs in India. Thus, the questions that emerge for the study are:

- **RQ1:** What are the current trends and role of the HR system in the business sustainability of Indian MSMEs?
- **RQ2:** What are the specific issues and challenges faced by Indian MSMEs in the adoption and implementation of effective HR practices?
- **RQ3:** What are the emerging areas of opportunities in people management practices and strategies that can be leveraged for the long-term viability of businesses in the Indian MSME sector?
- **RQ4:** What are the key elements of the HR ecosystem that support business sustainability of Indian MSMEs?
- **RQ5:** What HR reforms can be recommended to the MSMEs in India for building people capabilities for business sustainability?

#### **1.4 Research Objectives**

The following objectives are derived from the research questions that guide the study's direction.

**Objective 1: To examine the current trend and role of the HR ecosystem in the business sustainability of Indian MSMEs.**

In the emerging business scenario driven by fast technological changes, innovations and shifting market demands, the capability of an HR ecosystem to cultivate a positive work culture that embraces innovation, creativity, quality, green practices, ethical practices & entrepreneurship and nurture employee engagement, stakeholder & customer loyalty, agility & responsiveness, employee wellbeing & development and employer attractiveness/ image are pivotal for building and sustaining competitive advantage and driving business growth. This interlocking relationship highlights the utmost significance of actively fostering and sustaining a positive workplace culture (Ahmad, 2021). Indian MSMEs operate under limitation of resources, ever changing demand scenario, rapid technology adoption etc. which make it challenging and they call for different strategic approach to HR in MSMEs build on their business imperatives rather than imitating what large corporations do. Identifying, understanding and adopting the key elements of the HR ecosystem tailored for development human capabilities to withstand the current and emerging challenges and capitalize on the opportunities are key for organizational success of MSMEs in India. Thus, the research aims at exploring the unique elements of HR ecosystem, their current trend and their role in business sustainability.

**Objective 2: To understand the HR related issues and limitations that Indian MSMEs encounter.**

The purpose of the study is to assess the impact of HR challenges on the growth and sustainability of Indian MSMEs. This objective is pivotal in understanding the wider impact of HR-related issues on the overall health and progress of these enterprises (Monika et al., 2010). The multifaceted nature of HR challenges in MSMEs does not merely affect the human resources department but reverberates across the entire organization, influencing its growth trajectory and long-term viability. For example, the impact of difficulties in talent acquisition and retention (Narware, 2011). Skilled and experienced employees are fundamental to the innovation, productivity, technology adoption, and competitiveness of any business. In the context of MSMEs, the inability to attract and retain such talent can lead to a direct impact on the quality of products and services, thereby affecting the market position and growth potential of these enterprises (Vettriselvan et al., 2014). Furthermore, high turnover rates not only incur recruitment and training costs but also disrupt operational continuity, affecting the efficiency and profitability of the business (Bhatia, 2012).

The lack of formalized HR policies and processes, lack of HR strategy and planning and lack of a model for human resource development in MSMEs also have far-reaching consequences. Without structured HR management, these enterprises face challenges in maintaining employee morale, ensuring fair and consistent treatment of staff, and complying with legal and ethical standards (Hendrickson & Psarouthakis, 1998). This lack of structure can lead to employee dissatisfaction, reduced productivity, and even legal complications, all of which can hamper the business's growth and reputation. Training and development, or the lack thereof, in MSMEs significantly impacts their ability to innovate and adapt to changing market conditions (Narware, 2011). This situation limits their capacity for growth and hampers their

ability to respond effectively to market demands (Ng & Maki, 1993). Compliance with labour laws is another area where the impact is distinctly felt. Lack of compliance behaviour can lead to legal repercussions, including fines and sanctions, which can be financially draining for MSMEs (Monika et al., 2010). Moreover, legal issues can damage the reputation of a business, affecting its relationships with customers, suppliers, and potential investors (Hodgetts & Kuratko, 2001).

The work culture and employee engagement in MSMEs play a significant role in determining their sustainability. A positive work environment and high employee engagement are closely linked to increased productivity, innovation, and employee loyalty (Srimannarayana, 2006). In contrast, a negative work environment can lead to disengaged employees, increased absenteeism, and reduced productivity, all of which can adversely affect the sustainability and growth of the business (Puja & Reddy, 2011). Objective 2 of the research comprehensively evaluates how HR challenges in Indian MSMEs translate into broader implications for these businesses. It underscores the fact that effective HR management is not just a support function but a critical driver of business success. This assessment will provide a clearer understanding of the extent to which HR issues influence the growth prospects and sustainability of MSMEs, paving the way for developing targeted strategies to address these challenges (Nguyen & Bryant, 2004).

**Objective 3: To investigate the potential advantages of HR reform in Indian MSMEs for business sustainability.**

There are myriads of opportunities within the HR ecosystem that Indian MSMEs can leverage for their growth and sustainability (Loucks et al., 2010). This exploration is crucial, as it shifts the focus from the challenges to the potential avenues for positive change and development in

the HR sector of these businesses (Elkington, 2013). One significant area of opportunity lies in the realm of digital HR technologies. For MSMEs, this means an opportunity to level the playing field with larger corporations in terms of managing human resources more effectively and professionally (Hahn & Figge, 2011).

Another opportunity is in the area of talent acquisition and retention. MSMEs can explore innovative hiring strategies, such as tapping into gig economy workers, offering flexible work arrangements, and building a strong employer brand that strikes a chord with the values of the modern workforce (Boxall & Purcell, 2011). By doing so, they can attract and retain talent more effectively, even with limited resources. Employee training and development also offer a significant opportunity. With the rise of online learning platforms and e-learning tools, MSMEs can enhance skill sets, boost productivity, cultivate a learning culture and foster innovation within the organization (Jain & Winner, 2016). Green HR practices bring huge opportunities for MSMEs to differentiate themselves in the market for attracting talent and eliciting customer loyalty. Green HR practices lead to compliances of environmental and social responsibilities thereby enhancing its organizational reputation and attractiveness. In the context of compliance with labour laws and regulations, MSMEs have scope for establishing credibility for ethical business practices (Baker & Sinkula, 2007). By ensuring compliance, not only do they mitigate legal risks, but they also enhance their credibility among stakeholders, including employees, customers, and investors (Al-Ali et al., 2017). Furthermore, the increasing focus on workplace wellness and employee engagement present MSMEs with an opportunity to create a positive and supportive work environment. Initiatives such as flexible working hours, employee wellness programs, and recognition and reward systems can lead to higher employee satisfaction and loyalty, which are critical for the lasting success of any business (Johnson & Schaltegger, 2016).

Lastly, the evolving HR landscape opens up opportunities for strategic HR practices (Chrisantus et al., 2023). MSMEs can shift from traditional, administrative HR roles to more strategic functions such as workforce planning, talent management, and organizational development (Ahlstrom et al., 2008). By aligning HR strategies with business objectives, MSMEs can better position themselves for growth and competitiveness in the market (Agarwal & Jha, 2015). Objective 3 aims to explore these and other opportunities within the HR ecosystem, offering Indian MSMEs pathways to overcome their challenges and harness their full potential. This exploration is essential for framing the narrative that, despite the hurdles, there are numerous untapped opportunities in the HR sector that can make a considerable difference in the sustainability of MSMEs in India (Langfield-Smith, 2008).

**Objective 4: To identify and analyse new HR management trends that are uniquely pertinent to Indian MSMEs.**

One of the primary topics of this study is the introduction of digitalization into HR methods. With the increasing accessibility of digital tools and platforms, Indian MSMEs are beginning to adopt technology-driven solutions for recruitment, employee management, and engagement. This digital shift not only boosts operational efficiency but also aligns with the expectations of a tech-savvy workforce, improving the attractiveness of MSMEs as employers (Ghatak, 2010). Payroll automation, employee self-service portals, and digital recruiting platforms are instances of digital HR techniques that can possibly revolutionize how organizations function, especially in smaller organizations that once depended on manual methods (Bir Kaur et al., 2023).

Another significant trend is the focus on employee skill development and continuous learning. The advent of new tools and technologies and changing market demands necessitate a

workforce that is agile, skilled, and continuously learning. Indian MSMEs can adopt a strategic approach in human resource development with the help of the People Capability Maturity Model (PCMM) framework by increasingly investing in training programs, often leveraging online platforms for cost-effective and scalable solutions, to ensure their employees remain competitive (Curtis et al., 2009; Dangmei, (2017). The emphasis on creating a positive organizational culture represents a further trend. Recognizing that an engaged workforce is key to success, MSMEs are putting more effort into fostering environments that promote inclusivity, diversity, and work-life balance.

In the face of limited resources compared to larger corporations, MSMEs are innovating with non-monetary benefits such as career building opportunities, recognition programs, and a greater say in decision-making processes (Kitching & Marlow, 2013). These strategies aim to build a sense of belonging and dedication among employees, reducing turnover rates.

This objective involves a thorough scrutiny of the evolving dynamics of human resource practices tailored to the MSME sector operating within India's distinct socio-economic landscape.

**Objective 5: To make recommendations and develop strategies for improving the HR environment in Indian MSMEs.**

This objective is critical as it translates the insights gathered from the study into actionable strategies that can be implemented by MSMEs to optimize their HR operations and contribute to their overall growth and sustainability. One key recommendation revolves around the adoption of digital HR technologies. This shift can significantly reduce the administrative burden on MSMEs and improve accuracy and efficiency in HR tasks (Madhan, 2012).

Employee Experience, Employee Engagement, Employee wellbeing, Employee retention, Skill development & Leadership development opportunities are key objectives that the HR ecosystem in MSMEs should aim at for achieving economic viability, innovation, agility & responsiveness, product quality, and stakeholder and customer loyalty which are critical factors of business sustainability in the VUCA world. It is important for MSMEs develop HR strategies and plans for achieving these objectives.

In terms of talent acquisition and retention, MSMEs can adopt more innovative and flexible approaches. This could include offering remote work options, focusing on creating an employer brand that reflects their values and culture, and exploring non-traditional recruitment channels like social media and professional networking platforms (Kutllovci et al., 2012). Additionally, developing internship and apprenticeship programs in collaboration with educational institutions can help MSMEs tap into a pool of young, skilled talent. For employee training and development, leveraging online learning platforms and e-learning tools to offer continuous learning opportunities to employees are strategic approaches to be explored (Gils et al., 2004). Investing in employee development not only enhances the skill set within the organization but also aids in employee retention (Snell & Morris, 2019).

Ensuring compliance with labour laws and regulations is another critical area where MSMEs need strategic guidance (Mathur, 2012). This compliance behaviour not only mitigates legal risks but also enhances the company's reputation and trustworthiness (Hidde & Masurel, 2000). Creating a conducive work environment is essential for MSMEs. Implementing employee wellness programs, flexible working policies, and establishing a system of recognition and rewards that align with the company's goals and values can lead to improved employee engagement, job satisfaction, and productivity (Agarwal & Jha, 2015).

MSMEs should be encouraged to view HR not just as an administrative function but as a strategic partner in the business. This involves aligning HR strategies with overall business objectives, engaging in workforce planning, and playing a role in organizational development (Hosamane & Alroaia, 2009). By doing so, HR can make distinct contribution to the business's growth, agility, and competitive edge. Adoption of People Capability Maturity Model provides the much-needed opportunity for MSMEs to develop and implement cost effective HR practices and processes in a progressive way to develop human capabilities for competitive advantage (Dangmei, 2017). Objective 5 focuses on providing a set of strategic recommendations that are practical, scalable, and customised to the specific needs of Indian MSMEs. These recommendations are aimed at transforming the HR function into a key driver of growth and sustainability in these enterprises. Implementing these strategies will enable MSMEs to harness the full potential of their human resources, ultimately chipping in to their success and longevity in the competitive business climate (Sucharitha & Sankaran, 2018).

### **1.5 Hypotheses**

The purpose of this thesis is to comprehensively analyse and understand the evolving landscape of the Human Resources (HR) ecosystem within Indian MSMEs and its impact on the sustainable business growth of these entities. Against the backdrop of the significant connection between an HR ecosystem and business sustainability, an exploration of the association of the elements of HR ecosystem and the parameters of business sustainability forms the core of the research. Accordingly, the hypotheses as provided below are proposed.

#### **a. HR Ecosystem and Business sustainability**

Sustainability is a significant element in business, particularly for MSMEs. For MSMEs, sustainability is more than just surviving; it involves social, economic, and environmental

aspects. MSMEs to survive, both the internal and external environments play critical roles. MSMEs' competitiveness and long-term performance depend on their ability to implement sustainable business strategies, such as adopting sustainable practices and meeting consumer expectations (Purnomo et al., 2024). An exploration of the interplay of the elements of HR ecosystem and the parameters of business sustainability is at the centre of the objectives of the research. Therefore, the following hypothesis is proposed.

**H1: HR ecosystem in MSMEs is not positively related to business sustainability**

**b. HR technology adoption, Employee experience and Economic viability**

During the last decades, the swift advancements of information technology have revolutionised working contexts, processes and structures, thus mostly resulting in a redefinition of plants, tasks, roles and responsibilities which has also pushed many organizations to rethink the way they manage their human resources and the inevitable challenges and opportunities linked to this revolution (Bondarouk & Ruel, 2009; Manuti & de Palma, 2018; Yalenios & d'Armagnac, 2023). However, MSMEs are always less able to respond to technological advancements in the modern-day swiftly (Afdal et al., 2021). Research suggest that digitalization and technological advancements are related to operational efficiency and market accessibility. The adoption of HR technologies, such as HRIS and AI-based tools, is instrumental in aligning HR practices with the strategic goals of Indian MSMEs.

Thus, it is important to explore how digital HR tools and systems, as a key element of the HR ecosystem, is improving of the efficiency and effectiveness of HR functions, thereby contributing to the employee experience and economic viability of MSMEs in the market. Therefore, it is hypothesized that:

**H2: Digitalization of HR Processes does not positively influence economic viability of MSMEs in India and higher Employee Experience does not mediate the relationship.**

**c. Strategic HR framework, Employee engagement and Economic viability**

Strategic HR which is commonly termed as ‘high performance work systems’ (HPWS) or strategic human resource management’ (SHRM) is the system of practice that form a cohesive and integrated set designed to maximize the effectiveness of human resources through high level of employee capability and commitment aimed to achieve sustainable competitive advantage for organizations (Appelbaum & Berg, 2001; Becker & Huselid, 2006; Jiang et al., 2012). However, according to Kitching and Marlow (2013), a number of studies over the past 25 years have demonstrated that HR practices within small firms differ from their larger counterparts, as well as exhibiting substantial diversity. As found by Chrisantus et al. (2023) and Knezović et al. (2020), SMEs need Strategic Human Resource Management (SHRM) with Human Resource Philosophy, Policy, programs, Practices, and Process to increase their competitiveness and responsiveness to the market changes.

In the context of the aforementioned findings, it is significant to study how well-structured strategic HRM frameworks and policies in Indian MSMEs influence employee engagement which is critical to the economic performance of MSMEs in India. Hence, the following hypothesis is proposed.

**H3: The development and practice of a strategic HRM framework is not associated with Economic viability of MSMEs and a higher employee engagement does not mediate the association.**

**d. Green HR practices and Environmental & Social Responsibility**

The globally growing concern for environment compels businesses to move towards sustainable operations and formulate green policies. The international standards for

environment protection and preservation call for businesses to devise environment-friendly strategies. With everyone, from customers to employees to investors becoming more and more environment conscious, 'Green Human Resource Management (referred as green HRM or GHRM)' is emerging as a significant area in management (Ullah and Jahan 2017) which facilitates employee involvement in environmental management which has a positive relationship to increasing organizational competitive advantage (Nawangarsi et al., 2021). Adoption of sustainability and green HR practices enables Indian MSMEs to differentiate themselves in the market with an attractive employer image (Loucks et al., 2010). These practices not only contribute to environmental and social stewardship but also appeal to eco-conscious consumers and employees, enhancing brand reputation and customer loyalty. Thus, it is important to investigate the impact of incorporating sustainability and environment friendly practices within HR strategies on market differentiation and customer loyalty. The following hypothesis is proposed for the exploration.

**H4: MSMEs with a focus on Environmental & Social responsibility through green HR practices do not experience higher Customer loyalty and greater employer image does not mediate the relationship.**

**e. HR outsourcing and Economic viability**

MSMEs in India are challenged with scarcity of highly skilled and motivated employees today (Lis, 2012). But the emergence of a fluid workforce and alternative employment relationships - have brought an opportunity to mitigate this challenge and made it imperative to undergo a paradigm shift in the traditional role of HRM which was to maintain the employment relationship and job security. It is often referred as gig economy (Bidwell, 2013; Hyatt and Spletzer, 2016) which has the potential to enhance workplace flexibility, availability of skilled talent, agility, cost, discipline, ease of administration, increased

customer satisfaction etc. for operational efficiency. As noted by Meijerink and Keegan (2019), the HR practices for managing gig workers to the advantage of MSMEs is an evolving area of HRM. Organizations as well as employees have started leveraging the paradigm shift from stability and optimization to flexibility and change to their advantage.

In the context of MSMEs in India, understanding the new reality of gig workers, freelancers, intermediary firms and the competitive advantage of sourcing and managing them to MSMEs can lead to new opportunities for these enterprises. Exploration of the benefits and drawbacks of HR outsourcing in terms of operational efficiency, cost reduction, and focus on core business activities is important to understand for strategizing the HR strategies and practices. Thus, the researcher proposed to explore the link between HR outsourcing and economic viability through the following hypothesis.

**H5: HR outsourcing does not have a positive impact on the economic viability of Indian MSMEs.**

#### **f. Employee-centric HR practices and Innovation & Product quality**

As identified in the literature review, competitive advantage for MSME is based on three basic capabilities like innovation capabilities, production capabilities and market management capabilities. Innovation refers to the organization's capability to uncover new ways to do things, create novel solutions to critical problems, develop new processes, methodologies, ideas, products and services, while responding to evolving customer needs (Rivera, 2017; Zighan & Dwaikat, 2020). The capacity to innovate will inspire organizations to continue providing new things (particularly to consumers), compete, and be more sustainable in their company operations. (Afdal et al., 2021).

However, MSMEs' failure to attract the right talent, keep employees engaged and retain key talent owing to their resource constraints put them in a disadvantageous position to nurture

this key capability of innovation. Whereas, the success of MSMEs in a competitive market dramatically relies on the degree to which they can innovate. It entails managing employee perception (Mallet & Wapshott, 2015) by reorienting the HR policies towards more employee-centric approaches for developing a thriving workforce to foster engagement, lead innovation and ensure customer satisfaction and loyalty through quality of good and services (Gilch & Sieweke, 2021). Exploring the relationship between employee-centric HR practices and innovation in MSMEs is critical to understand the dynamics of HR ecosystem in MSMEs. Hence the following hypothesis is proposed.

**H6: The development and implementation of employee-centric HR practices are not key drivers of innovation and quality of product & services**

**g. Maturity level HRM practices & processes and Skill & Leadership development and Technology adoption capability.**

The resilience and overall productivity of MSMEs are greatly impacted by the skill set, drive, and flexibility of their workforce. Availability of skilled manpower is a pre-requisite for achieving technological capabilities for sustaining in the hi-tech era and hence, MSMEs must give priority to developing their human capital (Purnomo et al., 2024) progressively with the required skill set and leadership capabilities (Young, 2015) for execution of organization's strategies in a systematic manner to achieve a desirable state of sustainable competitive advantage for MSMEs. Maturity models describe gradual improvement paths toward the development of good practices, to the point of achieving a desirable state in any organization (Lacerda & von Wangenheim, 2018). Maturity addresses the extent to which an organization has consistently implemented processes or practices with a clearly defined scope, thus contributing to the achievement of project objectives (Vasquez et al., 2021). According to the study by Curtis et al. (2009), many industries claimed that the People-Capability Maturity

Model (P-CMM) is a strategy for transforming an organization in the modern era by improving workforce practices progressively.

Examining the link between HRM maturity level, skill & leadership capabilities, and technological capabilities within this context provides insights applicable to the thesis's objectives. Hence, the following hypothesis is proposed.

**H7: HRM maturity level [under PCMM] is not linked to Technology adoption capability of MSMEs and Skill and leadership development does not mediate the link.**

**h. Extent of formalization of HR, Ethical governance and Employer Image.**

HRM activities in SMEs are mostly informal and lack strategic integration. Singh & Vohra (2009) and Agarwal & Jha (2015) found that SMEs lack formal processes and much of the day-to-day tasks are carried out informally, based on personal equations and relationships which often lead to ad-hoc and uncoordinated management of human resource and is inversely related to involvement of the owner-manager in managing human resources.

However, according to Koch and McGrath (1996), balancing indigenization and formalization for HR practices would become essential for leveraging full potential and realizing vision as the MSMEs grow. The trend of lack of focus on HRM affects employer image of MSMEs.

Formal and documented practices enhance transparency, trust and fairness at workplace and they positively influence perception of stakeholders (Delery and Roumpi, 2017). Reputation of an organization can be maintained by ethical programs. Now a days reputation is everything which is helpful in making business relations, strengthening business, and gaining loyalty of client in any organization. It is the time when organizations must consider ethics as its core value and start practicing it in management of the organization. It is the basic need to run business in this era (Mehboob and Hashmi, 2017).

To conclude, there is much research that indicates that management values and ethics are important element of sustainability in the MSMEs segment and formalization of HR makes the organization appear as ethical and attractive through transparency and fairness. While MSMEs need to balance formality and informality to successfully operate in a dynamic business environment, the researcher still expects an underlying relationship between the extent of formalization, employer image and ethical governance.

**H8: Higher the formalisation of HR is not positively linked to Ethical governance and perceived Employer Image does not mediate the link.**

**i. Positive work culture and Stakeholder & Customer Loyalty; and organisational agility & responsiveness.**

In the contemporary and rapidly evolving business environment, competitive landscapes are marked by perpetual change and inherent unpredictability. Therefore, the agility to respond quickly to various changes by being flexible and adaptable to the dynamics is a key success factor (Zighan and Dwaikat., 2020). Flexibility, learning, speed, innovation, and strategy have been identified as the core organizational capabilities essential for achieving and sustaining competitiveness over time (Harraf et al., 2015; and Appelbaum et al., 2017).

A positive workplace culture promotes learning, inclusion, and well-being among employees and aligns with the core values and goals of the organization. After having examined the different dimensions of a positive work culture, Radu, (2023) concluded that these dimensions collectively contribute to a thriving workplace where employees are motivated, engaged, and aligned with the organization's mission which can positively influence the organization's profitability and sustainability. SMEs have several advantages in terms of agility compared to large organizations, as their medium and small size offers them dynamism, superior flexibility and better responsiveness to changing situations supported by a positive work culture.

To sum up, there is enough evidences in research which indicate that the perceived agility and responsiveness of MSMEs nurtured by a positive work culture can enhance loyalty of stakeholders and customers which are key success factors for sustainability of MSMEs. Thus, the researcher expects an underlying link between positive work culture, stakeholders and customer loyalty and agility & responsiveness.

**H9: A positive work culture is not related to stakeholder & customer loyalty organisational agility & responsiveness in MSMEs do not mediate the relationship.**

**j. HR Strategy & Plan, Employee retention and Technology adoption capabilities**

One of the most important constraints before MSMEs in India is to acquire and maintain critical skill sets for continuously fuelling business performance. These constraints badly affect their much-needed capabilities for continuous improvement, maintaining quality of product and services, cost containment, through technology adoption and upgradation.

Technology adoption, a key element for sustaining the changes, needs a capable workforce to operate, maintain and improve further through innovation which entails hiring in right number, at right time, from right sources, with right behaviour and qualities, continuous development, motivation for higher level of engagement, innovation and retention. They require a well-planned and systematic people strategy & practices. However, MSMEs hesitate to invest in HR and remain contented with the ad hoc approach.

In the backdrop of increasing importance of technological interventions and the criticality of capabilities for retaining the core employees for operational efficiency, the researcher is keen to examine the association between presence of HR strategy & planning in MSMEs, employee retention and technological capabilities which is one of the business sustainability parameters.

**H10: HR strategy and Plan is not linked to technological capabilities and Employee retention does not mediate the link.**

**k. Legal compliances capability and ethical governance**

Over the years, buyers and customers have gained power over producers and sellers in the market. They have gained control over markets whose choices and preferences can affect business performance. Ethical standing of companies and their leadership have become critical factors that influence the preferences and choices of stakeholders. As such employers have to be mindful about ethical standards in the conduct of their business. Turyakira, (2018) finds that businesses that operate without regard for ethical values are likely to run into problems with the law, customers, employees and business partners. Consequently, business reputation will suffer and the loss of business from unethical behaviour could be significant and difficult to erase. Again, non-adherence to ethical standards and failure to comply with legal obligation can result in financial penalties, disruption to operations, loss of trust of stakeholders, and adversely affect reputation of MSMEs which in turn affect their long-term viability (Purnomo et al., 2024). In fact, businesses with high ethical codes of conduct and a commitment to enhancing integrity are not only profitable but more likely to succeed in a commercially competitive world (Haron et al., 2015). Hence, Legal Compliance Behavior, measured by the extent to which MSMEs adhere to and comply with legal regulations governing their operations is a key indicator of ethical governance of MSMEs.

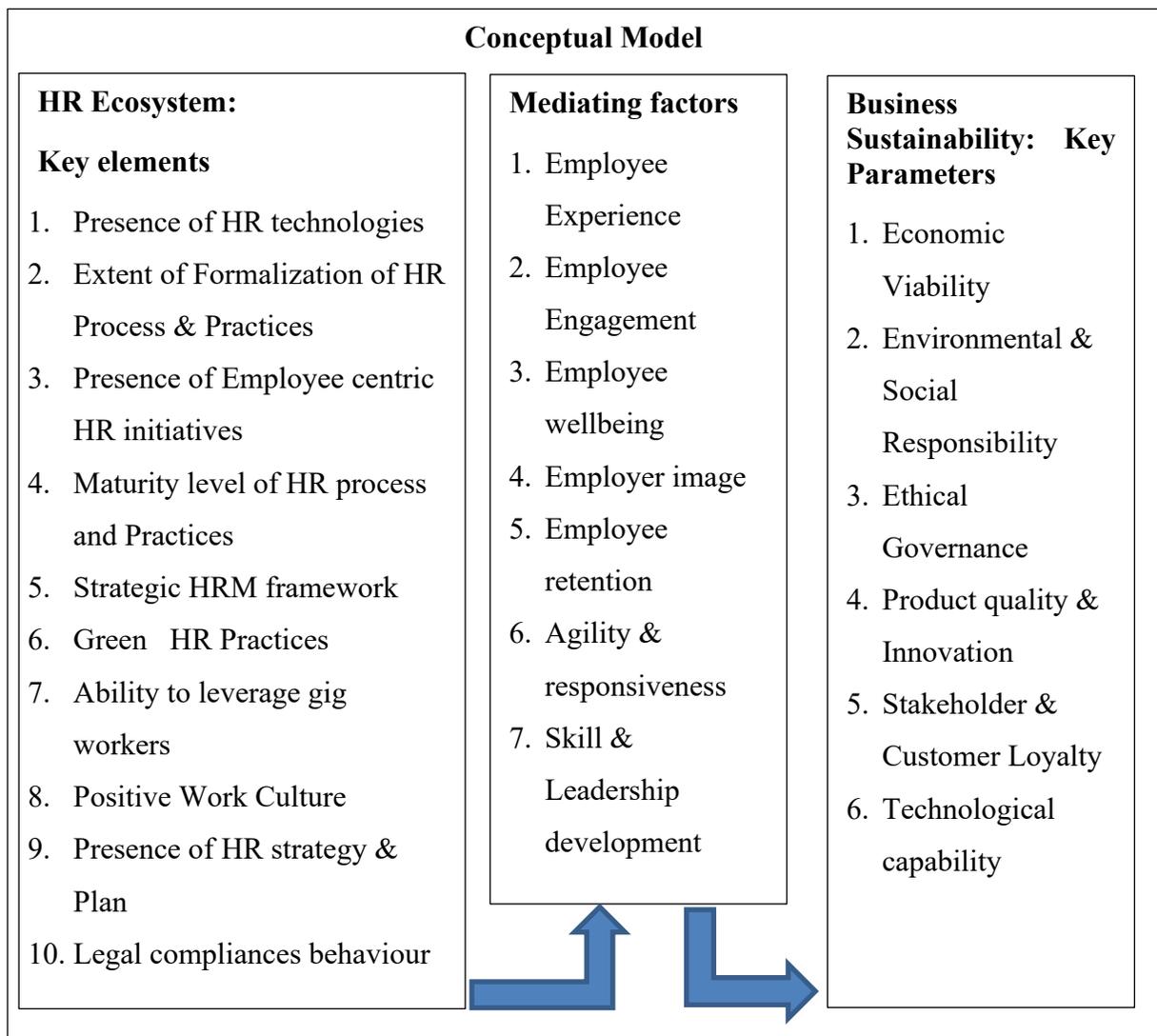
In the above backdrop, it is important to investigate the link between legal compliance behaviour of MSMEs, and its impact on employer image and ethical governance.

**H11: Legal compliances behaviour of MSMEs is not positively related to the perceived ethical governance of MSMEs and employer image does not mediate the relationship.**

## 1.6. Conceptual Model

The literature review identified ten elements of HR ecosystem for MSMEs and six parameters for the construct business sustainability. Furthermore, seven factors have been identified which mediate the relationship between the ecosystem elements and business sustainability parameters. In the light of the literature review and the hypotheses derived therefrom, the following conceptual framework evolved for the empirical study.

**Figure 1.1** Conceptual Model



*Source: developed by the researcher.*

## **1.7 Limitations, Delimitations, and Assumptions**

### **Limitations**

There are various limitations of this study that could restrict how far the outcomes can be generalised. Most importantly, since the research just focused on MSMEs in India, its findings might not be generalisable to MSMEs in different countries, particularly those with various HR strategies and economic circumstances. Besides, survey and interviews are the principal techniques used to gather information, which might bring about self-reporting bias assuming participants give answers that are balanced than honest. The research study's ability to draw broad conclusions about the entire Indian MSME sector might be restricted by the nearly small sample size, which may likewise restrict the findings' statistical power. Because of time limitations, a cross-sectional methodology, focusing on the impacts of sustainability and present HR practices without monitoring changes over time, was used for the study. Similarly, the study has not considered segmentation within MSMEs due to scarcity of resources and time. Non availability of complete data of about 633 lakh MSMEs is yet another limitation. Non-availability of email ids of employees of MSMEs in remote villages and lack of net connectivity at several locations are other limitations in data collection. Lastly, participants' varying levels of education and language barriers might create understanding issues, which could influence the validity of data acquired through surveys and interviews.

### **Delimitations**

The HR ecosystem within Indian MSMEs is central theme of the research; larger organisations, which mostly have more formalised and organised HR frameworks, are excluded. This choice was made to concentrate on the specific HR challenges and sustainability concerns those smaller businesses in India face. Besides, the research just looks

at HR practices with regards to business sustainability; it purposely leaves out other organisation activities that can affect MSME sustainability, such as finance, marketing, and operations. The study's geographic focus is on MSMEs in India and it makes no attempt to extrapolate its findings to MSMEs somewhere else, recognising that regional and segment variations may be significant in sustainability issues and HR practices. Concerning HR practices, this study centres around digitalisation, employee engagement, green HR, degree of formalisation, Skill and leadership development, employee centric HR practices and strategic HRM frameworks instead of investigating each potential HR function. This expansiveness allows for a more thorough assessment of these particular elements, which are believed to be significant forces behind sustainability in the modern business climate for MSMEs.

### **Assumptions**

To lay the foundation for the interpretation and analysis of the information, the research makes several assumptions. To begin with, it is assumed that the respondents, who are mostly employees, managers and HR experts working for Indian MSMEs, are adequately knowledgeable about their HR procedures and can express how they impact the viability of their organisations in the long run and provided honest response. The research makes the assumption that HR practices affect business sustainability as it relates to MSMEs and that HR enhancements can have a favourable effect on these companies' sustainability. It is assumed that the six parameters identified in the literature review broadly constitute the business sustainability and the ten elements form the HR ecosystem. The body of research on HR practices and MSME sustainability offers a groundwork for grasping these connections in the Indian setting, which is another significant assumption. Lastly, the research makes the

assumption that, regardless of the sample size and diversity limitations, any findings are representative of trends throughout the larger Indian MSME sector.

### **1.8 Definition of Key Terms**

The explanation of the important variables used are provided hereunder.

**Agility & responsiveness:** According to Harraf et al. (2015), innovation, flexibility, responsiveness, adaptability and resilience are at the core of organizational agility. It refers to a company's capacity to promptly adjust to changes, fulfil new requirements, and effectively respond to market fluctuations. These characteristics are basic for safeguarding competitiveness, guaranteeing client happiness, and creating an adaptable workplace that can accommodate quick expansion. Responsiveness is the organizational quality of reacting quickly and positively to a change in the external environment. It corresponds to the speed at which an organization responds to the evolution and unexpected development of their customer needs, including anticipated needs (Appelbaum et al., 2017).

**Business Sustainability:** The effectiveness of an MSME to preserve economic viability while balancing social and environmental commitments is referred to as business sustainability in this research's context. The business sustainability parameters include Economic Viability; Environmental & Social Responsibility; Ethical Governance; Product quality & Innovation; Stakeholder & Customer Loyalty and Technological capability.

**Digitalisation of HR Processes:** The utilisation of digital technology to automate and streamline HR activities, including recruiting, payroll, performance reviews, and employee engagement, is known as digitalisation (Isokallio, 2020). Digitalisation is being seen by Indian MSMEs as a method for expanding efficiency, worker satisfaction, informed decision making and the accessibility of HR services.

**Economic Viability:** Economic viability is one of the business sustainability parameters which measures an organisation's competency to generate revenue and keep going in business for long. This concept is crucial for MSMEs in the light of the fact that it upholds their capacity to pay their debts, reinvest in development, and maintain their resilience in markets that are dynamic and competitive.

**Employee centric HR initiatives:** It is one of the HR ecosystem elements which put the necessities of employees first with an end goal to make an inviting, stimulating, and satisfying workplace. Programs for work-life balance, mental health, flexible scheduling, professional development and positive work environment are among them which eventually raise employee motivation, loyalty, and output.

**Employee Engagement:** The level of commitment, passion, and zeal that employees have for their organisation and to the roles is referred to as employee engagement. Positive contributions from engaged employees are bound to boost output and advance corporate objectives (Budrienė & Diskienė, 2020). Since engaged workers are frequently more motivated, productive, and aligned with organisational vision and goals, more engagement is seen to be crucial for sustainability.

**Employee Experience:** Each experience a worker has with an organisation, from hiring to everyday tasks, professional development, and working conditions, is included in the employee experience. Positive experiences enhance efficiency, loyalty, and engagement, which directly affects an organisation's ability to retain individuals and foster a strong, cohesive staff.

**Employee retention:** An organisation's proficiency to maintain the commitment, motivation, and engagement of its workforce for long is known as employee retention. Competitive

compensation, a great workplace culture, and valuable growth opportunities are often the keys to high employee retention.

**Employer image:** The way that current and potential employees see an organisation's principles, culture, and workplace is known as its employer image. A great employer brand influences hiring decisions and the performance of the company as a whole by luring top talent, keeping hold of existing staff, and improving public and stakeholder perception.

**Environmental & Social Responsibility:** This involves a business' commitment to environmentally and socially mindful practices, like waste minimisation, ethical labour norms, and community service. Such responsibility enhances an organisation's image, fulfils stakeholder expectations, and supports sustained, morally sound commercial success.

**Ethical Governance:** Adherence to moral standards and transparency in corporate tasks, including honesty, responsibility, and equity in decision-making, are aspects of ethical governance. By aligning organisation activities with broader society ideals, it advances sustainable business practices, reduces the risk of unethical behaviour, and builds trust among stakeholders.

**Formalisation of HR Process:** This is a reference to the standardised, organised and documented strategies and policies utilised in HR activities that ensure responsibility, consistency, transparency and alignment with corporate objectives. Formal and documented practices enhance transparency, trust and fairness at workplace and they positively influence perception of stakeholders (Delery & Roumpi, 2017).

**Gig Workers:** Gig workers are independent contractors or freelancers who work under temporary contracts as opposed to full-time jobs and the process is called HR outsourcing.

**Green HR practices:** They refer to human resource strategies that are environmentally sensitive and intended to encourage sustainability inside the company (Malik et al., 2020) and sustainable use of resources within organizations (Deshwal, 2015). Reducing paper consumption, putting eco-friendly staff practices into place, and developing an environment-conscious culture are some of the examples. Green HR practices are expected to enhance business image further, attract eco-aware employees, and encourage customer loyalty in the Indian MSME sector.

**HR Ecosystem:** The network of HR techniques, frameworks, policies, and practices within an organisation, as well as the external forces influencing these aspects, are described in this research as the HR ecosystem (Snell et al., 2023). The literature review identified ten interdependent elements which are considered in the research model as the elements of HR ecosystem as a construct. Recognising that a robust HR ecosystem might advance resilience and adaptability, the concept features the consolidated contribution to improving business sustainability within Indian MSMEs.

**Legal compliances behaviour:** Complying with labour laws, regulations, and industry norms, including equitable employing, safety, and benefits administration, constitutes legal compliance behaviour in human resources.

**PCMM (People Capability Maturity Model):** The PCMM model is expected to enhance employee behaviour and evaluate the level of HR management maturity in an organisation. It offers a five-tier organised technique for assessing and improving employees' abilities – Initial, Managed, Defined, Predictable, and Optimising. The PCMM framework is utilised in this research as a standard to evaluate the HR maturity level of Indian MSMEs.

**Positive Work Culture:** A work climate where workers feel valued and inspired is nurtured by positive workplace practices that promotes inclusion, respect, recognition and worker well-being. Higher employee engagement, productivity, and organisational loyalty are the results of this culture's encouragement of teamwork, creativity, and stress reduction, all of which are essential for retention and long-term company success.

**Product quality & innovation:** Product quality and innovation refer to the capacity to generate dependable, high-quality offerings while consistently advancing and launching innovative solutions. Long-term success for MSMEs is built on upholding quality and encouraging innovation, which improves market expansion, competitive advantage, and customer satisfaction.

**Skill & Leadership development:** Skills and leadership development entails organised training and mentorship programs. Prioritising skill development and leadership advancement not only increases organisational capacity but also empowers individuals, creating a workforce that is future ready for addressing any difficulties.

**Stakeholder & Customer Loyalty:** Stakeholder and customer loyalty showcases that stakeholders and consumers have remained loyal to the company because they believe in its ideals and products. High levels of loyalty are a reflection of satisfied customers, reliable service, and shared values, which fortify client bonds and offer stability and expansion prospects.

**Technological capability:** A company's ability to successfully embrace, use, and integrate technology to further enhance efficiency, decision-making, and competitiveness is referred to

as technological capability. Strong technology capabilities are crucial for MSMEs to maintain relevance in quickly changing markets, change digitally, and operate efficiently.

## **1.9 Background**

Indian MSME sector forms a vital segment of the country's economic fabric, contributing significantly to its Gross Domestic Product (GDP), exports, and employment generation. These enterprises span across almost every sector of the economy and are known for their dynamism, innovation, and resilience. MSMEs in India are diverse, ranging from traditional family-run businesses to tech startups, each playing a strategic role in the economic and social development of the nation (Jansson et al., 2017). The MSMEs, nonetheless, face various obstructions that impede their viability and expansion, like scarce resources, a dearth of cutting-edge technology, and limitations on operational scalability (Chowdhury et al., 2024). The significant challenges include access to finance (Hidde & Masurel, 2000), market access and competition (Tajammal & Sheikh, 2013), technology gap, regulatory challenges (Jain & Winner, 2016), inadequate infrastructure and logistics such as unreliable power supply, poor transportation networks, and lack of digital infrastructure (Ghatak, 2010), significantly increased operational costs and reduced efficiency etc. Human resources management is another area where MSMEs face challenges. Recruiting, engaging and retaining skilled employees are difficult for smaller enterprises that might not be able to offer the similar Employee Value Proposition (EVP) as larger organizations are able to offer. Additionally, MSMEs often lack formal learning and development programs, which are essential for enhancing employee skills and increasing productivity.

Despite these challenges and hurdles they face, the landscape for MSMEs is ripe with opportunities such as access to global market for expansion and scaling up (Moreno & Casillas,

2008), digital transformation to streamline operations, reduce costs, and increase efficiency (Bhatia, 2012), innovative ways to engage with customers and improve the customer experience, which is crucial for business growth (Melissen et al., 2016), government-led training programs and skill development initiatives to enhance the availability of competent human resources available for MSMEs (Renwick et al., 2013) and emergence of gig workers and freelancers.

HR can play a pivotal role in addressing challenges and leveraging opportunities for building sustainability for Indian MSMEs. India's HR environment has been evolving significantly, particularly in the MSME sector (Shelly et al., 2020). Since HRM has a direct bearing on efficiency, employee engagement, and organisational resilience, the HR ecosystem inside MSMEs is fundamental to handling these issues. In spite of its importance, HR in MSMEs is much of the time lacking because of low technological adoption and obsolete strategies (Hendrawan et al., 2024). Dangmei (2017) found that MSMEs have a significant role in the growth of Indian economy and contribute to generating employment especially in the rural areas. Researches have indicated that investment in development of human resources leads to increase in MSMEs' competitiveness and performance. Therefore, in order to guarantee sustainability and long-term success, MSMEs must give priority to developing their human capital (Purnomo et al., 2024) which is crucial for technology adoption in the modern era. The researcher believes that a customised HR approach, build on the unique business context and imperatives of MSMEs, can work for them in building competitive advantage for MSMEs to sustain in the globalised economy. The motivation behind this study is to examine the key elements of HR ecosystem of Indian MSMEs, and how an ecosystem approach to HR adds to the sustainability of the MSMEs.

## CHAPTER II

### LITERATURE REVIEW

#### 2.1. Introduction

In the contemporary landscape of business, Human Resources plays a pivotal role in delivering organizational success and sustainability (Linnenluecke et al., 2009). For Indian MSMEs, HR practices are not only instrumental in enhancing efficiency and productivity but also in adapting to the ever-evolving business environment (Aldrich & Von Glinow, 1992; Pfeffer, 1998). As the Indian MSME sector continues to grow and adapt to global changes, it is essential to explore the evolving HR ecosystem within these enterprises (Markman & Baron, 2002; Scase, 2003; Wu et al., 2015).

This thesis is a comprehensive exploration of the HR landscape within Indian MSMEs, with a particular emphasis on the dynamic interplay of trends, opportunities, and challenges. By evaluating and analyzing primary literature sources, such as first-hand reports of original studies predominantly found in academic journal articles, and secondary literature sources encompassing critical evaluations and syntheses of original studies, this exploration seeks to illuminate the key elements of an HR ecosystem and the multifaceted nature of HR practices within the context of business sustainability of Indian MSMEs. The sources of information examined in this chapter encompass a wide spectrum, including academic journals, conference proceedings, technical reports, books, along with other pertinent publications. This diverse range of sources ensures that the research is grounded in a robust foundation of both empirical findings and expert insights. The synthesis of these sources gave a thorough understanding of the future trajectory of HR systems within Indian MSMEs, as well as the challenges and opportunities that lie ahead.

## **2.2 Inclusion criteria**

The researcher searched the literature with the help of Google Scholar and accessed journal articles from JSTOR, Research gate, Academia.edu, ProQuest, SpringerLink; Emerald Insight; ScienceDirect; Wiley Online Library, SAGE Journals, and EBSCO. The SSBM online library was also used to get relevant journals. The keywords used in the search included HR ecosystem, business sustainability, MSME HR, Green HR, training and development, employee engagement, gig workers, HR formalisation, HR technologies, MSME challenges, PCMM, HR strategies, HR outsourcing, etc. The search terms were used either independently or in possible combination.

The process adopted to identifying literature is similar to a snowballing approach. The search was primarily involved peer-reviewed journal articles because they offered a level of credibility in research findings. Additionally, relevant textbooks and practitioner trade journals, and government published data were also considered. A specific time interval of materials chosen to capture authentic and authoritative literature was not feasible for the study as it is an under explored area. To provide a comprehensive critical analysis, the researcher considered specific research papers that relate to the topic. Selection of pertinent articles was done by reviewing the titles and carefully reading the abstracts of the articles. The criteria used for screening of literature hinged on the defined focus of the resources to the research topic.

The comprehensive search resulted in identification of 472 publications related to the areas of HR in MSMEs and business sustainability published as articles, reports, and books. After thoroughly examining the literature, 157 references are used and discussed in this thesis report.

### **2.3. Organization of Themes**

The relevant themes under the study as emerged out of a detailed study of literature are summarised in the following sections. The major themes include HR landscape in Indian MSMEs, HR transformation, HR trends, Opportunities, Challenges, HR ecosystem and Business sustainability. At the end, the chapter deals with the current scenario of HRM Research in the context of MSMEs.

#### **Landscape of HR in Indian MSMEs**

Despite the potential MSMEs keep, HR practices are still considered to be emergent rather than fully developed because relatively little focus has actually been placed on HR practices in MSME context (Bhattacharjee & Bhattacharjee, 2015). There is a great need to identify and formulate HR strategies for MSMEs and start-ups (Kumar, 2019).

Debi & Budhwar (2008) find that the success of small enterprises largely hinges on the enthusiasm, competency, resources and commitment of owners around whom the enterprise revolves and they consider formal processes as irrelevant. The paper argues that the willingness to innovate and formalize the HR systems is constrained by a kind of bounded rationality, i.e., the owners of SMEs mostly believe that they are already doing what is humanly possible in this regard. However, the research has not explored the effect of the indigenous ways of managing human resources on the sustainability of the business operation. The authors further state that SMEs eventually have to intertwine indigenization and formalization for their people management approaches in order to realize their full potential and to progress towards fulfilling their vision. However, there is no empirical investigation on the specific formal people management approach noted in their work. The leadership in Indian MSMEs revolves round the owners. The study by Garavan et al. (2016) gives a

framework for leadership development in MSMEs considering their unique work environment. However, the style of leadership and cost-effective leadership development practices to be followed by MSMEs for sustaining their business need to be further studied empirically.

Virk (2017) in his study on the role of HRM in MSMEs highlights the importance of effective HR practices in retaining employees in Indian organizations. This study underscores the relevance of the thesis topic by emphasizing the connection between HR practices and their functions. Indian MSMEs, as vital components of the business ecosystem, can benefit from understanding and implementing effective HR strategies for employee retention and, consequently, sustainability. Further, the study by Hiremath & Mandali (2019) gives prominence to better HR practices of recruitment, selection, training and compensation along with other function of production, finance, logistics and marketing for amplifying competitiveness of MSMEs.

Virk's (2017) research discusses several HRM strategies and practices that MSMEs can adopt to address their unique challenges. These strategies include workforce planning, skill development, performance appraisal, employee engagement, and talent retention. A potential limitation of this analysis is that it does not provide information on the research methods used in the mentioned paper. A more detailed exploration of HR practices, contextual specificity, and transparency about research methods would further enhance its contribution to the understanding of HR landscape in Indian MSMEs.

MSMEs usually have limited formal HR plans, which leads to less alignment between HR operations and overall company goals (Singh & Singh, 2023). Seventy percentage of the MSMEs in India have no formal department for HR or dedicated personnel to carry out HR functions. This is in contrast to large corporations operating in India who have adopted well-

structured and formalized HR processes (Hiremath & Mandali, 2019; Bose, 2007). Owners are in charge of all HR/employee relations policies in MSMEs (Krishnan & Scullion, 2016). There is not yet a widespread adoption of strategic HRM practices among MSMEs in Indian businesses which leads to serious issues for attracting motivating and retaining core employees as these MSMEs lack tools and resources for effective hiring, offering attractive compensation and extending learning opportunities as larger organizations do (Srivastava & Gangawar, 2023)

### **Need for HR transformation**

HR transformation aims to improving performance through a process of reassessing and redesigning HR functions in an organization (Rothwell & George, 2012) and it is a comprehensive re-evaluation of HR functions and their alignment with the organization's broader strategic objectives (Wiley & Pettigrew, 1992; Ulrich, 1997). Redesigning HR functions is key to address the current and emerging challenges and organizations can better support employee productivity, engagement, and overall effectiveness which can directly lead to the achievement of business objectives (Fombrun et al., 1984). The fast growth and spread of information and communication technologies have brought changes in business operations in many organizations (Morgan & Page, 2008; Ismail et al., 2017; Muduli & Trivedi, 2020). Technology plays a vital role in HR transformation (Khin & Ho, 2019). The adoption of HR information systems, data analytics, and automation can streamline HR processes, allowing HR professionals to focus on strategic aspects of business (Johnson et al., 2016).

HR transformation is influenced by HR business partner model (Ulrich, 1997) and it emphasizes the role of HR in different organizations (Francis & Baum, 2018). Rothwell & George's (2012) research on HR transformation highlights the strategic and evolving nature of HR functions within organizations. This investigation provides valuable enlightenments for

HR professionals, leaders, and organizations striving to adapt and thrive in the business landscape. Rothwell & George's (2012) research highlights how the paradigm of HR is evolving from a predominantly administrative in approach to a more strategic one. HR is increasingly viewed as a partner in shaping the organization's future, focusing on talent management, leadership development, and culture-building (Baird & Meshoulam, 1988).

HR transformation often involves shifting towards more employee-centric approaches. This includes a thrust on employee well-being, career development, and an inclusive work environment, all of which contribute to a more engaged and satisfied workforce (Gilch & Sieweke, 2021). The challenges of MSMEs are to attract the skilled manpower, retain core employees, engage for innovative and superior performance, and develop critical skill sets for operation and leadership capabilities in a dynamic business environment. Similarly, being innovative, agile, quality oriented, cost competitive, technology oriented, etc. are other challenges to remain sustainable in the competitive market. There are enough evidences in the literature which suggest that human resource is at the centre of all these attributes of sustainability of MSMEs. They call for having a human resource strategy & plan to achieve competitive and business sustainability capabilities through well planned and systematic people practices.

MSMEs in India are challenged with scarcity of highly skilled and motivated employees today (Lis, 2012). The emergence of a fluid workforce - platform-based gig workers, freelancers and intermediary organizations - has made it imperative to undergo a paradigm shift in the traditional role of HRM which was to maintain the employment relationship and job security. As observed by Meijerink & Keegan (2019), the HR practices for managing gig workers to the advantage of MSMEs is an evolving challenging area of HRM.

One of the recent advancements in the HRM domain is the addition of environmental perspective known as Green Human Resource Management (GHRM). With everyone, from customers to employees to investors becoming more and more environment conscious, 'Green Human Resource Management (referred as green HRM or GHRM)' is emerging as a significant area in management (Ullah & Jahan 2017). Thus, HR transformation revolves round the need for sustainability of business in the wake of emerging people management challenges.

### **Trends in the future of the HR ecosystem**

The work of Scott et al. (2022) aligns with the thesis's dimension of assessing trends within HR. It discusses how Indian MSMEs are adapting to the evolving talent management practices. This paper provides valuable insights into the changing HR landscape within these enterprises, a crucial aspect of assessing future trends. These insights are instrumental for understanding the dynamics of HR within this sector and align with the broader aim of assessing future HR trends. The research highlighted three trends that are shaping HR ecosystems i.e. Technological mediation, Impermanence & Adaptation, and Shared governance.

Technological mediation: Technology, especially web-based platforms for collaborative work, has changed where and how work is done (Kim et al., 2021). It enables diversity, distribution, and virtual networking, expanding the number and resources of important skills (Driskell et al., 2003). Technological mediation has profoundly transformed organizations by altering their processes, systems, and structures. This transformation impacts not only the architecture of organizations but also extends to entire value chains. For instance, Yalenios & d'Armagnac (2023) observed how digitalization is revolutionizing method of production,

influencing work nature, the workforce, the workplace, and HR strategy. They explored the challenges and prerequisites for implementing new HR systems in this context.

**Impermanence & adaptation:** The strategic realignment from stability and optimization to flexibility and change is the second key factor driving performance. Impermanence of work is a fundamental trend shaping the contemporary ecosystem of work and organizations. It reflects the evolving nature of work, characterized by a shift away from traditional, long-term employment relationships towards more dynamic and impermanent arrangements. This transformation is driven by various factors, including the advent of the gig economy, advances in technology, and changing worker preferences (Einola & Khoreva, 2023). In this new landscape, job security is no longer guaranteed, and individuals often engage in short-term, project-based, or freelance work. They move between roles, organizations, and industries more frequently than in the past. The impermanence of work challenges traditional HR practices and calls for more agile and adaptable approaches to talent management (Malik et al., 2023). Organizations are also adapting to this trend by reimagining their structures and processes to accommodate a more fluid and contingent workforce. They are leveraging technology to connect with external talent and inculcating a learning culture and upskilling to remain competitive (Driskell et al., 2003). This trend reflects the evolving nature of the labour relation, emphasizing the transient and dynamic nature of the labour force (Keegan & Meijerink, 2023).

Impermanence of workers is another trend. In today's work environment, employees are increasingly seeking flexibility, mobility, and diverse experiences in their careers. Traditional long-term employment with a single organization is giving way to a more transient workforce (Ashford et al., 2018). Workers, driven by various factors like personal choice, technological advancements, and economic conditions, are inclined to change jobs, roles, or even industries

more frequently (Cross & Swart, 2020). They engage in project-based work, freelancing, and short-term contracts, often referred to as the gig economy (Bidwell, 2013; Hyatt & Spletzer, 2016). Organizations are responding to this trend by reevaluating their HR strategies and practices. They must adapt to managing a more fluid workforce that includes both traditional employees and contingent workers. The impermanence of workers challenges HR departments to focus on attracting and retaining talent, even for shorter durations, and to ensure that workers remain engaged, productive, and committed (Kasriel, 2017).

Impermanence of organization can be seen as an evolving change. Organizations are no longer built to last indefinitely in today's evolving environment characterised by fierce competition. The traditional model of a stable, hierarchically structured company with a fixed set of employees and functions is being challenged. Start-ups emerge and disrupt established players, and some large corporations face the risk of obsolescence (Burke & Morley, 2023). Organizations are increasingly recognizing the necessity to remain adaptable and responsive to changes. This trend has several implications for Human Resource Management (Kang et al., 2007). HR professionals must facilitate the ways and means to maintain the strategic talent strength within organizations that may have shorter lifespans or may undergo frequent restructuring (Swart et al., 2014). The impermanence of organizations emphasizes the need for HR to align its practices with the ever-evolving nature of businesses, ensuring that the employees remain equipped to thrive in a dynamic and evolving organizational landscape. Shared governance, the third way to create an employee ecosystem. HR systems should be devised to design relationship patterns within the macro ecosystem, recognizing the complexity of shared governance and the continuous adaptation required in such environments. Building trust and norms of reciprocity is integral to successful shared governance within HRM (Yalenios, J. & d'Armagnac, S., 2023).

## **Opportunities for MSMEs**

Although performance is difficult to measure, existing studies show that some human resource management practices, like investment in human capability development (e.g. technical training), improving quality of work life, and employee services, are effective in improving business especially in developing countries such as China (Chams & García-Blandón, 2019). The research work of Ahamed & Raju (2023) contributes valuable insights that are directly relevant to and aligns well with the ‘Opportunities for MSMEs’ section of the thesis. It offers practical insights into how MSMEs can harness emerging trends in talent management to their advantage. The opportunities for MSMEs in India as per this research paper are the Government policies and initiatives, innovation, export potential, and exploring the growth and impact of green technologies in today's world. According to the researcher, even though the paper highlights emerging trends in talent management, it may not provide an exhaustive exploration of the specific opportunities that these trends present. Future research can benefit from delving deeper into the practical opportunities associated with these trends. For instance, it could detail how MSMEs can adapt their recruitment processes, talent development strategies, or employee engagement initiatives to capitalize on these trends.

Introduction of green HR practices in HR paradigm brought immense opportunity for MSMEs to reposition themselves. Yarnal & Patil (2024) found that through green HR activities, MSMEs may improve their brand image and draw in devoted clients in response to growing stakeholder and consumer expectations for environmentally responsible company operations which is another area of immense opportunities to MSMEs to capitalize on to build competitive advantage. Legal compliance behavior is crucial for building sustainability. Legal compliance in MSME businesses are not merely legal obligations but also a solid foundation for ethical

standards for sustainable and responsible business growth. By integrating legal awareness, and adherence to ethical standards in to management strategies, MSMEs can enhance consumer protection, build trust and customer loyalty, and improve their business reputation and integrity (Elpina, 2024). In addition to compliance with the law, the importance of applying business ethics as a fundamental element cannot be overstated in building sustainable relationships with consumers, enhancing business reputation, and devising strategies for sustainable competitive advantage. Furthermore, consistent application of business ethics can also enhance the employer's image in the eyes of the public and reduce reputation risks due to questionable or unethical practices (Turyakira, 2018).

In their research, Johnson & Gueutal (2011) explore the role of technology in HR practices within Indian MSMEs. This research aligns with the thesis's emphasis on technological trends in the HR ecosystem. The paper highlights the growing importance of technology in streamlining HR processes, a topic essential for assessing future trends and opportunities. Given the dynamic nature of technology, this emphasis aligns well with the thesis's goal of assessing future technological trends and their implications. The paper concludes by emphasizing that the adoption of E-HR and HRIS systems is reshaping the HR landscape. As technology continues to advance, HR professionals cannot ignore to adapt and embrace the changes. The transformation triggered by these technologies position HR as a strategic partner within organizations, enabling analytical decision-making, standardised processes, and better employee experiences.

### **Sustainable HR Ecosystem**

In their research on sustainable ecosystem of human resource management, Cooke et al. (2023) discuss the link between employee engagement and business sustainability in Indian

MSMEs. This paper reinforces the thesis's focus on the role played by HR in the sustainability of businesses. It emphasizes the practical implications of HR practices on overall business sustainability. The paper places a strong statement directly “We further call for the HRM research community to work together more closely to develop a sustainable ecosystem of HRM research.” The term ecosystem has drawn increasing interest from business and management scholars to refer to and examine different facets of organizational life and, increasingly, their interactions (Granstrand & Holgersson, 2020; Mars et al., 2012; Mars & Bronstein, 2018) and this practical orientation is valuable for understanding how HR strategies can directly impact the stability and success of Indian MSMEs. The focus on Indian MSMEs is highly relevant, as these enterprises often face unique challenges in terms of resource constraints and competitiveness. While the paper discusses the link of HR practices with employee engagement, specific practices examined and how they advance engagement and sustainability are not provided. This level of detail would have provided a deeper understanding of the subject matter.

### **The Current Scenario of HRM Research**

The link between HRM and organisational performance has received extensive scholarly interests, generally focused on large companies from developed nations to the omission of studies focused on small and medium enterprises (SMEs) and those from developing economies (Ogunyomia & Bruning, 2015). To date there is a real deficiency of conceptual and theoretical research on talent management in MSMEs and it is important to know more about the distinctive challenges and talent management practices in the specific context of MSMEs (Krishnan & Scullion, 2016). A key issue facing the new business is which human resource policy and process to adopt. In a meta-analytic investigation of mediating mechanisms Jiang et al. (2012) found that organizations can reap substantial gains from

investing in the three HR areas: Skill- enhancing, motivation-enhancing, or opportunity-enhancing HR practices. However, these researches have not investigated what fit to MSMEs and how the basic practices, programmes and procedures look like considering the unique challenging environment and constraints within which Indian MSMEs operate. Extensive research is essential in this period of time, which in turn can extend the knowledge for formalization and implementation (Bhattacharjee & Bhattacharjee, 2015).

MSMEs are managed extremely casually, with implicit and trust-based commitments between the employer and employee. The informality of MSMEs and the intimate personal ties between employers and employees offer intriguing concerns concerning the psychological contract between the owners of MSMEs and their employees, giving it a unique framework for studying employment relationships.

Liberalization of economy, greater expectation of stakeholders, technology-based skills and employment etc., brought swift changes in the overall business environment in India and hence there is a need to look at Human Resource Management differently (Kurian & Naik, 2014).

The survey of literature reveals that regardless of the acknowledged importance of HRM practices in SMEs, there is a scarcity of comprehensive empirical inquiry focusing specifically on the implementation and effect of HRM practices in Indian MSMEs. Indian MSMEs operate in a unique business environment characterized by financial constraint, diverse cultural, economic, agile workforce, agile customer behaviour, technology revolution and regulatory factors. There is a shortage of research that examines the adaptation and customization of HRM practices to suit the distinctive demands and constraints of Indian MSMEs. Attracting and retaining skilled employees is a recurring issue for Indian MSMEs. Leveraging the agile workforce and capitalizing on the new generation employees for

competitiveness and sustainability need altogether a new way of looking at the Human Resource practices by MSMEs in India which is a critical but neglected field of research. The emergence of platform-based gig workers, freelancers and intermediary organizations pose a different challenge to the traditional employment relations and HRM practices. Further empirical studies on HRM practices suitable for sourcing and managing gig worker for competitive advantage would lead to innovation of new HR practices for MSMEs. With the increasing significance of technology in HRM, the extent to which Indian MSMEs are adopting HR technologies and the potential benefits or barriers to their adoption require thorough investigation.

In conclusion, the thesis topic aligns well with existing research papers related to HR in Indian MSMEs. These papers underscore the importance of HR practices, the impact of emerging trends and technology, the challenges faced, and the role of HR in business sustainability. By building upon this existing research, the thesis has the potential to make meaningful contributions to the understanding and enhancement of the HR ecosystem within Indian MSMEs. Cooke et al. (2023) propose that it should be the collective, collaborative, creative and inclusive effort of HRM research community to strive towards a larger vision and a broader area for HRM research by repositioning itself from engaging in HRM research in the world to HRM research for a better world and the effort of the current research has imbibed this direction.

## CHAPTER III

### METHODOLOGY

#### 3.1 Introduction

The specific methods, processes, strategies, and instruments that were employed during the research process to conduct data analysis and evaluate the outcomes are primarily described in this chapter. It explains the principal rationale for the selection of research methodology, instruments and procedures to make sure that the results and conclusions are aligned with the predetermined goals and objectives established in the preceding chapters. This chapter thoroughly covers the "what and how" used in the study framework, allowing readers to make assessment of the project's soundness. Evaluating the study's overall "validity and reliability" is made simpler by this chapter. This chapter goes into further detail on the selection process for each approach, contrasting it with other elements of the research methodology and frequently offering a justification for the way of study that was chosen. It also includes moral issues that maintain morality and do not interfere with the study's goal.

#### 3.2 Research Design

The phrase 'research design' lays suitable foundation and direction to complete the project. It comprises the pattern for data gathering, processing, and measurement. The process of selecting a specific research design includes gathering and examining previously published researches that are germane to the research question (Turale, 2020). The design also seeks to evaluate its reliability and includes components to ensure the generation of reliable results. Making sure the research approach will support reaching the study's purpose is the main reason to consider research design (Mweshi & Sakyi, 2020).

Exploratory, Descriptive, and Explanatory research designs are among the several types of research designs. Exploratory research design takes into account research challenges that haven't been fully identified yet (Casula et al., 2021). This design is qualitative, and a sizable sample is used because the research may also be quantitative. This particular study design is taken into account when a novel problem emerges and data collection proves to be difficult. It is also regarded as an affordable method of conducting research (Nattrass, 2020). The descriptive study design seeks to investigate numerous aspects that enable explaining the stage of the event that might have occurred. Furthermore, it encompasses many techniques for gathering data, such as observational methods, survey methods, and case studies. The outcomes of this study methodology are more externally valid and can be used to highlight issues in the future (Hassan & Khairuldin, 2020). Explanatory research aims to examine relationships to get reliable and accurate findings. This type of study design is used in studies when the researcher is aware of the subject and establishes a connection between variables, but the researcher is not aware of how one variable affects another (Bentouhami et al., 2021).

For this research, exploratory research design is chosen because the research aims at exploring HR ecosystem in MSMEs and its impact on business sustainability to understand the current and future HR trends, challenges and opportunities which is a subject hardly researched and poorly understood at the same time the subject is vital as explained by many scholars. The existing facts on the subject are fragmentary and are also contradictory at times. Therefore, there is a need to know much about the dynamics of HR ecosystem in the unique business context of MSMEs to gain a deeper understanding. Though there are some previous studies on HR in MSMEs, little is known about study of ecosystem approach to HRM and its relation to business sustainability. It is a novel area of research.

There are two main methods for conducting research. The first method of research is qualitative research, which enables the gathering and examination of textual or non-numerical data in the form of open-ended questions and interviews (Tuffour, 2017). Whereas, quantitative method is used for numerical data analysis to establish the statistical relevance of the data (Srimannarayana, 2006). For the present study, a mixed research approach was adopted which involves a combination of both quantitative as well as qualitative research approaches (Teherani et al., 2015). A mixed method has the potential advantage of drawing from the strengths and minimizing the weaknesses of the quantitative and qualitative research approaches (Johnson & Onwuegbuzie, 2004). While the quantitative method offers an objective assessment of reality, the qualitative method enables the researcher to explore and better grasp the intricacy of a phenomenon (Williams, 2007).

### **3.3. Population and Sample**

This research aims to delve into how effective HR practices contribute to the sustainability, competitiveness, and overall growth of Indian MSMEs in this vibrant economic setting. The study's exploration in these areas is directed to uncover the nuanced interrelations between elements of people practices and parameters of business sustainability in MSMEs, contributing valuable insights to both academic research and practical HR strategies in the context of emerging economies like India. As per the MSME annual report 2022-23, in India, there are 633.88 lakh MSMEs in operation. Almost 32% of MSMEs are micro-enterprises, comprising 202.84 lakh enterprises. 219.32 lakh businesses which form 34.6% of all MSMEs, are classified as small businesses. Approximately, 21.12 lakh or 33.4% of MSMEs, qualify as medium enterprises. Furthermore, these MSMEs are distributed across different sectors, such as 29.4% in manufacturing, 23.2% in trade, 27.9% in electricity, and 19.5% in services

(Ministry of Micro, Small and Medium Enterprises, 2023). The population for the study encompasses the owners, the employees, HR practitioners and other stakeholders in the industrial organisations in the MSME sector in India.

For this study, the sample size has been determined as 384 respondents, based on calculations performed with an online sample size calculator. This number represents the individuals from MSMEs that would be surveyed and interviewed. The sample size of 384 is a balanced figure that indicates expected variability without the need for an excessively large sample.

Furthermore, the categorization of MSMEs into micro, small, and medium segments and distribution in to different sectors have mirrored in the sample to ensure it accurately reflects the industry distribution.

A stratified random sampling technique is implemented, segregating the MSMEs into groups based on their sector and size. From each group, a random sample is drawn to give each MSME an equal opportunity to be part of the study. Consequently, the targeted sample size of 384 respondents is meticulously chosen across the various strata to yield a sample that is representative of the Indian MSME sector. The strategy of stratified sampling is designed to ensure fairness, accuracy and representation in the sample so as to minimize any bias in the selection of sample. Such a methodological approach is important to ensure not only the validity but also applicability of the outcomes, offering a detailed perspective of the HR ecosystem within Indian MSMEs.

### ***Sample size calculation***

$$n = \frac{z^2 \times \hat{p}(1-\hat{p})}{\varepsilon^2}$$

$$n = \frac{1.96^2 \times 0.5(1-0.5)}{0.05^2} = 384.16$$

Where,  $z$  stands for  $z$  score;  $\varepsilon$  represents the margin of error;  $N$  is the size of population; and  $\hat{p}$  is the population proportion.

### 3.4 Data Collection and Instrumentation

The effective gathering of information, its inspection, organization, and production, as well as the presentation of a verified and valid study conclusion constitute data collection, an essential component of every research project (Paradis et al., 2016). Additionally, the data collection offers excellent proof of the research topics and guarantee integrity of the information quality that is acquired in a methodical and structured fashion to make a well-informed choice. Primary data collection and secondary data collection method are the two main methods of data collection. The primary method is the common method of collecting data directly from the sources. On the other side, the secondary data collection involves existing data sources rather than collecting the data directly from different sources which include articles, journals, research papers, books and case studies. Because it quickly and affordably delivers a lot of information, the data gathered via this method is valuable. For the current study, primary and secondary methods of data collection were employed.

Data from the chosen sample were gathered through a cross-sectional survey. A questionnaire was meticulously developed with 69 statements rated on a five-point symmetric ordinal scale, from “Strongly Disagree” (SD) to “Strongly Agree” (SA) beside demographic information. The five point Likert type scale was used to make assessment of the respondents’ attitudes toward

the 23 variables and to collect quantifiable and pertinent data from employees, owners, managers, and HR stakeholders within Indian MSMEs regarding the future of the HR ecosystem and business sustainability.

The questionnaire was distributed to a broad spectrum of participants within the MSME sector seeking their responses. Reliability analysis was performed to test the acceptance of the instrument and the Cronbach's alpha values have been found acceptable.

In addition to the questionnaire, structured interviews with 9 open-ended questions were conducted to delve deeper into the qualitative aspects of HR practices and challenges in MSMEs. These interviews allow for an in-depth analysis of complex issues, personal experiences, and strategic insights that a questionnaire might not fully capture. The interview is structured around specific themes but remains open-ended to encourage detailed responses and discussions. More specifically, this intends to collect pertinent data from these respondents regarding trends, prospects and accompanying hurdles relating to the future of the HR ecosystem. Together, these instruments provided a comprehensive dataset, enabling a nuanced analysis of the current HR ecosystem in Indian MSMEs and its implications for future business sustainability.

### **3.5 Procedures**

Each aspect of the topic under inquiry has been carefully investigated by utilizing research methods and procedures to gather an exhaustive analysis with the data and determine the most relevant conclusions and findings that might offer a suitable comprehension of the issue (Nayak & Singh, 2021). A representative sample consists of 384 people from across MSMEs was used. The sample has been drawn through a two-step stratified sampling method by

making list of available and accessible information of MSMEs and then classified them in to different group such as micro, small and medium and then again in to manufacturing, service, trade, and electricity. The organisations were contacted for their consent to take part in the study. The 112 organisations who have given their consent to collect data from their employees, supervisors and managers were considered for data sourcing.

Questionnaire and structured interview have been the primary sources to elicit information for analysis. Questionnaire was administered largely through in-person mode and through email where ever in-person mode was not feasible. The purpose, objective and process for the research were explained to the participants before administering the questionnaire. A total of 800 questionnaires were served expecting a minimum 75% response rate for a comfortable selection of sample. A fifteen days period was provided for returning the filled questionnaires. A satisfactory 502 questionnaires could be collected after a rigorous follow up which constitutes around 63%. The responses were coded in an excel sheet and the dataset was screened for incomplete questionnaires prior to analysis. After removing incomplete responses, 384 questionnaires proportionate to each stratum of the sample were accepted for analysis which is the targeted sample size set for the study.

Likewise, structured interviews were conducted face-to-face as far as possible and through video conferencing in a few cases. The interviews were conducted with 12 carefully selected participants including HR functionaries, owners, employees, and managers who gave consent for it on the basis of maintaining their confidentiality. A structured interview schedule, consists of 9 open ended questions, was used for all the interviewees for ensuring consistency. The interviews were recorded with the permission of the interviewees on the assurance of maintaining confidentiality of their identity.

Secondary data was sourced from literature reviews comprise of academic journals, research articles, books, newspaper reports, government sites and other relevant studies. All of these helped the researcher to obtain extensive information beyond the available literature on HR ecosystem, the framework for a solution to address the sustainability issues of MSMEs.

AMOS (Analysis of Moment Structures) was used for quantitative analysis to examine the direct and indirect relationships among the variables specified in the conceptual framework and the hypotheses provided in the chapter1. Structural Equation Modelling (SEM) using AMOS was selected as the analytical framework due to its ability to simultaneously test multiple relationships among variables, as hypothesized in the conceptual model. Conceptual framework linked with hypothesis usually needs to be confirmed by Structural equation modelling (SEM) (Malkanthie, 2015). The SEM analysis was organized into four phases. In Phase 1, Quantitative data were cleaned and coded in Excel. In Phase 2, the hypotheses were tested to evaluate the hypothesized paths, such as the direct and indirect effect of main and mediating variables. In Phase 3, CFA was conducted in AMOS to confirm the measurement model's validity, ensuring all factor loadings were significant ( $p < 0.05$ ). In Phase 4, robustness checks were performed, including bootstrapping to assess the significance of indirect impact. This systematic process ensured a comprehensive evaluation of the associations among variables.

The transcripts of the interviews were analysed with manual thematic technique put forward by Braun & Clarke (2014). The qualitative data were transcribed verbatim and coded in accordance with the process of manual thematic analysis. The process includes familiarisation with the data by repeatedly reading, highlighting key phrases and imbibing preliminary patters. Thereafter, the researcher used coloured highlighters and sticky notes to systematically code the data line by line and then created the coded lines in an excel sheet. 80 initial codes were created by

attentively and exhaustively reading the transcripts. The 80 codes then were split into applicable broad topics that are more specific to the study's aims. All of the codes are colour-coded and then grouped to make broader initial themes and sub themes by capturing the essence of the transcript. The coded initial themes were reviewed by revisiting to check coherence and comprehensiveness. Each theme was then defined and named in relation to the objectives of the research given in chapter 1. During the theme review phase, nine distinct themes were identified from the previously identified colour codes. The final themes were integrated with the results of quantitative analysis to draw meaningful conclusions with regards to the research objectives.

### **3.6. Data analysis Limitations**

The thesis model comprises of exploring association of 10 elements of HR ecosystem with 6 parameters of business sustainability mediated by 7 variables which are used to construct 11 hypotheses for the study through quantitative data analysis. To further enrich and give depth to the study qualitative data was used for comprehending the trend, difficulties and potentials in the people management front for small businesses. The data used for analysis comprise of qualitative data of 12 interview transcripts focusing on objectives of the study and quantitative data comprised of responses received through 384 sample of respondents. The SEM via AMOS statistical technique enabled the assessment of the predictive power of HR practices on sustainability outcomes, quantifying the extent to which variations in HR ecosystem-related factors can explain changes in the sustainability of these enterprises offering quantifiable insights into how MSMEs can adapt and thrive in the evolving dynamic market conditions. The manual thematic analysis of the qualitative data gathered from interviews has complemented the quantitative analysis, providing contextual depth and insights into the mechanisms through which HR practices impact business sustainability. These thematic findings have been

assimilated with the quantitative findings to present an overall view of the HR ecosystem's influence on the sustainability of Indian MSMEs as well as to identify the HR trends, challenges, and opportunities.

However, this process is fraught with limitations that could affect the validity, reliability, and applicability of findings. First, the size of the sample ( $n=384$ ) was smaller due to constraints of time and resource constraints, which may restrict the generalizability of outcomes to broader population. To mitigate this, stratified sampling was employed to ensure participant relevance. Second, the reliance on self-reported responses introduced potential response bias, as participants may have under- or over-reported certain behaviours.

Another limitation is the non-availability of data of the entire population. There are more than 633 lakh MSMEs in India and pertinent data of all these are not available at one source. Data service providers are also not having the entire data of MSMEs and more over they provide available data on a very high cost. The researcher could collect only data pertaining to 1.2 lakh MSMEs of different sectors and the sample was drawn from them. Future research could employ larger, more diverse samples and incorporate objective data collection methods to enhance reliability.

The chi-square test's sensitivity to sample size ( $N = 384$ ) likely contributed to a significant result ( $\chi^2 = 785.898$ ,  $p < .001$ ), which may overstate model misfit (Byrne, 2016). To address this, model fit was evaluated using multiple indices (CFI, RMSEA, TLI, HOELTER, PATIO, ECVI values), which provided a more robust assessment. The poor comparative fit (TLI = .760, CFI = .819) limits the robustness of inferences, potentially due to sample-specific factors ( $N = 384$ ). While parsimony indices (PNFI = .589, PCFI = .617) were acceptable, suggesting efficient model structure, the overall marginal fit (e.g.,  $CMIN/df \approx 4.52$ ) highlights risks of

misspecification. Future research should test alternative models or larger samples to improve TLI/CFI values and enhance generalizability.

### **3.7 Ethical Issue**

Ethical considerations are an essential part of research which include all of the pre-established norms and requirements that the study has followed when doing the research. The researcher has ensured that the study closely followed the ethical norms. Ethics, data confidentiality, and participant protection were all taken into account when conducting this study as because protecting privacy and anonymity is one of the most important ethical factors (Ketefian, 2015). It was ensured that the participants don't feel afraid or forced to participate in the data collection process (Arifin, 2018). Respondents have been given the option to discontinue participation at any time if they choose not to continue. The study's information and data were legally and ethically sourced, adhering to copyright and intellectual property rights regulations. This study ensured that informed consent was received from the organisations and respondents before their involvement in the research.

### **3.8. Summary**

This chapter presents an outline of the research design and the rationale behind choosing exploratory method for studying the research topic. It also details the reasoning for choosing a mixed approach which involves a combination of both quantitative as well as qualitative research approaches for the study. The chapter further described the sampling procedure, sample size, the survey methodology, the procedures deployed for data collection and analysis, statistical assumptions, and construct validity.

The study's overall goal was to test the influence of the elements of HR ecosystem on the business sustainability parameters in Indian MSMEs and exploring the HR trend, challenges and opportunities. The research questions for this study included a focus on uncovering key elements of HR ecosystem in the context of business sustainability. The data collection methods include questionnaire and Interview method. The researcher used a stratified random sampling method and arrived at a sample of 384 participants. For analysing qualitative data, Thematic Analysis was applied to the interview transcripts to identify recurring themes and patterns related to HR's strategic role, innovative practices, and challenges faced by MSMEs. The chapter also outlines the rationale behind leveraging Structural Equation Modelling (SEM) via AMOS for analysing the conceptual framework linked with hypotheses. Finally, the chapter deals with ethical considerations and how data confidentiality, participant protection, transparency etc. have been taken into consideration while conducting the study.

## CHAPTER IV

### RESULTS

#### 4.1. Introduction

A complete data description is presented through this chapter along with the study's hypotheses testing results with statistical significance. The findings of the research are elaborated through current trends, opportunities, and challenges facing the Indian MSME landscape in order to understand the dynamics behind creating resilience and long-term sustainability. The findings are classified in accordance with the study's objectives: evaluation of trends in the HR ecosystem, identification of issues in implementing effective HR strategies by MSMEs, and identification of the benefits that could accrue to the organization through HR reform. The test data for each hypothesis is presented with description of statistical significance. Similarly, the data analysis by thematic method is also detailed here. The chapter ends with data on the reliability test followed by a summary of the result.

#### 4.2 Organization of data analysis

The research was conducted with a sample consisting of 384 individuals from different stratum of MSMEs to perform a representative analysis of the effect of HR ecosystem on business sustainability. The researcher collected quantitative data through structured questionnaire that were validated through a pilot study for clarity and effectiveness. Interviews were held with business owners, HR managers, and the stakeholders for collection of qualitative data to identify and interpret patterns within the interview data, thereby allowing the potential investigation of key themes related to HR practices, challenges, and potential benefits. The qualitative data was analysed in order to identify core themes by using

thematic analysis. Quantitative data was analysed through AMOS on the basis of descriptive and inferential statistics. Data analysis was conducted in a systematic manner, involving data preparation, model specification, estimation, and hypothesis testing using AMOS. The results of these analyses, including model fit statistics and path coefficients, are described in the following paras to address the research hypotheses.

Thematic analysis would entail transcription of interviews and coding to elicit themes that occur repeatedly. For this paper, the method is appropriate because it will capture, from diverse stakeholder perspectives, context-specific factors that influence HR practices that may otherwise remain hidden from quantitative methods. This section first details descriptive statistics of the sample followed by the quantitative analysis using AMOS. Thereafter, the qualitative analysis by manual thematic technique is detailed, and concludes with integration of results.

### **4.3 Findings regarding Hypotheses**

#### **Descriptive Analysis**

The descriptive analysis of sample population for this study indicates that distribution of respondents is not concentrated in any particular but is spread across. In the age category 33.1% falls within the category of 18-30 years, 21.1% falls between the interval of 31-40 years, followed by 28.9%, which falls within the range of 41 to 50 years, and then the rest 16.9% falls between 51 and 60 years. This cumulative distribution reveals that the majority respondents are within the 18-30 years bracket, and the proportion is going smaller as age progresses. In this sample, there are 51.6 percent females and 43.5 percent males. Other than female or male, the rest 3.1 percent respondents say they fall into non-binary categories. Some 1.8 percent of respondents preferred not to answer about gender. Here, cumulative

percentages indicate more than 95 percent people were either female. Experience level among respondents shows that there is a very diverse distribution of professional experience within the sample. Respondents with 15-20 years of experience are the largest group, accounting for 29.4% of respondents. The second largest group comprises respondents with 6-10 years of experience, amounting to 29.9%. 21.6% of respondents possess 11-15 years of experience, and another 15.4% have between 0-5 years of experience in professional practice. Only a minority, that is, only 3.6%, collected 21-25 years of experience. From such statistics, it is confirmed that the respondent pool contains considerable numbers with over 10 years of experience, signifying the workforce participating in this research is experienced as well as knowledgeable.

Regarding marital status, the majority of the respondents at 52.9% are married, followed by 43.2% who are unmarried, while a small minority of 3.9% have been divorced. The distribution is cumulative, which would indicate that the greatest proportion of participants have family-related commitments that may affect their balance between work and personal engagements within the organization. This relatively higher proportion of married employees could also indicate a tendency to have stable, long-term commitment to employment.

The analysis of respondents' roles within their organizations shows that 24.2 percent identify as HR stakeholders, which is the largest single category of respondents. Close to this, 23.2 percent are employees, while 22.7 percent are other managers, and 29.9 percent are business owners. Such a distribution portrays a balanced mix of the roles, since almost an equal number is represented by the employees, the HR professionals, the managers, and the owners. Such diversification of roles is very important to the diversity in terms of perception towards the functionality and sustainability of the HR ecosystem, in which leadership and non-

leadership insights are culled from MSMEs. This representation of respondents provided a balanced and collective perspective.

### **H1: HR ecosystem in MSMEs is not positively related to business sustainability**

Performed Pearson Coefficient of correlation to test the relationship among the variables.

**Table 4.1: Pearson Correlation for H1**

#### **Correlations**

	HR Outsourcing	Formalization of HR Practices	Employee-centric HR Practices	HR Maturity Level	Green HR Practices	Ability to leverage gig workers	Positive Work Culture	HR Strategy and Plan	Legal Compliance Behaviour of MSMEs	Economic Viability of MSMEs	Environmental & Social Responsibility	Ethical Governance	Innovation and Quality of Product & Services	Stakeholder and Customer Loyalty	Technology Adoption Capability of MSMEs	
HR Outsourcing	Pearson Correlation	1	.359**	.289**	.730**	.490**	.277**	.606**	.099	.348**	.173*	.183*	.595**	.410**	.178**	.601**



	Si g. (2 - tai le d)	.000	.00 1		.00 0	.55 1	.000	.00 0	.00 0	.000	.000	.000	.13 1	.00 8	.00 0	.000
	N	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384
HRM	Pe ar so n C o r r e l a t i o n	.730* *	.15 9**	.203**	1	.28 6**	.179 **	.69 0**	.09 1	.115 *	.100	.022	.61 5**	.30 3**	.12 7*	.692 **
Maturity Level	Si g. (2 - tai le d)	.000	.00 2	.000		.00 0	.000	.00 0	.07 3	.024	.051	.671	.00 0	.00 0	.01 3	.000
	N	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384
Green HR Practices	Pe ar so n C o r r e l a t i o n	.490* *	.70 0**	-.031	.28 6**	1	-. 009	.31 5**	-. 05 2	.219 **	.032	.539* *	.52 3**	.46 7**	.61 6**	.266 **

	Si g. (2 - tai le d)	.000	.00 0	.551	.00 0		.864	.00 0	.30 6	.000	.532	.000	.00 0	.00 0	.00 0	.000
	N	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384
Ability to leverage gig workers	Pe ar so n C o r r e l a t i o n	.277* *	- .17 8**	.922**	.17 9**	- .00 9	1	.30 5**	.71 0**	.737 **	.913* *	- .209* *	- .09 3	.17 2**	.22 9**	.334 **
	Si g. (2 - tai le d)	.000	.00 0	.000	.00 0	.86 4		.00 0	.00 0	.000	.000	.000	.06 9	.00 1	.00 0	.000
	N	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384
Positive Work Culture	Pe ar so n C o r r e l a t i o n	.606* *	.15 6**	.234**	.69 0**	.31 5**	.305 **	1	.29 9**	.357 **	.328* *	.088	.43 6**	.25 2**	.43 5**	.968 **

	Si g. (2 - tai le d)	.000	.00 2	.000	.00 0	.00 0	.000		.00 0	.000	.000	.085	.00 0	.00 0	.00 0	.000
	N	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384
HR Strategy and Plan	Pe ar so n C o r r e l a t i o n	.099	- .07 2	.655**	.09 1	- .05 2	.710**	.29 9**	1	.501**	.629* *	- .114*	- .01 8	.05 4	.28 2**	.329**
	Si g. (2 - tai le d)	.054	.15 7	.000	.07 3	.30 6	.000	.00 0		.000	.000	.026	.73 2	.29 1	.00 0	.000
	N	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384
Legal Compliance Behaviour of MSMEs	Pe ar so n C o r r e l a t i o n	.348* *	.09 2	.646**	.11 5*	.21 9**	.737**	.35 7**	.50 1**	1	.836* *	-.004	- .00 1	.21 3**	.35 8**	.356**





	Si g. (2 - tai le d)	.000	.00 0	.008	.00 0	.00 0	.001	.00 0	.29 1	.000	.000	.000	.00 0		.00 2	.000
	N	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384
Stakeholder and Customer Loyalty	Pe ar so n C o r r e l a t i o n	.178* *	.36 4**	.180**	.12 7*	.61 6**	.229 **	.43 5**	.28 2**	.358 **	.300* *	.320* *	.15 8**	.15 8**	1	.435 **
	Si g. (2 - tai le d)	.000	.00 0	.000	.01 3	.00 0	.000	.00 0	.00 0	.000	.000	.000	.00 2	.00 2		.000
	N	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384
Technolo gy Adoption Capabilit y of MSMEs	Pe ar so n C o r r e l a t i o n	.601* *	.12 5*	.266**	.69 2**	.26 6**	.334 **	.96 8**	.32 9**	.356 **	.333* *	.070	.39 9**	.21 5**	.43 5**	1

Si g. (2 - tai le d)	.000	.01 4	.000	.00 0	.00 0	.000	.00 0	.00 0	.000	.000	.171	.00 0	.00 0	.00 0	
N	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384
**. Correlation is significant at the 0.01 level (2-tailed).															
*. Correlation is significant at the 0.05 level (2-tailed).															

HR outsourcing has an important positive correlation with formalization of HR ( $r = .359$ ,  $p < .001$ ), green HR practices ( $r = .490$ ,  $p < .001$ ), and positive work culture ( $r = .606$ ,  $p < .001$ ).

This implies that HR outsourcing MSMEs are also likely to be formalizing HR processes, green HR practices, and work culture, which helps them in long-term sustenance.

Furthermore, with a positive correlation with technology adoption capability ( $r = .601$ ,  $p < .001$ ), it has been deduced that MSMEs outsourcing HR functions are going to adopt technologies that rationalize HR activities and support business efficiency. The relationship with legal compliance ( $r = .348$ ,  $p < .001$ ) shows that HR outsourcing can be an important way for MSMEs to keep up with regulatory standards, which is an essential factor for continuing operations in a competitive market.

Formalization of HR practices in MSMEs has a very strong positive relationship with green HRM practices ( $r = .700$ ,  $p < .001$ ) and ethical governance ( $r = .768$ ,  $p < .001$ ). This relationship points out that structural HR processes are closely connected with environmental and ethical standards. The process of formalization allows the organization to adopt environmental

standards, ensure their ethical conduct, and mitigate legal risks. The second relationship to be explored is that with economic feasibility ( $r = -.082, p < .111$ ) and stakeholder commitment ( $r = .364, p < .001$ ), suggesting that HR best practices may enhance customers and stakeholders' trust in operations, thereby gaining sustainable support from a customer group of loyalty.

HR practices supporting employees are highly related to a set of business sustainability performance variables. A strong positive correlation with the ability to utilize gig workers ( $r = .922, p < .001$ ) and economic viability ( $r = .796, p < .001$ ) suggests that MSMEs that are employee-centric may enjoy the flexibility of gig economy workers, enhancing operational efficiency and financial stability. Further, positive work culture ( $r = .234, p < .001$ ) as well as HR maturity also tend to have a highly positive correlation with employee-centric practice which means that organizations putting first interest of employees create that sort of work environment may increase employee morale, retention as well as productivity even further to ensure sustainable growth and other such benefits.

A positive correlation is found between the HR maturity level within MSMEs and green HR practices,  $r = .286, p < .001$ , technology adoption capability,  $r = .692, p < .001$ , and stakeholder loyalty,  $r = .127, p < .013$ . This means that with an increase in maturity of HR practices in an organization, MSMEs will be better placed to embrace sustainable practices, advanced technologies, and develop loyal stakeholders. A high correlation exists with the aspect of legal compliance, ( $r = .348, p < .001$ ) indicating mature HR practices, which, in return, ensures strict compliance to laws and regulations which, as a result diminishes legal risks and allows stakeholders to gain confidence

Green HRM is positive with regards to the following - economic viability  $r = .032, p < .532$  environmental and social responsibility  $r = .539, p < .001$  innovations in product and services  $r$

=.467,  $p < .001$ . This emphasizes that MSMEs that include green practices can increase their environmental and social contributions to meet the sustainable development goals. The relationship with ethical governance ( $r = .523$ ,  $p < .001$ ) further emphasizes that organizations with sustainable HR practices are likely to have an ethical management approach, which enhances trust with consumers and investors. Moreover, green practices are positively linked with stakeholder and customer loyalty ( $r = .616$ ,  $p < .001$ ), which implies that implementation of environmental-friendly HR practices would enhance the brand image of an organization, thereby drawing more eco-conscious consumers to its fold.

Work culture has a strong relationship with the capability of technology adoption ( $r = .968$ ,  $p < .001$ ) and stakeholder loyalty ( $r = .435$ ,  $p < .001$ ). This further posits that a healthy work culture leads to innovation, acceptance of new technologies, and customer loyalty. Positive work culture is also highly associated with economic viability ( $r = .328$ ,  $p < .001$ ), legal compliance ( $r = .357$ ,  $p < .001$ ), and environmental responsibility ( $r = .088$ ,  $p < .085$ ), which indicates that positive work environment may decrease legality issues and facilitate responsible business practices. Thus, a good work culture may lead to the increase of productivity, compliance with laws, and improvement in relationships with stakeholders on the part of MSMEs.

The use of gig workers is strongly associated with the capability of adopting technology ( $r = .334$ ,  $p < .001$ ), economic viability ( $r = .913$ ,  $p < .001$ ), and good work culture ( $r = .305$ ,  $p < .001$ ). This indicates that MSMEs that hire gig workers exploit cheap flexible labour inputs that guarantee sustainability and flexibility in an increasingly fast-changing market. The correlations were positive for employee-centric practices,  $r = .922$ ,  $p < .001$  and for

product/service innovation,  $r = .172$ ,  $p < .001$ . It follows that with gig workers, MSMEs can spur innovation as it manages the cost of labor and creates long-run financial sustainability.

Significant correlations with economic viability ( $r = .629$ ,  $p < .001$ ), environmental responsibility ( $r = -.004$ ,  $p < .933$ ), and technology adoption capability ( $r = .329$ ,  $p < .001$ ) in HR strategy and planning reveal that well-structured HR plans enable MSMEs to achieve financial and operational efficiency. The correlation with ethical governance  $r = -.018$ ,  $p < .732$  and stakeholder loyalty  $r = .282$ ,  $p < .001$  shows that effective HR strategies ensure ethical practices, thereby generating stakeholder trust and loyalty for competitive advantage.

Since many of the HR ecosystem variables (e.g., HR Outsourcing, Employee-centric HR Practices etc.) have significant positive correlations with business sustainability indicators, the hypothesis H1 is not supported. On the other hand, the positive relationships gives an indication that as the HR ecosystem improves, business sustainability tends to increase, providing evidence against of the hypothesis.

**H2: Digitalization of HR Processes does not positively influence economic viability of MSMEs in India and higher Employee Experience does not mediate the relationship.**

In order to test the hypotheses, PROCESS Model 4 analysis was carried for direct and indirect analysis in order to determine economic viability through employee experience. Enhanced employee experience reveals how, ultimately, MSME digitalized HR processes can cause financial instability or stability regarding their work environment.

The first part of analysis is about HRE1's link with EE. By regression coefficient, it indicated a positive significance from a digitalized process of the HR toward an employee's experience, that is calculated to be at 0.3693 ( $p < .0000$ ). This positive coefficient proves that there is

alignment of more digitalized processes with HR concerning better experience on the employees in the organizations. This model of the R-squared implication provides a scope of an aspect accounting for 12.21% of variance related to an employee's experience. As much as the number provided here would appear rather slight, statistics define this into huge. Although 12.21% may seem modest in variance capture, this figure might reflect the early stages of digital transformation, where cultural and behavioural changes may lag behind technological upgrades but over time could yield even stronger associations as employees adapt further to digital HR practices.

The next stage of the analysis examines how the digitalization of HR processes (HRE1) interacts with employee experience (EE) to have an impact on economic viability for MSMEs. By economic viability, this research is referring to the financial viability and growth capability of MSMEs. This analysis produces more complex results where the impacts of HRE1 and EE on economic viability are very different. In particular, it has been indicated that HRE1 has a highly significant negative direct effect on BS1: regression coefficient = -0.1448 ( $p < .0000$ ). The result thus indicates that a rise in the level of digitalization of HRM processes per se with all other things being controlled results in the economic viability lowering. It may, thus, indicate that whereas digitally processed HRM contributes positively to the employee experience of MSMEs, its financial direct implications may make burdens on them. The implementation and sustainment of digital HR systems entail high initial costs, needs technical training, and is even likely to disrupt prevailing workflows, which may strain MSMEs' financial capabilities and temporarily reduce their short-term economic viability.

**Table 4.2 Model Summary for Employee Experience (EE) for H2**

Statistic	Value
<b>R</b>	0.3495
<b>R<sup>2</sup></b>	0.1221
<b>MSE</b>	1.1143
<b>F</b>	53.1442
<b>df1</b>	1
<b>df2</b>	382
<b>p</b>	0.0000

**Table 4.3: Coefficients for EE**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	2.0853	0.1574	13.2513	0.0000	1.7759	2.3947
HRE1	0.3693	0.0507	7.2900	0.0000	0.2697	0.4690

The model for Employee Experience (EE) explains 12.21% of the variance ( $R^2 = 0.1221$ ), indicating a moderate fit. The digitalization of HR processes (HRE1) has a significant positive effect on EE ( $\beta = 0.3693$ ,  $p < 0.001$ ), demonstrating that HR process digitalization enhances Employee Experience.

**Table 4.4: Model Summary for Economic Viability (BS1)**

Statistic	Value
R	0.8367
R <sup>2</sup>	0.7001
MSE	0.4083
F	444.6300
df1	2
df2	381
p	0.0000

**Table 4.5 Coefficients for BS1**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	0.6753	0.1151	5.8684	0.0000	0.4491	0.9016
HRE1	-0.1448	0.0327	-4.4227	0.0000	-0.2091	-0.0804
EE	0.9036	0.0310	29.1768	0.0000	0.8427	0.9645

For Economic Viability (BS1), the model explains 70.01% of the variance ( $R^2 = 0.7001$ ), indicating a strong fit. While HRE1 has a negative direct effect on BS1 ( $\beta = -0.1448$ ,  $p < 0.001$ ), EE significantly and positively influences BS1 ( $\beta = 0.9036$ ,  $p < 0.001$ ).

**Table 4.6: Direct and Indirect Effects of HRE1 on BS1**

Effect Type	Effect	SE	t	p	LLCI	ULCI
Direct Effect	-0.1448	0.0327	-4.4227	0.0000	-0.2091	-0.0804

**Table 4.7 Indirect Effects**

Path	Effect	BootSE	BootLLCI	BootULCI
EE	0.3337	0.0428	0.2486	0.4169

Employee experience (EE) is the largest component in the model and has a significant positive effect on economic viability by a regression coefficient of 0.9036 ( $p < .0000$ ). This strong positive association establishes the fact that more intensive experience of employees is positively correlated with higher economic feasibility for MSMEs. The model also indicates the R-squared value concerning economic feasibility at a high value of 0.7001, which means that 70.01% of the variability of the economic feasibility variable could be explained by the aggregate impact of digital HR processes and experience. A high level of impact of EE on BS1 (EE significantly and positively influences BS1 ( $\beta = 0.9036$ ,  $p < 0.001$ )) reveals that with adequate support in interaction from the HR stream, productivity, better commitment, and high-quality work will bring significant contribution to MSME's economic performance.

The direct effect of HRE1 on BS1 is negative and significant ( $\beta = -0.1448$ ,  $p < 0.001$ ).

However, the total indirect effect via EE is positive and significant ( $\beta = 0.3337$ ), with the confidence interval not including zero. This indicates that the digitalization of HR processes

positively influences economic viability through the mediating effect of Employee Experience.

The analysis indicates that digitalization of HR processes positively influences the economic viability of MSMEs in India through higher Employee Experience (EE). Although the direct effect of HR digitalization on economic viability is negative, the strong positive indirect effect via EE highlights the critical role of enhancing Employee Experience in realizing economic benefits. Therefore, H2 is not supported in that Employee Experience does not mediate the relationship between digitalization of HR processes and economic viability. However, the presence of a significant negative direct effect indicates that there are additional factors at play that may offset the positive mediation through Employee Experience. Future research could explore these factors for greater understanding of how digital HR processes impact economic viability of MSMEs.

**H3: The development and practice of a strategic HRM framework is not associated with Economic viability of MSMEs and a higher employee engagement does not mediate the association.**

A mediation analysis using the PROCESS macro (Model 4) was executed to assess whether Employee Engagement (EE) mediates the relationship between the development and practice of a Strategic HRM framework (HRE8) and the Economic Viability (BS1) of MSMEs. The following discussion reviews the impact of both strategic HRM framework (HRE8) and employee engagement (EE) on BS1, that is, economic viability. The model shows that the strategic HRM framework has a direct significant positive effect on economic viability with 0.2845 regression coefficient, which is statistically significant at  $p < .0000$ . It, thus, means that

independent of employee engagement, the strategic HRM framework directly adds to the economic viability for MSMEs.

**Table 4.8: Model Summary for Employee Engagement (EE)**

Statistic	Value
R	0.4887
R <sup>2</sup>	0.2389
MSE	0.9661
F	119.8875
df1	1
df2	382
p	0.0000

**Table 4.9: Coefficients for EE**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	1.8285	0.1318	13.8717	0.0000	1.5693	2.0877
HRE8	0.4560	0.0416	10.9493	0.0000	0.3741	0.5379

The model for Employee Engagement (EE) explains 23.89% of the variance ( $R^2 = 0.2389$ ), indicating a moderate fit. The development and practice of a Strategic HRM framework (HRE8) is significantly and positively effect on EE ( $\beta = 0.4560$ ,  $p < 0.001$ ), demonstrating that a Strategic HRM framework enhances Employee Engagement.

**Table 4.10: Model Summary for Economic Viability (BS1)**

Statistic	Value
R	0.8665
R <sup>2</sup>	0.7508
MSE	0.3391
F	574.0898
df1	2
df2	381
p	0.0000

**Table 4.11: Coefficients for BS1**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	0.0430	0.0958	0.4486	0.6540	-0.1453	0.2313
HRE8	0.2845	0.0283	10.0602	0.0000	0.2289	0.3401
EE	0.7067	0.0303	23.3122	0.0000	0.6471	0.7663

The model for Economic Viability (BS1) explains 75.08% of the variance ( $R^2 = 0.7508$ ), indicating a strong fit. Both HRE8 and EE significantly influence BS1. The direct effect of HRE8 on BS1 is positive ( $\beta = 0.2845$ ,  $p < 0.001$ ), and EE also has a strong positive effect on BS1 ( $\beta = 0.7067$ ,  $p < 0.001$ ).

**Table 4.12: Direct and Indirect Effects of HRE8 on BS1**

Effect Type	Effect	SE	t	p	LLCI	ULCI
Direct Effect	0.2845	0.0283	10.0602	0.0000	0.2289	0.3401

Path	Effect	BootSE	BootLLCI	BootULCI
EE	0.3222	0.0381	0.2473	0.3988

The direct effect of HRE8 on BS1 is positive and significant ( $\beta = 0.2845$ ,  $p < 0.001$ ). The total indirect effect through EE is also positive and significant ( $\beta = 0.3222$ ), with a confidence interval that does not include zero, confirming mediation. A significant direct association between strategic HRM and economic viability would point to the effectiveness of structured HRM practices for organizational success. Economic viability also has an immense positive impact on the employee engagement as supported by a regression coefficient of 0.7067, with a statistical significance of  $p < .0000$ . Such a high positive coefficient means that higher the engagement level of employees there would be a higher degree of economic viability in MSMEs. With  $R^2 = 0.7508$ , the model explains 75.08% of the variance in BS1, which indicates that the strategic HRM framework and employee engagement together can explain the major part of what determines economic viability for MSMEs.

The findings on the connection between Strategic HRM framework and Employee Engagement (EE) show a moderate positive linkage between the Strategic HRM framework (HRE8) and Employee Engagement as shown by the correlation coefficient (R) of 0.4887.

This implies that about 23.89% of the variance in Employee Engagement is attributable to the practices and development of the Strategic HRM framework. This even makes truer the fact that the Strategic HRM framework itself is what is indispensable in boosting the Engagement level in employees at MSMEs. This is with a statistic indicating  $p < 0.001$  as statistically valid. The coefficient of Strategic HRM framework is at 0.4560 whereby, for every increase unit of implementation and building on the Strategic HRM framework, there was the rising of 0.4560 units for the aspect of Employee Engagement. This positive effect is very significant ( $p < 0.001$ ), further emphasizing the fact that sound HR practices can significantly increase employees' engagement levels and make a workforce more motivated and committed.

Moving on to the discussion of Economic Viability (BS1), it is found that the predictors, namely the Strategic HRM framework and Employee Engagement, together have a very strong relationship with Economic Viability, that is, the correlation coefficient obtained is 0.8665. This high correlation means that, put together, the predictors can explain 75.08% variance in Economic Viability, which is quite a robust model fit. More importantly, this model is statistically significant ( $p < 0.001$ ), thus highlighting function Strategic HRM framework and Employee Engagement in influencing the economic outcomes of MSMEs.

In terms of the direct impact of the Strategic HRM framework on Economic Viability, the coefficient stands at 0.2845. This would indicate that if the development of the Strategic HRM framework increased one unit, then it would automatically increase Economic Viability with 0.2845 units. It was found that the direct effect at  $p < 0.001$  was also statistically significant, indicating that the development of the Strategic HRM framework is crucial not just for improving employee engagement but to significantly contribute towards the broader economic growth of MSMEs. Besides, the result reveals that Employee Engagement has a

substantial effect on Economic Viability, with a coefficient of 0.7067. This means that for each one-unit change in Employee Engagement, there is a corresponding increase in Economic Viability by 0.7067 units ( $p < 0.001$ ). The robust effect of Employee Engagement on Economic Viability underscores the critical mediator role it plays between the Strategic HRM framework and the economic performance of MSMEs.

The indirect effect of 0.3222 and a bootstrapped confidence interval from 0.2473 to 0.3988 which does not contain zero indicate that the indirect effect is statistically significant and employee engagement mediates between the strategic HRM framework and economic viability. That is, a higher strength in the Strategic HRM framework would hence be reflected in the subsequently improved levels of Employee Engagement that in turn improve the economic viability. Having both a significant direct as well as indirect effect reinforces the significance of Employee Engagement in this relationship. Thus, the analysis does not support the hypothesis (H3) and hence the hypothesis is rejected. Conversely, the analysis confirms that the development and practice of a Strategic HRM framework positively influences the economic viability of MSMEs in India through higher Employee Engagement (EE). Both the direct and indirect effects are significant, underscoring the importance of Employee Engagement in enhancing Economic Viability.

**H4: MSMEs with a focus on Environmental & Social responsibility through green HR practices do not experience higher Customer loyalty and greater employer image does not mediate the relationship.**

PROCESS macro (Model 4) was initiated for mediation analysis to examine the relationship between Green HR practices (HRE5) and Customer Loyalty (BS5) with Employer Image (EI)

as a mediator. The outcome well depicts a significant and multifaceted relationship among these variables.

**Table 4.13: Model Summary for Employer Image (EI)**

Statistic	Value
R	0.4070
R <sup>2</sup>	0.1656
MSE	1.2404
F	75.8399
df1	1
df2	382
p	0.0000

**Table 4.14: Coefficients for EI**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	1.3967	0.1601	8.7212	0.0000	1.0818	1.7115
HRE5	0.4682	0.0538	8.7086	0.0000	0.3625	0.5739

The model assesses 16.56% of the variance in Employer Image ( $R^2 = 0.1656$ ), indicating a moderate fit. Green HR practices (HRE5) significantly and positively influence Employer Image ( $\beta = 0.4682$ ,  $p < 0.001$ ).

#### 4.15: Model Summary for Customer Loyalty (BS5)

Statistic	Value
R	0.6817
R <sup>2</sup>	0.4647
MSE	0.6993
F	165.4037
df1	2
df2	381
p	0.0000

#### 4.16: Coefficients for BS5

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	1.4458	0.1317	10.9800	0.0000	1.1869	1.7047
HRE5	0.8036	0.0442	18.1830	0.0000	0.7167	0.8905
EI	-0.2994	0.0384	-7.7945	0.0000	-0.3750	-0.2239

46.47% of the variance in Customer Loyalty ( $R^2 = 0.4647$ ) is found in the model, indicating a strong fit. Green HR practices (HRE5) positively influence Customer Loyalty ( $\beta = 0.8036$ ,  $p < 0.001$ ). However, Employer Image (EI) has a significant negative effect on Customer Loyalty ( $\beta = -0.2994$ ,  $p < 0.001$ ).

**Table 4.17: Direct and Indirect Effects of HRE5 on BS5**

Effect Type	Effect	SE	t	p	LLCI	ULCI
Direct Effect	0.8036	0.0442	18.1830	0.0000	0.7167	0.8905

**Indirect Effects**

Path	Effect	BootSE	BootLLCI	BootULCI
EI	-0.1402	0.0194	-0.1793	-0.1034

The direct effect of Green HR practices on Customer Loyalty is significant ( $\beta = 0.8036$ ,  $p < 0.001$ ), implying that Green HR practices independently increase Customer Loyalty.

However, the indirect effect through Employer Image is negative and significant ( $\beta = -0.1402$ ), with a confidence interval that does not include zero, confirming mediation.

Considering Employer Image as an outcome variable, reveals a moderate positive relation with Green HR practices (HRE5). The model accounted for 16.56% of the variance in Employer Image, relating to correlation coefficient (R) as 0.4070. This means that Green HR practices significantly increase Employer Image ( $p < 0.001$ ). The coefficient for Green HR practices is 0.4682, which means that an increase of one unit in Green HR practices increases Employer Image with 0.4682 units. These findings confirm that environmentally responsible HR practices positively add up to how an organization is perceived as an employer.

Finally, the model of Customer Loyalty (BS5) proves that it has a very significant correlation with the predictors, Green HR practices and Employer Image, since the coefficient was 0.6817. It means that the explained part by the predictors in the variance of Customer Loyalty

is 46.47% and that the model is statistically significant at  $p < 0.001$  level. There is a direct and quite positive effect of Green HR practices on Customer Loyalty with a coefficient of 0.8036. This demonstrates that a one-unit rise in Green HR practices results in a rise in Customer Loyalty of 0.8036 units. Rather surprisingly, Employer Image carries a negative coefficient at -0.2994, which implies that when Employer Image increases, Customer Loyalty tends to fall—a rather interesting and statistically significant outcome ( $p < 0.001$ ).

The coefficient for the effect is at 0.8036,  $p < 0.001$ ; thus, Green HR practices are seen to positively affect Customer Loyalty without looking into Employer Image. Indirect effect, through Employer Image, is -0.1402, which, with a 95% confidence interval excluding zero, is showing that there is significant mediating effect but on the negative side. This suggests the presence of a complex interaction where Green HRM practices enhancing Employer Image do not result in the effective organizational outcome in terms of higher Customer Loyalty. Thus, the outcome partially supports the hypothesis. Green HR practices directly benefit customer loyalty by adding to the positive dynamic, but the mediator Employer Image, on the other hand, bestows a negative dynamic that is, greening and socially responsible HR practices enhance employer image, but these practices do not enhance the likelihood of affecting customer loyalty.

The analysis partially supports H4, which posits that MSMEs focusing on Environmental and Social Responsibility through Green HR practices do not experience higher Customer Loyalty and the relation is not mediated by Employer Image. These findings point towards additional research to explore the factors contributing to the negative mediation effect of Employer Image on Customer Loyalty. Understanding these dynamics could help MSMEs optimize Green HR practices to simultaneously enhance Employer Image and Customer Loyalty.

**H5: HR outsourcing does not have a positive impact on the economic viability of Indian MSMEs.**

In Hypothesis 5, correlation coefficient  $R = 0.173$  hints a weak positive association between HR outsourcing and the organization's economic viability. Although it reflects that HR outsourcing supports positively, strength is limited. The coefficient of determination  $R^2 = 0.030$  indicates that HR outsourcing explains 3% of the variance of economic viability. This suggests that whereas HR outsourcing is contributing, its role towards defining economic viability is relatively small. Adjusted  $R^2 = 0.027$ -so close to  $R^2$ , resulting in maintenance of the explanatory power even after considering the number of predictors; this again supports the validity of this model.

**Table 4.18: Model summary for H5**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.173 <sup>a</sup>	.030	.027	1.14760

a. Predictors: (Constant), HR Outsourcing

**R:** The correlation coefficient ( $R = 0.173$ ) suggests a weak positive connection between HR outsourcing and economic viability.  **$R^2 = 0.030$ :** This means that HR outsourcing explains 3% of the variance in economic viability. While the relationship is statistically significant (as seen in later tables), the practical impact on economic viability is modest. **Adjusted  $R^2 = 0.027$ :** This is nearer to the  $R^2$  value, confirming that the model does not lose much explanatory power when adjusted for the number of predictors.

**Table 4.19: ANOVA test for H5**ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.503	1	15.503	11.772	.001 <sup>b</sup>
	Residual	503.089	382	1.317		
	Total	518.593	383			

a. Dependent Variable: Economic Viability

b. Predictors: (Constant), HR Outsourcing

The F-value = 11.772 with a p-value of 0.001 indicates that the regression model is statistically significant, meaning that HR outsourcing significantly impacts the economic viability of Indian MSMEs.

**Table 4.20: Coefficient for HR outsourcing**Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.560	.171		14.961	.000
	HR Outsourcing	.189	.055	.173	3.431	.001

a. Dependent Variable: Economic Viability

The constant value 2.560 represents the predicted value of economic viability when HR outsourcing is zero. The coefficient for HR Outsourcing is 0.189 ( $p = 0.001$ ), which means that for every unit increase in HR outsourcing, economic viability increases by 0.189 units. This relationship is statistically significant, as the p-value is below 0.05.

Outcome from ANOVA provides statistical evidence that indeed the model is valid. At a level of  $p$ -value = 0.001, the F-value calculated was 11.772, which proves the statistical importance

of the relation exists between the two variables, HR outsourcing and economic viability. This, in other words, reflects the fact that economic viability in the Indian MSME sector is statistically important to predict through HR outsourcing; hence, it should be considered while doing strategic planning in these firms.

Regression coefficients shed further light on the study. The constant value is 2.560, representing the anticipated level of economic viability in the absence of HR outsourcing. It therefore represents a benchmark level of economic viability for MSMEs under either HR outsourcing or its absence. The coefficient for HR outsourcing is at 0.189, suggesting that for each one-unit increase in HR outsourcing, units of economic viability increase by 0.189 units. This relationship holds at the 0.001 p-value level, and thus supports the positive contribution of HR outsourcing toward economic viability.

However, the effect size remains small, implying that outsourcing of HR does not singly determine economic viability. Given that only 3% of the variance explained, the findings call for other factors that also shape economic success of MSMEs. Other determinants could include financial management practices, market conditions, innovation capabilities, and policies instituted by government.

From the findings, conclusion is drawn in being able to derive as the rejection of the hypothesis that HR outsourcing does not positively impacts the economic viability of Indian MSMEs. On the other hand, the weak relationship with a small effect size in indicating that HR outsourcing should be treated as part of a more overarching strategic package, rather than an end. Instead of this standalone, MSMEs are supposed to take it as a component and integrated with other critical initiatives such as process optimization, skill development, technological adoption, and market diversification to elevate economic viability.



The organisation involves employees in decision-making processes that affect them	Pearson Correlation	.275**	1	.326**	-.179**	.214**	.154**
	Sig. (2-tailed)	.000		.000	.000	.000	.002
	N	384	384	384	384	384	384
The organisation is effective in recognition and rewards programs in acknowledging employee contributions	Pearson Correlation	.424**	.326**	1	.126*	.169**	.121*
	Sig. (2-tailed)	.000	.000		.014	.001	.018
	N	384	384	384	384	384	384
The organisation is committed to fostering innovation in products and services	Pearson Correlation	.152**	-.179**	.126*	1	.077	.485**
	Sig. (2-tailed)	.003	.000	.014		.132	.000
	N	384	384	384	384	384	384
The customers are satisfied with the overall quality of the products/services offered by the organisation	Pearson Correlation	-.089	.214**	.169**	.077	1	.542**
	Sig. (2-tailed)	.082	.000	.001	.132		.000
	N	384	384	384	384	384	384
The organisation integrate customer feedback into the improvement of products/services in an effective manner	Pearson Correlation	.008	.154**	.121*	.485**	.542**	1
	Sig. (2-tailed)	.881	.002	.018	.000	.000	
	N	384	384	384	384	384	384

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

It can be seen that the correlation results point to a several correlations of various HR practices with the organizational outcomes. For example, it was found that the effectiveness of work-life balance initiatives is mildly positively correlated with involving employees in decision-making processes ( $r = 0.275$ ,  $p < 0.01$ ) and with recognition and rewards programs ( $r = 0.424$ ,  $p < 0.01$ ). Thus, based on these findings, healthy work-life balance may in fact create an environment that would facilitate greater participation and more meaningful employee contributions. However, it is much less intensively correlated with innovation ( $r = 0.152$ ,  $p < 0.01$ ) and the general level of customer satisfaction with product and service quality in general ( $r = -0.089$ ,  $p > 0.05$ ), which may imply that, although work-life balance initiatives are of value, their influence on innovation and quality is indirect.

Employee participation in decision-making activities is substantially and positively related to the actual use of customer feedback for the improvement of products and services, and recognition and rewards packages,  $r = 0.326$ ,  $p < 0.01$ . This distinguishes participative management practice as a part of the organizational culture that supports the culture of account and innovation and, therefore, makes better the quality of products and services. The recognition and rewards programs also developed strong positive associations with innovation ( $r = 0.126$ ,  $p < 0.05$ ), customer satisfaction ( $r = 0.169$ ,  $p < 0.01$ ), and the integration of customer feedback ( $r = 0.121$ ,  $p < 0.05$ ). Regarding this, the findings suggest that rewarding and recognition of employee contributions are among the critical drivers for innovation and channelling employee efforts toward organizational quality objectives.

The commitment of the organization to innovation in products and services is significantly positively associated with inputting customer feedback ( $r = 0.485$ ,  $p < 0.01$ ). It, therefore, speaks to the complementarity between innovative practices and customer-oriented strategies,

reflecting the strong interconnection between the generation of innovation and the competence to apply the knowledge derived from customers to pursue improvements. However, its rather weak correlation with customer satisfaction ( $r = 0.077$ ,  $p > 0.05$ ) does not indicate a positive link and rather points to the fact that innovation alone is not capable of enhancing quality perceptions, hence a large role for supplemental policies to fulfil the demands of customers.

Lastly, a very high correlation is established between the overall integration of customer feedback and customer satisfaction with global product and service quality ( $r = 0.542$ ,  $p < 0.01$ ), hence stipulating that employment of customer-centric practices is a strong catalyst of quality perceptions. It means that the iteration of a loop of feedback is significantly important for impelled improvements in quality and customer loyalty. As derived by the analysis, rejection of the hypothesis H6 is confirmed -and the researcher concludes that employee-centric HR practices drive both innovation and quality in the products and services of the companies. Specifically, practices to maintain work-life balance, participative decision making, recognition/rewards programs, and practices on commitment to innovation have led to such positive outcomes.

**H7: HRM maturity level [under PCMM] is not linked to Technology adoption capability of MSMEs and Skill and leadership development does not mediate the link.**

Hypothesis 7 relates to examining the nexus between HRM maturity levels and MSMEs' skill and leadership development, together with their technology adoption capability. Applying the PROCESS procedure, the results indicate direct and indirect effects of the hypothesized relationship and how HRM maturity and SLD facilitate the adaption of technological progress.

**Table 4.22: Model Summary for Skill and Leadership Development (SLD)**

Statistic	Value
R	0.1145
R <sup>2</sup>	0.0131
MSE	1.3308
F	5.0714
df1	1
df2	382
p	0.0249

**Table 4.23: Coefficients for SLD**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	2.5845	0.1603	16.1259	0.0000	2.2693	2.8996
HRM	0.1053	0.0468	2.2520	0.0249	0.0134	0.1973

The model for Skill and Leadership Development (SLD) explains 1.31% of the variance ( $R^2 = 0.0131$ ), indicating a statistically significant relationship between HRM maturity and SLD. The HRM maturity level has a positive effect on skill and leadership development ( $\beta = 0.1053$ ,  $p < 0.05$ ).

**Table 4.24: Model Summary for Technology Adoption Capability (BS6)**

Statistic	Value
R	0.7803
R <sup>2</sup>	0.6089
MSE	0.3388
F	296.5697
df1	2
df2	381
p	0.0000

**Table 4.25: Coefficients for BS6**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	0.7880	0.1048	7.5166	0.0000	0.5819	0.9941
HRM	0.4794	0.0238	20.1868	0.0000	0.4327	0.5261
SLD	0.2898	0.0258	11.2246	0.0000	0.2390	0.3405

The model for Technology Adoption Capability (BS6) explains 60.89% of the variance ( $R^2 = 0.6089$ ), showing a strong predictive power when HRM maturity and SLD are considered together. Both HRM maturity level ( $\beta = 0.4794$ ,  $p < 0.0000$ ) and skill and leadership development ( $\beta = 0.2898$ ,  $p < 0.0000$ ) significantly affect technology adoption capability.

**Table 4.26: Direct and Indirect Effects of HRM on BS6**

Effect Type	Effect	SE	t	p	LLCI	ULCI
Direct Effect	0.4794	0.0238	20.1868	0.0000	0.4327	0.5261
Indirect Effect(s) via SLD	0.0305	0.0120	0.0083	0.0553		

The direct effect of HRM on BS6 is significant and positive ( $\beta = 0.4794$ ,  $p < 0.0000$ ), while the indirect effect through SLD is also significant ( $\beta = 0.0305$ ), indicating that skill and leadership development mediates the relationship between HRM maturity level and technology adoption capability.

The first part of the analysis discusses HRM maturity levels and their relation to SLD. Results pointed out a statistically significant positive correlation where the coefficient of HRM maturity was 0.1053 ( $p = 0.0249$ ). This implies that as HRM maturity evolves, the organizations see more developed skill and leadership development. Further, it predicts only 1.31% of the variance in SLD ( $R^2 = 0.0131$ ). This shows that HRM maturity itself does not have a strong positive relationship with skill and leadership development outcomes. What this means is that though HRM maturity sets up the conduit for SLD, possibly some other variables also influence these capabilities.

The final section of the analysis talks about the interaction between HRM maturity and SLD in forming the capability for technology adoption. HRM maturity directly affects BS6 with a high coefficient of 0.4794 ( $p < 0.0000$ ). Hence, the more mature the HRM level is, the higher it would be the technology adoption capacity. Similarly, SLD positively impacts at the same level with a coefficient of 0.2898 ( $p < 0.0000$ ), indicating the multiplication of the effects

arising from skill-building and leadership development through investments on BS6. This shows that 60.89% of the variation in BS6 ( $R^2 = 0.6089$ ) is attributable to both the variables, meaning the combined effect of these two on technology adoption capability is highly predictive and robust.

The coefficient of direct effect is immense, at 0.4794 and  $p < 0.0000$ , meaning relationship between HRM maturity level and BS6 is strong. The indirect effect of HRM maturity on BS6 through SLD is 0.0305, with a 95% CI of [0.0083, 0.0553], therefore confirming that the SLD played a mediating role. Although the indirect effect is smaller, it emphasizes the central role that developing skills and leadership as an intermediate mechanism strengthening the positive relationship between HRM maturity and technology adoption. Here, there is significance among the variable. Hence, the researcher rejects the hypothesis and concludes that HRM maturity level [under PCMM] is linked to Technology adoption capability of MSMEs through the mediation Skill and leadership development

**H8: Higher the formalisation of HR is not positively linked to Ethical governance and perceived Employer Image does not mediate the link.**

Hypothesis 8 is the relationship between formalized HR processes and ethical governance, mediated by the perceived employer image Insights from the analysis. Analysis of the association between Formalization of HR (HRE2) and Employer Image (EI) shows a positive significant relationship, where HRE2 has a coefficient of 0.3345 with  $p < 0.0000$ , indicating the higher formalization of HR processes will enhance the image of the employer. The fit of the model is a very poor explanation of the variance in employer image through R-squared, which is at 9.12% and can thus be explained that formalization of HR bears an importance but is only a moderate predictor of employer image.

**Table 4.27: Model Summary for Employer Image (EI)**

<b>Statistic</b>	<b>Value</b>
R	0.3021
R <sup>2</sup>	0.0912
MSE	1.3510
F	38.3535
df1	1
df2	382
p	0.0000

**Table 4.28: Coefficients for EI**

<b>Predictor</b>	<b>Coefficient</b>	<b>SE</b>	<b>t</b>	<b>p</b>	<b>LLCI</b>	<b>ULCI</b>
Constant	1.7261	0.1682	10.2648	0.0000	1.3955	2.0567
HRE2	0.3345	0.0540	6.1930	0.0000	0.2283	0.4407

The model for Employer Image (EI) explains 9.12% of the variance ( $R^2 = 0.0912$ ), indicating a moderately strong relationship. The formalization of HR processes (HRE2) has a significant positive effect on EI ( $\beta = 0.3345$ ,  $p < 0.001$ ), suggesting that more formal HR practices contribute to a better employer image.

**Table 4.29: Model Summary for Ethical Governance (BS3)**

Statistic	Value
R	0.8471
R <sup>2</sup>	0.7175
MSE	0.2453
F	483.8339
df1	2
df2	381
p	0.0000

**Table 4.30: Coefficients for BS3**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	0.6114	0.0809	7.5539	0.0000	0.4523	0.7706
HRE2	0.5532	0.0241	22.9104	0.0000	0.5057	0.6006
EI	0.2865	0.0218	13.1391	0.0000	0.2436	0.3294

For Ethical Governance (BS3), the model explains 71.75% of the variance ( $R^2 = 0.7175$ ), suggesting a very strong fit. Both HRE2 and EI significantly influence ethical governance, with HRE2 having a strong positive association ( $\beta = 0.5532$ ,  $p < 0.001$ ) and EI also contributing positively ( $\beta = 0.2865$ ,  $p < 0.001$ ).

**Table 4.31: Direct and Indirect Effects of HRE2 on BS3**

Effect Type	Effect	SE	t	p	LLCI	ULCI
Direct Effect	0.5532	0.0241	22.9104	0.0000	0.5057	0.6006

**Indirect Effects**

Path	Effect	BootSE	BootLLCI	BootULCI
EI	0.0958	0.0212	0.0561	0.1387

The direct effect of HRE2 on BS3 is 0.5532, which is statistically significant ( $p < 0.001$ ), indicating a strong direct influence of HR formalization on ethical governance. The indirect effect of HRE2 on BS3 via EI is 0.0958 (BootLLCI = 0.0561, BootULCI = 0.1387), with a confidence interval that does not include zero, confirming the mediation effect.

The second half of the analysis applies both HRE2 and EI to ethical governance (BS3). The results indicated that HRE2 had direct impact on ethical governance, based on the coefficient, which was 0.5532,  $p < 0.0000$ ; this means that there is a close tie between formalisation of HR and more enhanced ethical governance. Additionally, EI significantly impacts ethical governance with a coefficient of 0.2865 ( $p < 0.0000$ ), hence implying a positive employer brand plays an influential role to make the perceptions of ethics and conduct. The model accounts for 71.75% of the ethical governance variance,  $R^2 = 0.7175$ , implying that both HR formalization and employer image are powerful predictors of E-Governance.

The direct effect of HRE2 on ethical governance is indeed significant with a coefficient of 0.5532 revealing a direct and positive relationship. The indirect effect of HRE2 on ethical

governance through EI is 0.0958, and the 95% confidence interval as shown by the Boot LL CI = 0.0561 and Boot UL CI = 0.1387 does confirm the significance of this mediation.

Whereas this indirect effect is on its own clearly smaller than the effect of the former, it underlines, nonetheless the importance of employer image in reinforcing the linkage between formalized HR processes and ethical governance.

The results do not provide support for H8 and hence the hypothesis is rejected. The formalization of HR is positively linked to ethical governance, both directly and indirectly through employer image. This implies that as organizations formalize their HR processes, not only do they directly enhance ethical governance, but they also improve their employer image, which in turn further boosts perceptions of ethical governance.

**H9: A positive work culture is related to stakeholder & customer loyalty mediated by organizational agility & responsiveness in MSMEs**

In hypothesis 9, the relationships of stakeholder/customer loyalty (BS5) and positive work culture (HRE7) with the controlling factors of organizational agility and responsiveness (OAR) in MSMEs are analysed. The multivariate analysis of the dataset reveals a positive and statistically significant relationship at  $p = 0.0019$ , with a coefficient of 0.1828, which means that the improvement in work culture adds up positively to organizational agility and responsiveness. However, only 2.50% of the variation in OAR is explained by the model, which thereby suggests an effect that is statistically significant but not strong as a predictor of organizational agility.

**Table 4.32: Model Summary for Organizational Agility and Responsiveness (OAR)**

<b>Statistic</b>	<b>Value</b>
R	0.1580
R <sup>2</sup>	0.0250
MSE	1.1718
F	9.7863
df1	1
df2	382
p	0.0019

**Table 4.33: Coefficients for OAR**

<b>Predictor</b>	<b>Coefficient</b>	<b>SE</b>	<b>t</b>	<b>p</b>	<b>LLCI</b>	<b>ULCI</b>
Constant	2.3871	0.1942	12.2902	0.0000	2.0052	2.7690
HRE7	0.1828	0.0584	3.1283	0.0019	0.0679	0.2977

The model for OAR explains 2.50% of the variance ( $R^2 = 0.0250$ ), indicating a statistically significant but modest relationship. The positive work culture (HRE7) has a significant positive effect on organizational agility and responsiveness (OAR) with a coefficient of 0.1828 ( $p = 0.0019$ ).

**Table 4.34: Model Summary for Stakeholder & Customer Loyalty (BS5)**

Statistic	Value
R	0.5243
R <sup>2</sup>	0.2749
MSE	0.9474
F	72.2162
df1	2
df2	381
p	0.0000

**Table 4.35: Coefficients for BS5**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	0.4688	0.2063	2.2722	0.0236	0.0631	0.8744
HRE7	0.4681	0.0532	8.7969	0.0000	0.3635	0.5727
OAR	0.3080	0.0460	6.6949	0.0000	0.2175	0.3985

The model for BS5 explains 27.49% of the variance ( $R^2 = 0.2749$ ), showing a strong fit. Both positive work culture (HRE7) and organizational agility and responsiveness (OAR) significantly influence stakeholder and customer loyalty. HRE7 has a marked direct effect ( $\beta = 0.4681$ ,  $p < 0.001$ ), and OAR also contributes significantly ( $\beta = 0.3080$ ,  $p < 0.0000$ ).

**Table 4.36: Direct and Indirect Effects of HRE7 on BS5**

Effect Type	Effect	SE	t	p	LLCI	ULCI
Direct Effect	0.4681	0.0532	8.7969	0.0000	0.3635	0.5727

**Indirect Effects**

Path	Effect	BootSE	BootLLCI	BootULCI
OAR	0.0563	0.0178	0.0228	0.0918

The direct effect of HRE7 on BS5 is 0.4681 ( $p < 0.0000$ ), indicating a strong direct influence of a positive work culture on stakeholder and customer loyalty. The indirect effect of HRE7 on BS5 through OAR is 0.0563 (BootLLCI = 0.0228, BootULCI = 0.0918), with a confidence level of 95% that does not include zero which confirms the mediation effect. The influence of positive work culture-HRE7-on stakeholder and customer loyalty in relation to organizational agility and responsiveness-OAR-were also analysed. The results show that a positive work culture has a direct, but strong, influence on loyalty at 0.4681( $p < 0.0000$ ), meaning that better work culture directly facilitates stakeholder and customer loyalty. Organizational agility and responsiveness also significantly influence loyalty, with a coefficient of 0.3080 ( $p < 0.0000$ ), meaning that agile and responsive organizations raise more loyalty. The model explains 27.49% of the variance in stakeholder/ customer loyalty ( $R^2 = 0.2749$ ), meaning that both positive work culture and organizational agility apply in predicting loyalty.

The direct effect of HRE7 on BS5 is 0.4681 ( $p < 0.0000$ ), indicating a strong direct influence of a positive work culture on stakeholder and customer loyalty, proving that independent

influence from organizational agility is portrayed by the positive impact of work culture on loyalty. The indirect effect of HRE7 on BS5 through OAR is 0.0563 (BootLLCI = 0.0228, BootULCI = 0.0918), with a 95% confidence interval that does not include zero, confirming the mediation effect indicating that organizational agility plays an essential mediation role in the association between work culture and loyalty.

The results do not provide any support for H9. Whereas, a positive work culture is found positively related to stakeholder and customer loyalty, mediated both directly and indirectly by organizational agility and responsiveness. Here, there is significance among the variable. Hence, the researcher rejects the hypothesis and conclude that a positive work culture is related to stakeholder & customer loyalty mediated by organizational agility & responsiveness in MSMEs.

**H10: HR strategy & Plan is not linked to technological capabilities and Employee retention does not mediate the link.**

Hypothesis 10 is the analysis of BS6 and HRE8 relationship with employee retention (ER) as a mediating variable, starting by analyzing the impact of HR strategy and planning on ER. From the results, it appears that the coefficient is 0.3791 ( $p < 0.0000$ ) which implies that if HR strategy and planning improve then ER also goes up. The model explained 9.58% of the variance in employee retention,  $R^2 = 0.0958$ , which reveals that the effect of HR strategy on retention is moderate but important.

**Table 4.37: Model Summary for Employee Retention (ER)**

Statistic	Value
R	0.3095
R <sup>2</sup>	0.0958
MSE	1.1725
F	40.4548
df1	1
df2	382
p	0.0000

**Table 4.38: Coefficients for ER**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	1.9330	0.1964	9.8408	0.0000	1.5468	2.3192
BS6	0.3791	0.0596	6.3604	0.0000	0.2619	0.4963

The model for Employee Retention (ER) explains 9.58% of the variance, with a notable positive influence of HR strategy and planning (BS6) on employee retention ( $\beta = 0.3791$ ,  $p < 0.001$ ). This suggests that HR strategy and planning directly improve employee retention.

**Table 4.39: Model Summary for Technological Capabilities (HRE8)**

Statistic	Value
R	0.6120

Statistic	Value
R <sup>2</sup>	0.3745
MSE	0.9146
F	114.0573
df1	2
df2	381
p	0.0000

**Table 4.40: Coefficients for HRE8**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	0.4633	0.1942	2.3855	0.0175	0.0814	0.8453
BS6	0.2090	0.0554	3.7757	0.0002	0.1002	0.3179
ER	0.5756	0.0452	12.7377	0.0000	0.4867	0.6644

For Technological Capabilities (HRE8), the model explains 37.45% of the variance, with both HR strategy and planning (BS6) and employee retention (ER) significantly contributing to technological capabilities. HR strategy and planning have a positive direct effect ( $\beta = 0.2090$ ,  $p = 0.0002$ ), and employee retention has a substantial positive impact ( $\beta = 0.5756$ ,  $p < 0.001$ ).

**Table 4.41: Direct and Indirect Effects of BS6 on HRE8**

Effect Type	Effect	SE	t	p	LLCI	ULCI
Direct Effect	0.2090	0.0554	3.7757	0.0002	0.1002	0.3179

**Indirect Effect(s) of BS6 on HRE8 via ER:**

<b>Path</b>	<b>Effect</b>	<b>BootSE</b>	<b>BootLLCI</b>	<b>BootULCI</b>
ER	0.2182	0.0370	0.1480	0.2947

The direct effect of BS6 on HRE8 is 0.2090, which is statistically significant ( $p = 0.0002$ ), indicating that HR strategy and planning directly enhance technological capabilities. The indirect effect through employee retention is 0.2182 (BootLLCI = 0.1480, BootULCI = 0.2947), which is also significant, confirming the mediation effect of employee retention.

The second part of this study analyzes how BS6- HR strategy and planning as well as ER- influence technological capabilities HRE8. The evidence suggests that HR strategy and planning have a direct significant effect upon technological capabilities since the coefficient is 0.2090 ( $p = 0.0002$ ), which means that effective HR strategies improve technological capabilities directly. Again, the coefficient 0.5756 ( $p < 0.0000$ ) proves that employee retention significantly contributes to technological capabilities, which underlines that retaining employees significantly plays in improving technology adoption capabilities. The model elucidates 37.45% of the variance in technological capabilities ( $R^2 = 0.3745$ ), meaning both HR strategy and employee retention are strong predictors of technological capabilities.

The direct effect of HR strategy and planning on technological capabilities is 0.2090, which is statistically significant at  $p = 0.0002$ , and this means that HR strategies favour technological capabilities, assuming the effect of employee retention controlled for. The indirect effect of HR strategy and planning on technological capabilities via employee retention is 0.2182, 95% CI: [0.1480, 0.2947] not containing zero.

The results do not provide support for H10 indicating that HR strategy and planning do positively affect technological capabilities both directly and indirectly through employee retention. The direct effect ( $\beta = 0.2090$ ,  $p < 0.001$ ) suggests that effective HR strategies have independent contributions to the improvement of technological capabilities. And an indirect effect 0.2182 (BootLLCI = 0.1480, BootULCI = 0.2947) indicates that employee retention significantly mediates the relationship between HR strategy and technological competencies. In short, HR strategies add directly to the bettering of technological capabilities while also improving a more stable and committed workforce, thus enhancing the technological aptitude of the organization. Here, there is significance among the variable. Hence, the hypothesis is rejected and concluded that HR strategy and Plan is linked to technological capabilities through mediation of Employee retention.

**H11: Legal compliances behaviour of MSMEs is not positively related to the perceived ethical governance of MSMEs and employer image does not mediate the relationship.**

The hypothesis is set to evaluate whether legal compliance behaviour (BS3) influences perceived ethical governance (HRE9) through the mediation of employer image (EI).

**Table 4.42: Model Summary for Employer Image (EI)**

Statistic	Value
R	0.5730
R <sup>2</sup>	0.3283
MSE	0.9986
F	186.7154

Statistic	Value
df1	1
df2	382
p	0.0000

**Table 4.43: Coefficients for EI**

Predictor	Coefficient	SE	t	p	LLCI	ULCI
Constant	0.4512	0.1723	2.6181	0.0092	0.1123	0.7900
BS3	0.7507	0.0549	13.6644	0.0000	0.6426	0.8587

The model for Employer Image (EI) explains 32.83% of the variance ( $R^2 = 0.3283$ ), indicating a moderate fit. Legal compliance behaviour (BS3) has a significant positive effect on EI ( $\beta = 0.7507$ ,  $p < 0.001$ ), showing that MSMEs with stronger legal compliance behaviour have a better employer image.

**Table 4.44: Model Summary for Perceived Ethical Governance (HRE9)**

Statistic	Value
R	0.0887
R <sup>2</sup>	0.0079
MSE	1.2423
F	1.5124
df1	2

<b>Statistic</b>	<b>Value</b>
<b>df2</b>	381
<b>p</b>	0.2217

**Table 4.45: Coefficients for HRE9**

<b>Predictor</b>	<b>Coefficient</b>	<b>SE</b>	<b>t</b>	<b>p</b>	<b>LLCI</b>	<b>ULCI</b>
Constant	3.1165	0.1939	16.0698	0.0000	2.7352	3.4978
BS3	-0.0759	0.0748	-1.0149	0.3108	-0.2229	0.0711
EI	0.0992	0.0571	1.7390	0.0828	-0.0130	0.2115

For Perceived Ethical Governance (HRE9), the model explains only 0.79% of the variance ( $R^2 = 0.0079$ ), indicating a weak fit. Both legal compliance behaviour (BS3) and employer image (EI) have non-significant effects on perceived ethical governance, with p-values of 0.3108 and 0.0828, respectively.

**Table 4.46: Direct and Indirect Effects of BS3 on HRE9**

<b>Effect Type</b>	<b>Effect</b>	<b>SE</b>	<b>t</b>	<b>p</b>	<b>LLCI</b>	<b>ULCI</b>
Direct Effect	-0.0759	0.0748	-1.0149	0.3108	-0.2229	0.0711
Indirect Effect(s)	0.0745	0.0459			-0.0150	0.1671

The direct effect of BS3 on HRE9 is not significant ( $p = 0.3108$ ), showing no direct positive relationship between legal compliance behaviour and perceived ethical governance. The indirect effect through employer image is 0.0745, but the 95% confidence interval (BootLLCI = -0.0150, BootULCI = 0.1671) includes zero, indicating that the mediation effect is not statistically significant.

Hypothesis 11 analysis reveals that there is a marked positive relationship between the conduct toward legal compliance behaviour and the image maintained by the employer, with the coefficient being 0.7507 ( $p < 0.0000$ ). However, the direct effect of legal compliance to ethical governance is statistically insignificant as its value is negative (-0.0759,  $p = 0.3108$ ). This indicates no direct positive relationship between legal compliance and ethical governance. The indirect effect through employer image is 0.0745, with a 95% confidence interval of (-0.0150, 0.1671), which crosses zero. This means that the indirect effect is not statistically significant, inferring that employer image does not significantly mediate the linkage between legal compliance behaviour and ethical governance. Again, although the relationship between employer image and ethical governance is positive, it is nonsignificant (0.0992,  $p = 0.0828$ ). The model brings out a very small portion of variance in ethical governance;  $R^2 = 0.0079$  further supports the inference that neither legal compliance nor employer image are strong predictors of perceived ethical governance under these circumstances. Moreover, the indirect effect through employer image does not show significance since the bootstrap confidence interval crosses zero with BootLLCI = -0.0150, BootULCI = 0.1671 thereby suggesting that employer image does not mediate the legal compliance behaviour and ethical governance relationship. These findings suggest that even though legal compliance enhances the employer image, it does not directly nor indirectly contribute to the perceptions of ethical governance in MSMEs.

Therefore, the hypothesis is supported, and further research is indicated in terms of other potential mediators or factors that may explain the relationship between legal compliance behaviour and ethical governance. This analysis illustrates the importance of legal compliance in building a positive employer image, but it also underscores the need for more nuanced exploration of how these elements contribute to perceptions of ethical governance.

### Overall Fit of the Model

The major results of the overall fit of the model, regression weights, covariances, variances, and goodness-of-fit indices for the default model for the AMOS SEM analysis are as follows:

There is a chi-square statistic of 785.898 for the model with 174 degrees of freedom, and the associated p-value is 0.000, an indication that the model does indeed capture significantly some of the relationships in the data. There is a large chi-square, suggesting that the model does not fit the data perfectly but does explain something about the structures underlying.

**Table 4.47: Regression Weights analysis result for the model**

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
MV	<---	HR	.699	.082	8.500	***	par_18
BS	<---	MV	.707	.117	6.059	***	par_19
HRE1	<---	HR	1.000				
HRE2	<---	HR	.943	.068	13.960	***	par_1

HRE3	<---	HR	1.076	.092	11.69	***	par_2
					9		
HRE4	<---	HR	1.247	.100	12.41	***	par_3
					9		
HRE5	<---	HR	1.338	.110	12.18	***	par_4
					1		
HRE6	<---	HR	1.230	.106	11.58	***	par_5
					9		
HRE7	<---	HR	.799	.108	7.415	***	par_6
HRE8	<---	HR	.996	.114	8.708	***	par_7
HRE9	<---	HR	.822	.112	7.357	***	par_8
BS1	<---	BS	1.000				
BS2	<---	BS	1.209	.178	6.787	***	par_9
BS3	<---	BS	1.478	.237	6.238	***	par_10
BS4	<---	BS	1.493	.234	6.377	***	par_11
BS5	<---	BS	1.555	.261	5.966	***	par_12

			Estimate	S.E.	C.R.	P	Label
BS6	<-	BS	1.864	.287	6.489	***	par_13
	--						
EE	<-	MV	1.430	.130	10.991	***	par_14
	--						

EI	<-	MV	1.382	.132	10.459	***	par_15
	--						
SL	<-	MV	1.038	.097	10.695	***	par_16
D	--						
ER	<-	MV	.859	.099	8.706	***	par_17
	--						
EW	<-	MV	1.000				
	--						
HR	<-	HR	.271	.162	1.671	.095	par_
M	--						

The path estimates are strong and mainly because HR practices show a huge effect on the mediating variable with a very high path coefficient of 0.699. On its part, MV has an influential role to BS. All paths from HR toward their measures were significant. This means that HR practices contribute significantly to the construct of HR, which then affects employee satisfaction and behaviour. All the indicators of BS (BS1 to BS6) are strong and statistically significant, thus making them valid and reliable in measurements toward behavioural satisfaction.

**Table 4.48: Covariances analysis result for the model**

Covariances: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
e18 <--> e20	.028	.018	1.560	.119	par_20
e17 <--> e20	-.058	.018	-3.242	.001	par_21
e14 <--> e15	.117	.028	4.212	***	par_22

	Estimate	S.E.	C.R.	P	Label
e12 <--> e15	-.052	.018	-2.935	.003	par_23
e11 <--> e14	.016	.020	.820	.412	par_24
e11 <--> e13	.010	.015	.640	.522	par_25
e11 <--> e12	.115	.020	5.725	***	par_26
e10 <--> e11	.124	.025	5.035	***	par_27
e3 <--> e6	-.001	.014	-.093	.926	par_28
e1 <--> e2	.066	.013	5.121	***	par_29
e1 <--> e4	-.014	.012	-1.166	.243	par_30
e1 <--> e7	-.028	.017	-1.657	.098	par_31
e2 <--> e3	.015	.011	1.380	.168	par_32

The covariance analysis reveals significant correlations between certain error terms, such as between e14 and e15 and between e12 and e15. However, many covariances, like e3 and e6, are non-significant, indicating no substantial shared variance between these error terms.

**Table 4.49: Variances analysis result for the model**

Variances: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
HR	<u>.179</u>	.026	6.857	***	par_55
e21	.103	.018	5.640	***	par_56
e22	.008	.005	1.504	.133	par_57
e1	.221	.019	11.686	***	par_58
e2	.179	.015	11.858	***	par_59
e3	.199	.017	11.451	***	par_60

	Estimate	S.E.	C.R.	P	Label
e4	.188	.017	10.759	***	par_61
e5	.269	.023	11.580	***	par_62
e6	.279	.024	11.730	***	par_63
e7	.494	.037	13.372	***	par_64
e8	.538	.041	13.227	***	par_65
e9	.582	.043	13.454	***	par_66
e10	.707	.052	13.517	***	par_67
e11	.330	.026	12.808	***	par_68
e12	.341	.028	11.973	***	par_69
e13	.279	.023	12.007	***	par_70
e14	.572	.045	12.687	***	par_71
e15	.314	.030	10.632	***	par_72
e16	.312	.027	11.539	***	par_73
e17	.253	.023	10.849	***	par_74
e18	.273	.022	12.303	***	par_75
e19	.349	.027	13.115	***	par_76
e20	.336	.027	12.310	***	par_77
e0	1.571	.114	13.823	***	par_78

The variances for the latent variable HR and the error terms (e1 to e20) are all statistically significant, indicating that these variables have sufficient variability in the model. The high critical ratios (C.R.) further confirm the reliability of these estimates, contributing to the robustness of the model.

Covariance analysis enables the determination of the covariances of error terms. The result is that of two findings: some tend to be significantly covaried together such as e14 and e15, as

well as between e12 and e15; for others, such as e3 and e6, no significant correlation emerges. All of the variances of latent variable HR and also of error terms (e1 to e20) are significant at any level, thus it indicates that the said variables carry enough variation within the model in order for the estimates are high and, therefore, are robust and reliable as confirmed by critically significant ratios (C.R.).

**Table 4.50: Model Fit Summary**

**Table 4.51: Chi-square minimum discrepancy statistic (CMIN)**

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	78	785.898	174	.000	4.517
Saturated model	252	.000	0		
Independence model	21	3609.158	231	.000	15.624

**Table 4.52: Baseline Comparisons**

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.782	.711	.822	.760	.819
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

**Table 4.53: Parsimony-Adjusted Measures**

Model	PRATIO	PNFI	PCFI
Default model	.753	.589	.617
Saturated model	.000	.000	.000

Model	PRATIO	PNFI	PCFI
Independence model	1.000	.000	.000

**Table 4.54: Non-Centrality Parameter (NCP)**

Model	NCP	LO 90	HI 90
Default model	611.898	528.659	702.670
Saturated model	.000	.000	.000
Independence model	3378.158	3187.302	3576.332

**Table 4.55: Minimum Fit Function Value (FMIN)**

Model	FMIN	F0	LO 90	HI 90
Default model	2.052	1.598	1.380	1.835
Saturated model	.000	.000	.000	.000
Independence model	9.423	8.820	8.322	9.338

**Table 4.56: Root Mean Square Error of Approximation (RMSEA)**

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.096	.089	.103	.000
Independence model	.195	.190	.201	.000

**Table 4.57: Akaike Information Criterion (AIC)**

Model	AIC	BCC	BIC	CAIC
Default model	941.898	951.405		

Model	AIC	BCC	BIC	CAIC
Saturated model	504.000	534.715		
Independence model	3651.158	3653.717		

**Table 4.58: Expected Cross-Validation Index (ECVI)**

Model	ECVI	LO 90	HI 90	MECVI
Default model	2.459	2.242	2.696	2.484
Saturated model	1.316	1.316	1.316	1.396
Independence model	9.533	9.035	10.050	9.540

**Table 4.59: HOELTER**

Model	HOELTER .05	HOELTER .01
Default model	101	108
Independence model	29	31

The goodness-of-fit measures, the CMIN/DF stands at 4.517, which falls within the acceptable range of 3 to 5 for moderate fit. The comparative fit indices NFI is 0.782, IFI is 0.822, and CFI is 0.819 indicated moderate fit. Although the indices are slightly below the threshold of 0.90, they indicate that a significant proportion of the variance of the data is explained by the model. RMSEA is 0.096, which is higher than the general threshold applied at 0.08 but certainly not seriously misfitting. The 90% confidence interval for RMSEA ranges from 0.089 to 0.103, which supports the notion that refinements may be called for by the

model. The accompanying PCLOSE value of 0.000 does highlight the statistical significance of the RMSEA.

PNFI of 0.589 and PCFI of 0.617 indices suggest that a good balance of complexity with fit can be achieved by the model. The AIC value of 941.898 and ECVI value of 2.459 set up that the model fits way better than the independence model hence a good fit. A critical N of 101 computed by Hoelter also shows that the model is good for this sample size, but it seems to lack superiority over larger datasets.

#### **4.4 Qualitative Analysis: Thematic Analysis**

Thematic analysis was conducted in accordance with the six-phase approach proposed by Braun & Clarke (2014), which are data familiarization, initial coding, theme generation, theme review, theme definition, and reporting. As a result of the analysis nine distinct themes were identified. It has been demonstrated that each theme is relevant to the area of study at hand. The researcher claims that each theme is distinct from the others and that none of them overlap. The finalized themes after reviewing are discussed as below:

##### **Theme 1: The current trend and role of the HR ecosystem in the business sustainability of Indian MSMEs**

##### **Sub-Theme 1.1: The current trends in HR practices within the organisation and their impact on business sustainability**

Concerning the current trends in HR practices within the organisation and their impact on business sustainability, it was found that digital HR has helped in enhancing efficiency as can be observed from the response, “Our organization has adopted digital HR solutions, focusing on employee training and development. These trends enhance efficiency and help align HR practices with sustainability goals. By promoting skills development and operational

transparency, we foster a positive work culture that supports long-term growth.” Furthermore, other new trends within the HR ecosystem include hybrid work models and employee engagement. This is observed from the statement, “Our organization focuses on hybrid work models and enhanced digital communication tools. These trends improve flexibility and work-life balance, helping to attract and retain talent. This directly impacts our business sustainability by ensuring a motivated, productive workforce, which supports long-term operational stability and growth.” The trend of flexible work approaches was highlighted in the statement, “We have embraced flexible work arrangements and a focus on skill enhancement. These trends have fostered a culture of trust and productivity, enabling our employees to adapt better to market changes. As a result, this approach ensures our sustainability by aligning workforce capabilities with evolving business needs.” While the aspect of diversity and inclusion was depicted from the statement, “Our organization has adopted a strong emphasis on diversity and inclusion in hiring practices. This trend attracts a broader talent pool, which enhances creativity and innovation. By fostering a diverse workforce, we can better meet customer needs, ultimately supporting our business sustainability and growth.” Finally, the study responses also depicted that data-driven HR and customised strategies have also helped in enhancing productivity. This can be affirmed by the statement, “Our organization has implemented data-driven decision-making in HR practices. This trend allows us to analyse employee performance and engagement effectively, leading to tailored development programs. Consequently, this approach enhances overall productivity and supports sustainable business growth by aligning talent with strategic objectives.”

**Sub-Theme 1.2: The HR ecosystem within the organisation leads to long-term business sustainability.**

The HR ecosystem within the organisation leads to long-term business sustainability as it helps in employee well-being and growth and enhances competitiveness. In this context, one of the respondents mentioned, “A well-structured HR ecosystem focuses on employee well-being and growth, which leads to higher retention rates and reduced operational costs. This creates a stable workforce capable of driving innovation, allowing our MSME to remain competitive in a rapidly evolving business environment.” Others revealed performance and innovation, collaboration and knowledge sharing. This is demonstrated by the statement, “Our HR ecosystem emphasizes continuous learning and employee development, which improves skill sets and adaptability. This helps our workforce meet future challenges. By ensuring personal and professional growth, the ecosystem strengthens loyalty and drives long-term sustainability through consistent performance and innovation.” and “The HR ecosystem promotes a culture of collaboration and knowledge sharing. By encouraging teamwork and open communication, we build a resilient workforce that can adapt to changing market demands. This collaborative approach helps ensure that we remain competitive and sustainable in the long run.” The study also suggested that loyalty and teamwork within the HR ecosystem have led to long-term business sustainability as is depicted in the response, “The HR ecosystem nurtures a culture of collaboration and open communication. By fostering strong relationships among employees, we create a supportive environment that enhances teamwork. This cohesion contributes to long-term sustainability by driving productivity and employee loyalty.” The HR ecosystem within the organisation leads to business sustainability by enhancing training and development thereby reducing the skill gap. This is demonstrated by the response, “A robust HR ecosystem fosters continuous learning and development. By providing ongoing training opportunities, we enhance employees’ skills, ensuring they remain competitive in the market. This commitment to growth contributes significantly to our

organization's sustainability and adaptability in a changing business landscape." Additionally, feedback and organisational culture are also extremely important concepts for long-term business sustainability. This is attributed to the statement, "The HR ecosystem emphasizes employee development and continuous feedback. This commitment helps employees feel valued and engaged, fostering a productive environment. As a result, we build a strong organizational culture that supports long-term sustainability and resilience against market changes."

## **Theme 2: The issues and limitations that Indian MSMEs encounter while adopting effective HR practices**

### **Sub-Theme 2.1: The key challenges MSMEs in India experience while adopting effective HR practices**

The key challenges MSMEs in India experience while adopting effective HR practices are financial constraints and lack of expertise. This is depicted in the response, "MSMEs face financial constraints and a lack of expertise when trying to implement advanced HR practices. Limited budgets restrict investment in HR technology and staff development, creating a barrier to adopting industry-standard practices that could enhance productivity and sustainability." Further, lack of resources and lack of skilled professionals are other factors that affect the implementation of effective HR practices. This is revealed by the statement, "A common challenge is resource limitations. MSMEs often struggle to allocate sufficient funds for HR development programs and tools. Additionally, they face difficulty in recruiting skilled HR professionals, which hinders the implementation of strategic HR practices crucial for sustainability." The research further revealed that there is lack of HR frameworks as can be seen in the response, "One major challenge is the lack of structured HR frameworks. Many

MSMEs operate without clear HR policies, leading to inconsistencies in employee management. Additionally, limited budgets restrict our ability to invest in training and technology, which are vital for effective HR practices.” Finally, issues related to training and technology upgrades as well as the regulatory challenges also pose a major threat. This can be demonstrated by the statement, “One key challenge is the financial constraints that limit investments in HR initiatives. Many MSMEs struggle to allocate resources for necessary training and technology upgrades. This lack of funding can hinder the implementation of effective HR practices that drive growth and sustainability.” and “One challenge is the rapidly changing regulatory environment. MSMEs often struggle to keep up with compliance requirements, which can lead to legal issues. Navigating these regulations is crucial for maintaining effective HR practices and ensuring organizational sustainability.” respectively.

### **Sub-Theme 2.2: The barriers that MSMEs in India encounter while trying to enhance their HR practices**

Two major barriers that MSMEs in India encounter while trying to enhance their HR practices are lack of awareness and resistance to change. This is demonstrated from the response, “One major barrier is the lack of awareness about modern HR tools and techniques. Additionally, resistance to change from both management and employees hampers the integration of new HR processes, leading to inefficiencies in addressing the organization's talent management needs.”. Also, cultural resistance and limited accessibility are other barriers that MSMEs face. This can be attributed to the response, “Cultural resistance to change is a significant barrier, especially in smaller firms where traditional practices are deeply rooted. Another barrier is the limited access to HR technology and best practices, making it difficult to modernize HR processes for better performance.” Furthermore, lack of expertise and informal systems are

other predominant barriers as can be revealed from the response, “A significant barrier is the lack of skilled HR professionals who can implement modern practices. Many MSMEs rely on informal systems, making it challenging to establish structured HR processes. This gap limits our ability to enhance HR practices that align with industry standards.” Challenges pertaining to financing issues, turnover intentions and limited resources further lead to ineffective application of HR practices. This is demonstrated by the statement “Limited financial resources often restrict the implementation of comprehensive HR initiatives. Moreover, resistance to change from senior management can impede the adoption of modern HR practices. These barriers prevent MSMEs from fully leveraging the benefits of effective HR strategies.” and “One major barrier is the high employee turnover, which disrupts continuity and hinders HR improvement efforts. Many MSMEs also struggle to balance operational demands with implementing effective HR strategies, making it challenging to create a stable HR environment that supports growth.” respectively.

### **Theme 3: The potential advantages of HR reform in Indian MSMEs for business sustainability.**

#### **Sub-Theme 3.1: HR reforms improved employee engagement and retention and its impact on the long-term sustainability of the business**

The potential advantages of HR reform in Indian MSMEs for business sustainability include employee development, performance-based rewards and open communication. One of the respondents in this context stated, “Increased focus on employee development, open communication, and performance-based rewards have significantly boosted engagement and retention. These reforms foster loyalty and reduce turnover, which is crucial for maintaining a stable, skilled workforce, and ensuring long-term sustainability.” Further, recognition and

feedback are other potential advantages of HR reform in Indian MSMEs for business sustainability. This is demonstrated by the statement, “HR reforms focused on continuous feedback and recognition have greatly increased employee engagement. By regularly acknowledging contributions, we create a motivated workforce that is committed to the organization, thereby enhancing retention and fostering a sustainable work environment.” Additionally, flexible work arrangements are the other advantages of HR reforms in Indian MSMEs. For instance, one of the respondents was of the perception that “The introduction of flexible work arrangements has significantly boosted employee satisfaction and engagement. This flexibility allows employees to balance work and personal life effectively, resulting in lower turnover rates and higher retention, ultimately contributing to the organization's long-term sustainability.” Moreover, enhanced onboarding processes and team-building activities are other advantages of HR reform in Indian MSMEs for business sustainability. This is demonstrated from the responses “Enhanced onboarding processes have led to better employee engagement from the start. By ensuring that new hires feel welcomed and informed, we reduce turnover and build loyalty. This retention is essential for cultivating a stable workforce that supports sustainable growth.” and “Initiatives such as team-building activities have strengthened workplace relationships. Enhanced camaraderie among employees leads to higher job satisfaction and lower turnover rates. This engagement is essential for maintaining a sustainable workforce that drives organizational success.” respectively.

#### **Theme 4: New HR management trends that are uniquely pertinent to Indian MSMEs**

##### **Sub-Theme 4.1: HR reforms in Indian MSMEs that positively impacted business performance and sustainability**

The HR reforms in Indian MSMEs that positively impacted business performance and

sustainability are productivity and employee and goal alignment. This is attributed to the response, “HR reforms such as structured performance appraisals and employee feedback systems have enhanced productivity and satisfaction. By fostering a transparent, merit-based environment, these reforms contribute to improved business performance and sustainability through better employee alignment with organizational goals.” Moreover, higher retention rates and better performance are the other two HR trends as suggested by the response “Implementing structured onboarding processes has improved new employee integration and productivity. These reforms ensure that employees feel welcomed and valued, leading to higher retention rates and better performance, which are essential for maintaining a sustainable business.” Structured performance evaluations and transparency and accountability are the other two important HR Trends. This is revealed from the response, “Recent HR reforms focusing on performance management have led to improved accountability. By establishing clear expectations and regular check-ins, employees understand their roles better. This clarity enhances productivity, contributing positively to business performance and sustainability.” Furthermore, Work-Life Balance and Structured Onboarding Processes are also uniquely pertinent to Indian MSMEs. This is depicted by the statement, “Implementing flexible work arrangements has increased productivity. Employees appreciate the work-life balance, which enhances their engagement and output. This reform positively influences our bottom line, contributing to long-term business sustainability.” and “Implementing structured onboarding processes has improved employee retention rates. New hires receive the necessary training and support, ensuring a smoother transition into the organization. This improvement boosts overall productivity, which is vital for sustainable business success.” respectively.

#### **Sub-Theme 4.2: The emerging trends in HR management in the context of the Indian MSMEs**

The new swing in HR management in the context of the Indian MSMEs include Cloud-based HR systems, Remote working models and Employee wellness programs. This is demonstrated by the statement, “The adoption of cloud-based HR systems, remote working models, and employee wellness programs is gaining traction among Indian MSMEs. These trends help MSMEs streamline operations, promote work-life balance, and enhance employee satisfaction, which is essential for sustained growth and development.” Moreover, Artificial Intelligence is also a part of the HR management process as is observed in the response, “Key emerging trends include the adoption of artificial intelligence in recruitment and HR analytics for employee performance tracking. These trends enable MSMEs to optimize HR processes, resulting in better talent management and more informed decision-making, which are crucial for sustaining competitiveness.” Furthermore, Technology Integration is an unavoidable aspect of talent management in the context of the Indian MSMEs as is seen in the statement “The integration of technology in HR processes, such as recruitment automation and data-driven performance assessments, is emerging. These trends enable us to make more informed decisions and streamline HR operations, which is critical for enhancing efficiency and ensuring sustainability.” The emerging trends in HR management also include gamification as is demonstrated in the response “A growing trend is the use of gamification in training and development. This innovative approach engages employees and enhances learning experiences, resulting in improved skill acquisition. Such trends can significantly impact organizational performance and employee satisfaction.”

## **Theme 5: Recommendations and strategies for improving the HR environment in Indian MSMEs**

### **Sub-Theme 5.1: Strategies leveraged to improve the HR environment in Indian MSMEs**

The strategies leveraged to improve the HR environment in Indian MSMEs include employee training and mentorship programs, HR technology and feedback-driven culture. This can be seen in the response, “Emphasizing continuous employee training, adopting HR technology, and encouraging a feedback-driven culture are key strategies. By investing in people-centric policies, MSMEs can create an environment conducive to innovation and higher productivity, which positively influences business outcomes.” Moreover, employee well-being and mental health, flexible work schedules and digital HR solutions are the other strategies that have been employed within the HR environment within the MSMEs. In this context, one of the respondents revealed, “Focusing on employee well-being and mental health, incorporating flexible work schedules, and investing in digital HR solutions are key strategies. These measures can improve overall work satisfaction and efficiency, foster a positive work culture and improve business outcomes.” Moreover, open communication is also another strategy leveraged as emphasised in the statement, “Investing in employee development through regular training and mentorship programs can enhance the HR environment. Additionally, promoting a culture of open communication and feedback encourages employee involvement, which is critical for fostering a positive workplace atmosphere.” Furthermore, a collaborative work culture, employee growth and continuous learning are the other strategies employed. This is evident from the responses “To improve the HR environment, MSMEs should implement mentorship programs to support skill development. Encouraging a collaborative work culture and providing platforms for employee feedback can also enhance engagement

and lead to a more productive workforce.” and “MSMEs should focus on building a culture of continuous learning. Providing access to online courses and workshops fosters employee development and innovation. This investment in employee growth enhances the overall HR environment and supports long-term sustainability.”

### **Sub-Theme 5.2: Recommendations provided to Indian MSMEs trying to enhance their HR practices and environment**

The recommendations provided to the Indian MSMEs trying to enhance their HR practices and environment include investing in affordable HR technologies, prioritizing employee development and cultivating a transparent work environment. This is depicted in the response “MSMEs should invest in affordable HR technologies, prioritize employee development, and cultivate a transparent work environment. By creating a culture that values continuous improvement, MSMEs can enhance employee morale, improve retention, and achieve long-term sustainability.” Moreover, employee training and mentorship and Open Communication are other recommendations that may be taken into consideration for enhancing the HR practices and environment. This is analysed from the response, “MSMEs should prioritize employee training programs, adopt affordable HR management systems, and promote a culture of open communication. By doing so, they can create an environment that fosters continuous improvement, leading to enhanced employee satisfaction and business resilience.” Other recommendations provided to Indian MSMEs trying to enhance their HR practices and environment are employer brand and collaborative partnerships as depicted by the response “I recommend that MSMEs engage in collaborative partnerships with educational institutions. These partnerships can help provide training programs tailored to industry needs, ensuring that employees possess relevant skills. Such initiatives will enhance the overall HR practices

and competitiveness of MSMEs.”

#### 4.5 Reliability Analysis

There are 69 items in the questionnaire designed to study the 24 constructs. Cronbach’s alpha was calculated for the 24 constructs with their corresponding number of items in the scale to determine the internal consistency. Cronbach’s alpha is a widely recognised and accepted statistic that the degree to which items in a scale measure the corresponding construct. The analysis shows a Cronbach’s alpha of 0.948 based on 69 items, which indicate an excellent internal consistency (George & Mallery, 2003). The reliability analysis was conducted using data from a sample of 115. The Cronbach’s alpha of 0.948 of the questionnaires supports its use as a robust tool for measuring constructs in this study.

**Table 4.60: Case Processing Summary**

		N	%
Cases	Valid	115	29.9
	Excluded	0	0
	Total	115	100.0

**Table 4.61: Reliability Statistics**

Cronbach's Alpha	N of Items
.948	69

#### 4.6. Summary

This study digs deep into the function of HR ecosystem in fostering the business sustainability of Indian MSMEs, assessing the trends, opportunities, and challenges these organizations face. The research integrates both numeric and non-numeric data, with numeric data collected

through questionnaires and non-numeric data gathered through interviews with business owners, HR managers, and other stakeholders. The aim is to provide a holistic view of how HR interventions influence organizational sustainability in the MSME sector in India.

The analysis utilizes AMOS for the quantitative data to draw meaningful insights, while manual thematic analysis is applied to the qualitative data from interviews to identify and interpret key themes related to HR practices, challenges, and benefits. This mixed approach ensured a comprehensive understanding of the HR practices that drive business sustainability in MSMEs. Thematic analysis helps uncover context-specific factors that influence HR practices, many of which might not be evident through quantitative methods alone. This methodology is particularly appropriate as it captured the diverse perspectives of various stakeholders, providing a nuanced understanding of how HR practices are implemented and their impact on organizational outcomes. Furthermore, the analysis targets the discovery of latest and new trends in the management of Human Resource in India that applies to Indian MSMEs. Quantitative analysis would track these trends and observe them in terms of the outcome, but qualitative research attempted to find what motivates or prevents the implementation by adding meaning to the numeric data. Lastly, venture aspires to make recommendations for improving HR environments. In this case, the specific area of improvement has been revealed by the quantitative finding, but the qualitative point of view ensures that the recommendations resonate with the employees' and managers' needs and experiences, (Carr, 2003).

## CHAPTER V

### DISCUSSION, CONCLUSIONS, AND IMPLICATIONS

#### 5.1 Introduction

The chapter synthesizes the insights drawn from of the analysis, making meaningful conclusions and recommendations while addressing the broader implications. The chapter is a critical bridge between the analysis of data and its application in a live context, emphasizing the importance of an effective HR ecosystem in ensuring business sustainability for Indian MSMEs. It aims to paint a broad picture of the trend, opportunity, and challenge that characterizes the HR scenario in the MSME sector by linking findings with research objectives and available literature. The chapter synopsis the investigation by going over again those key elements that form its objectives, methodology, and major findings. Such a review offers a comprehensive backdrop to understand how critical the study has been in terms of relevance and implication for addressing these glaring gaps within the HR practices of MSMEs. Another important aspect of this chapter includes its discussion about future research directions. The chapter contributes to the continuous academic and practical discourse on sustainable HR management in MSMEs by outlining these avenues of research. The chapter's purpose is to synthesize the various facets that emerged here into a coherent narrative that answers the research questions, at the same time giving actionable insights and a way forward for future research.

#### 5.2. Summary of the Study and findings Conclusions

##### Summary of the Study

This research addresses the facilitation role of the HR ecosystem in ensuring business sustainability for Indian MSMEs. MSMEs hold great importance for the growth, employment, and innovation of the Indian economy. Understanding their challenges and adaptability to the fluctuating market dynamics will be very significant for their survival and success. The study sets five research questions and five objectives derived therefrom to give sketch of the evolving trends, challenges, and opportunities in human resource practices in MSMEs and to identify ways through which sustainability in MSMEs can be further ensured. The literature review of the research highlights several key findings and areas of interest regarding the future of the HR ecosystem for business sustainability in Indian MSMEs. The relevant literature sourced for the study encompass a diverse source such as academic journals, books, reports, newspaper articles, government reports etc.

This exploratory research employed a hybrid methodology, combining numeric data collected from a total of 384 respondents in MSMEs through a questionnaire (Cronbach's alpha 0.948) with qualitative insights obtained through structured interviews with 12 key players in MSME sector. Quantitative analysis with AMOS focused on exploring the correlations of elements of HR ecosystem with sustainability outcomes expressed in terms of eleven hypotheses for the study. Qualitative data analysed through Thematic analysis technique enriched the study even more by portraying the contextual challenges of financial constraints, limited access to technology, and resistance to change. These interviews with the respondents brought forward that the scaling-up HR solution must be according to MSME-specific needs. It aligns with the greater discussion in the literature regarding resource constraints and strategic adaptation in HR, such as in the works of (Debi & Budhwar, 2008; Bose, 2007).

## Summary of Findings

The research outputs address comprehensive statements of objectives to confirm the importance of HR ecosystems into MSME's sustainability, identification of barriers to adapt HR practices in MSME organizations, and highlighting aspects of transformative outcomes of HR reforms. A comparison of these findings with existing literature, therefore, confirms that HR plays a vital part in enabling MSMEs to survive in a turbulent business environment competitively. This synthesis justifies not only the conclusions of the study but also pulls out actionable insights for various stakeholders who intend to enhance HR practices in the MSME sector. One would confidently say that all this study establishes in the concluding remarks to discussing HR management in SMEs is done through evidence-informed recommendations for both policy and practice. This postulates that strategic HR interventions are what it demands to the different challenges and related opportunities that define business operations for any MSME - thereby setting a gateway toward their sure shot survivability and resiliency prospect against further growth.

The research could identified various elements of HR ecosystem and their interaction with parameters of business sustainability. The HR ecosystem of MSMEs comprises a number of critical variables which directly affect the business continuity of any organization. Green HR, people-centric policies, and digital transformation have been found to be strong contributors among the variables as per the structural equation analysis performed through AMOS. Green HR practices that significantly correlate to ethical governance by  $r = 0.523$ ;  $p < 0.001$  and customer loyalty by  $\beta = 0.8036$ ;  $p\text{-value} < 0.001$  demonstrate environmentally sustainable practices capable of enhancing the organization's reputation through stakeholder trust. This

may be explained more by the evolving importance of CSR in the increased competitiveness today.

Employee-centered policies, like flexible work opportunities and welfare programs, are just as important. They significantly correlate with economic viability:  $r = 0.796$ ,  $p < 0.001$ ; operational flexibility:  $r = 0.922$ ,  $p < 0.001$ , which indicates that employee-care policies can improve their productivity and intent to stay longer in the company. Such policies ensure a positive corporate culture, highly conducive to innovativeness and adaptability.

Digital transformation also plays a pivotal role in modern HR ecosystems. It enables automation of routine processes, enhances employee experience, and supports scalability. Strong associations between HR maturity and technology adoption ( $r = 0.692$ ,  $p < 0.001$ ) highlight the potential of digital tools to overcome resource constraints, a common challenge for MSMEs. Together, these variables form a robust HR ecosystem driving resilience and sustainability in MSMEs (Renee et al., 2021).

A well-structured HR ecosystem plays a transformative role in driving business sustainability for MSMEs. The integration of key HR practices, such as green HR initiatives, employee-centric strategies, and digital transformation, contributes to improved operational resilience, stakeholder trust, and long-term growth. Green HR practices, for instance, significantly enhance an organization's environmental responsibility and ethical governance, with strong correlations to customer loyalty ( $\beta = 0.8036$ ,  $p < 0.001$ ). These practices not only boost brand reputation but also align with sustainability goals, fostering trust among consumers and investors.

Employee-centric policies, which prioritize workforce welfare and engagement, directly impact economic stability and innovation. Strong statistical links between employee-centric practices and operational flexibility ( $r = 0.922$ ,  $p < 0.001$ ) demonstrate their effectiveness in building a motivated and adaptable workforce. Such practices also improve retention rates and productivity, critical for MSMEs operating in resource-constrained environments.

Digital transformation maximizes the effectiveness of HR processes, where MSMEs can expand their business and respond to variable market situations. The significant correlation between HR maturity and technology use ( $r = 0.692$ ,  $p < 0.001$ ) suggests that even the traditional issues of resource constraints and administrative ineffectiveness may be addressed through digital capabilities. Overall, HR system is enabling business sustainability through the integration of talent strategies with economic, environmental, and operational objectives, in which MSMEs can survive the dynamic business environment better.

Besides, the findings shed light into the trend, challenges, and opportunities of human resource practices concerning each of the identified research objectives among MSMEs. The amalgamation of quantitative associations together with qualitative themes in the research provides an understanding of the trend, challenges, and opportunities and multifaceted version of how HR strategically intervenes towards sustainability.

### **Objective 1: Examine the Current Trend and Role of the HR Ecosystem in the Business Sustainability of Indian MSMEs**

A number of trends emerge in the HR ecosystem that significantly influence MSME sustainability. The trend for HR outsourcing shows significant relationships with HR formalization, green HR practices, and work culture development:  $r = .359$ ,  $p < .001$ ;  $r = .490$ ,

$p < .001$ ; and  $r = .606$ ,  $p < .001$ , respectively. It implies that through outsourcing, MSMEs are able to institutionalize their HR systems, take on sustainable practices, and cultivate healthy work cultures. This was expected, since the literature identifies a well-structured HR system to be one of the critical factors in strengthening the effectiveness and engagement of employees in an organization. These include (Virk, 2017; Garavan et al. (2016).

Another key trend that emerged as a significant adopter of technology correlated strongly positive with HR outsourcing and HR maturity at  $r = .601$  and  $p < .001$  and  $r = .692$  and  $p < .001$ , respectively. In this regard, the adoption of technology through digital transformation enables business operational efficiency, human resource process smoothing, and innovation capabilities for MSMEs. These findings are therefore in consistent with the literature showing that digital tools can make HR solutions scalable for resource-constrained enterprises (Rothwell & George, 2012; Scott et al., 2022).

Legal compliance behaviour is a key role played by HR, and it enables organisations to function under the regulative environment, minimizing legal risk and maximising believability. As such, even when no direct association between legal compliance and study is discussed, ethical governance, with a strong association with Green HRM ( $r = 0.523$ ,  $p < 0.001$ ), is discussed in the study. Thus, MSMEs with an eye for ethical governance and compliance can have a high possibility of developing long-term long-lasting business operations. Besides, a poor association between HR formalization and financial viability ( $r = -0.082$ ,  $p = .111$ ) signifies that financial constraints inhibit MSMEs in investing in organized compliance frameworks, and such factors can serve as a deterrent towards long-term sustainability.

Another important trend is HR planning and strategy, and it keeps workforce management in harmony with organizational objectives. There is a high level of relations between HR maturity and technology use ( $r = 0.692, p < 0.001$ ), and planned HR planning is seen to enable MSMEs to undertake digital transformation and boost workforce efficiency. Besides, policies with a workers' orientation have a high positive relation with financial viability ( $r = 0.796, p < 0.001$ ), and it validates the argument that planned HR planning enables improvement in business performance. MSMEs, according to statistics, with planned HR policies and leadership development programs have a high survival chance in competitive environments.

A positive work environment is yet one significant source of business sustainability. There is considerable supporting evidence in the present study that workers' engagement positively affects operational agility ( $r = 0.922, p < 0.001$ ) and financial viability ( $r = 0.796, p < 0.001$ ). Employee turnover is lowered and innovation boosted in work environments that are participative, supportive, and inclusive, according to these studies. Besides, companies that prioritize workplace improvement, such as creating leaders and flexible work arrangements, have boosted workers' happiness and lowered workers' turnover, and productivity in return is boosted.

Lastly, HR practice innovation enables MSMEs to become competitive in emerging markets in a timely manner. There financial viability is strongly and positively linked to use of gig workforce ( $r = 0.913, p < 0.001$ ), with a consideration that flexible workforce strategies make MSMEs economically viable through workforce scaling in relation to demand requirements. There is a positive relation between HR transformation and HR maturity ( $r = 0.692, p < 0.001$ ), with a consideration that technology-powered HR tools enable companies to

maximize operational efficiency and workforce happiness. All these observations agree with studies arguing that MSMEs employing HR-facilitated innovation, such as technology-powered HR tools and flexible workforce strategies, can manage marketplace disruptions and long-term performance effectively.

In sum, the study affirms that the HR ecosystem is instrumental in enabling MSMEs to adapt to market demands, align with sustainability goals, and build overall resilience. It is the integration of technology, formalized HR practices, and employee-centric policies that have been instrumental in bringing about these outcomes.

### **Objective 2: Understand the Issues and Limitations Faced by Indian MSMEs in Adopting Effective HR Practices**

The study identifies several barriers to the implementation of effective people practices in MSMEs. Among the limitations are financial constraints; indeed, the findings indicate a very weak negative correlation between the formalization of HR and economic feasibility,  $r = -.082$ ,  $p = .111$ . This points to the limitation of resources that the MSMEs face, which often compromises long-term HR investment for immediate operational needs. The literature supports this fact and states that resource and managerial constraints restrict the application of formal HR practices in MSMEs (Debi & Budhwar, 2008; Hiremath & Mandali, 2019).

Other significant barriers that were identified to include resistance to change, especially regarding digital HR adoption. While the digital HR processes are found to enhance employee experience ( $\beta = .3693$ ,  $p < .001$ ), their direct influence on economic viability is negative:  $\beta = -.1448$ ,  $p < .001$ . This therefore denotes the high start-up costs, need for technical training, and disruption to work processes in going digital. These same challenges are mirrored in the

literature, where one finds that developing an HR digital system is often complex in a resource-scarce environment (Bose, 2007; Rothwell & George, 2012).

One of the key takeaways is that MSMEs need scalable and reasonably priced HR solutions to meet their peculiar challenges. It also established that such barriers can be overcome with government support and policy intervention.

### **Objective 3: Investigate the Potential Advantages of HR Reforms in Indian MSMEs for Business Sustainability**

The findings indicate that HR reforms substantially improve the sustainability of the MSMEs by ensuring employee engagement, stakeholder trust, and functional efficiency. Employee-centric practices, for instance, relate strongly with gig workforce utilization,  $r = 0.922$ ,  $p < .001$ , as well as economic viability,  $r = 0.796$ ,  $p < .001$ . This probably means that by paying attention to employee welfare is likely to usher in flexibility at work, staff productivity, leading to financial stability. Literature supports this perspective and has cemented the fact that employee engagement and well-being are a critical driver in ensuring long-term organizational success. This is also supported by (Bhattacharjee & Bhattacharjee, 2015; Virk, 2017). An increasing trend of dependency on a gig workforce towards cost-efficient solutions with flexible propositions for labour needs can also be observed. The encouraging rapport between gig workforce utility and economic viability stands in positive relation  $r = .913$   $p < .001$  identifies it as facilitating the MSMEs operation to have a competitive survival in the Market. Literature also highlights how the gig economy helps organizations adapt to market volatility and labour shortages (Snell & Morris, 2020; Einola & Khoreva, 2023).

Furthermore, the emergences of sustainability as a result also bring in the green HRM practices. Correlations among green HRM and ethical governance exist significantly at  $r = .523$ ,  $p < .001$ , environmental responsibility at  $r = .539$ ,  $p < .001$ , while customer loyalty stands at  $\beta = .8036$ ,  $p < .001$ . It evidences that an environmentally responsible HR practice strengthens the brand image of the organization in tuning its operation with sustainability.

These findings from the study also reflect on the transformation potential of HR reforms, which may be enacted to ensure that sustainability is achieved within MSMEs. In such a scenario, integrated green HRM practices, the fostering of employee-centric policies, and the usage of digital tools would ensure long-term resilience and growth within MSMEs.

#### **Objective 4: Identify and Analyze New HR Management Trends Relevant to Indian MSMEs**

It identifies emerging trends related to gig workforce, strategic HRM frameworks, and digital transformation that are uniquely relevant to Indian MSMEs. The gig workforce, for example, shows a very strong relation with operational benefits: cost-effective solutions in terms of labor with  $r = .913$ ,  $p < .001$ ; product/service innovation, on the other hand, with  $r = .172$ ,  $p < .001$ . This trend reflects an increasing reliance on flexible and scalable workforce models to deal with market volatility and resource limitations. Literature further underlines the role of the gig economy in enabling organizations to adapt to changing labour dynamics (Snell & Morris, 2020; Einola & Khoreva, 2023).

There is also another important trend, which reveals that the strategic HRM frameworks correlate positively with employee engagement:  $\beta = .4560$ ,  $p < .001$ , and also economic viability:  $\beta = .2845$ ,  $p < .001$ . The results support the same fact that well-structured HR

strategies would improve not only workforce morale but also organizational performance.

Previous literature identifies leadership development and structured HR systems to be needed to create such scenarios, by (Garavan et al., 2016; Bhattacharjee & Bhattacharjee, 2015).

The next most important trend is digital transformation, and the findings underscores the relevance of the same in smoothing the processes of human resources for employee experience and innovation. According to Rothwell & George (2012) and Scott et al. (2022), digital HR faces challenges of implementation due to costs and resistance to change, this, however, has to be addressed with care and strategically.

From the findings, certain areas emerge as significantly harassing the MSMEs in adopting effective HR practices. Conversely, the benefits of HR reforms outweigh the barriers. Digital HR, green HRM, strategic HR framework and gig workforce utilization are some of the appropriate emerging trends for more sustainable perspectives. However, the study also calls for contextualized solutions to be developed to address the unique constraints faced by MSMEs, including resource limitations and resistance to change. Therefore, joined with the results, the research sets an important framework in which to understand and develop HR ecosystems within the MSME sector.

#### **Objective 5: Make Recommendations and Develop Strategies for Improving the HR Environment in Indian MSMEs**

This study provides actionable suggestions to improve the HR landscape in Indian MSMEs, such as inculcating green HR practices for environmental responsibility and building stakeholders' trust, designing employee-centric policies for their greater involvement and productivity, and adopting digital intervention for smooth processing of HR-related functions.

Besides, the study also proposes that leadership development, scalable HR frameworks, and support from the government would address challenges singular to MSMEs.

These recommendations, together with the findings and literature review, set a very sound framework toward developing better HR ecosystems in MSMEs. This framework does not only address current challenges but also exploits emerging trends toward long-term sustainability and growth.

### **5.3 Contradictions and Critical Reflections**

The present study attempts to provide a thorough summary of the HR ecosystem within Indian MSMEs, realizing its potentiality in driving business sustainability and addressing various challenges and opportunities arising. The critical findings, as evidenced through literature, indicate an underlying dynamic that pertains to the nature of HR practices and organizational performance. On the contrary, the same leads to certain reflective questions over adaptability and scalability of those practices, too, which do deserve deeper thinking. The findings resonate well with the general literature on the role of HR in improving organizational performance and sustainability. The study pinpoints the transformative potential of formalized HR processes, green HRM, and digital tools to drive sustainability, which is in compatible with previous scholarly works that have emphasized structured HR systems as facilitators of employee engagement and operational efficiency (Virk, 2017; Garavan et al., 2016). For instance, the strong positive correlation between HR formalization and ethical governance ( $r=.768$ ,  $p<.001$ ) is consistent with the literature in suggesting that formalized HR systems support ethical compliance and build stakeholder trust (Meijerink & Keegan, 2019).

The measures focused on green HRM practices are in order and consistent with research acknowledging its power to impact brand reputation and customer loyalty. For instance, the positive relationship between green HRM and customer loyalty was  $\beta = .8036$ ,  $p < .001$ , thereby going to validate some claims on the role of sustainability-oriented HR strategies in organizational competitiveness. Additionally, technological interventions in smoothing the flow of HR processes as well as stimulating innovative capability is also in line with the literature on digital transformation in HR.

Despite these alignments, the study also shows significant challenges that question the practicality of the adoption of these HR practices, especially for MSMEs operating in resource-constrained environments. One of the major factors that kept cropping up is financial constraints. The weak correlation between HR formalization and economic feasibility,  $r = -.082$ ,  $p = .111$ , underlines concerns raised in the literature over prohibitive costs of implementing structured HR systems in MSMEs. This, therefore, raises important questions about the scalability of these practices, especially for small enterprises lacking access to external funding or technical expertise. Similarly, while the association of digital tools with employee experience was positive, with  $\beta = 0.3693$  and  $p < 0.001$ , their direct impact on economic viability was negative:  $\beta = -0.1448$  and  $p < 0.001$ . This finding reflects the transitional difficulties identified in the literature, such as high implementation costs, technical training requirements, and workflow disruptions, among others. These challenges suggest a need for phased approaches and scalable solutions that accommodate MSMEs' unique constraints.

Interestingly, there is a contradiction in the results pertaining to green HRM and customer loyalty. While the influence of green HR practices on customer loyalty was positive at  $\beta$ -

value.8036,  $p < .001$ , the mediation through employer image had a negative effect, with a  $\beta$ -value of  $-.2994$ ,  $p < .001$ . This paradox suggests that though customers like sustainability initiatives, the perceived employer image may not always meet broader consumer expectations. This finding contradicts the assumptions underlying the literature in respect of the uncontested benefits stemming from green HRM and provides reasons for calling more nuanced analyses with respect to the interrelationships among HR practices, employer branding, and customer perceptions.

Another emerging theme is the reliance on gig workers, which the study identified as a significant trend. It will also be interesting to note the positive correlation between the gig workforce use and economic viability:  $r = .913$ ;  $p < .001$ , a suggestion that a flexible labour model poses certain potentials in approaching resource limitations. The literature points toward several challenges while managing such transitory work: it triggers reduced organizational loyalty and complexities over integrating gig workers within traditional HR frameworks (Snell & Morris, 2020; Scott et al., 2022). This does raise questions about the long-term sustainability of such models, especially in industries that demand a great degree of skill and involvement.

#### **5.4. Implications and applications Future research**

The findings of the present study carry some serious practical implications for policymakers, leaders of MSMEs, and other stakeholders like HR professionals in integrating appropriate HR practices that help enhance the sustainability and resilience of the business in the ever-changing MSME ecosystems.

## 1. Green Adoption of HR Practices

A significant implication is integrating the green HR practices in the HR ecosystem. The results of the investigation showed that there is a high positive relation of green HRM with organizational results of ethical governance with  $r = .523$ ,  $p < .001$ ; for environmental responsibility, it is  $r = .539$ ,  $p < .001$ ; and customer loyalty is  $\beta = .8036$ ,  $p < .001$ . These results therefore suggest that environmentally responsible human resource management practices can enable the improvement of organizational reputation, the building of stakeholder relationship trust, and contribute to greater sustainability outcomes. Prior literature also supports such a view in pointing out that green HRM serves to align organizational aims with those of sustainable development principles and thus helps attract ecologically sensitive consumers and investors (Meijerink & Keegan, 2019; Scott et al., 2022). The practical implication would be inculcating sustainability into HR policy frameworks of MSMEs, such as paperless documentation, energy-efficient workplace practices, employee training on sustainability and eco-friendly employee engagement initiatives. Over time, these could be scaled up to include sustainability-driven recruitment, training, and performance evaluation. This can be achieved by collaborating with sustainability consultants and government incentives, such as tax benefits related to eco-friendly practices. The literature also underlines that gradual implementation secures employee buy-in and embeds sustainability as a way of organizational life (Meijerink & Keegan, 2019; Scott et al., 2022)

## 2. Digital Transformation Through Phases

Digital transformation became a very important enabler of HR efficiency and employee experience. Digital adoption comes with strong correlations between technology adoption and

HR maturity:  $r = .692$ ,  $p < .001$ . Digital tools can cater to making HR processes more efficient, reducing the administrative burden, and enhancing employee satisfaction by introducing, for example, HR management systems, employee self-service portals, and AI-driven recruiting platforms (Cooke et al., 2023). Literature also stresses that such digital HR tools facilitate the MSMEs to overcome resource constraints by automating routine tasks and enhancing the decision-making capabilities of the organization. Such views have been reiterated by Rothwell & George (2012) and Einola & Khoreva (2023). On the other hand, findings also highlight some challenges that have to be met with in the process: high implementation costs and resistance to change, mainly for small MSMEs. Some of the practical ways to help mitigate such challenges are a phase-by-phase implementation process, government subsidies or grants to cover such costs, and training programs that will build up digital literacy among employees and HR staff. MSMEs can also look at cloud-based and modular HR solutions offering scalability and cost efficiency.

### **3. Strengthening Employee-Centric Practices**

The study also pointed out the employee-centric HR practices, which were significantly positively related to gig workforce utilization, with  $r = .922$ ,  $p < .001$ , and economic viability, with  $r = .796$ ,  $p < .001$ . These practices are not only useful in enhancing employee engagement and productivity but also result in creating an innovative and agile culture.

The literature also confirms this by stating that employee-oriented approaches ensure higher morale, less turnover, and proper alignment of the workforce's efforts towards the goals of the organization. This is supported by Bhattacharjee & Bhattacharjee, (2015); Virk, (2017).

MSME leaders will need to pay attention to work environment building through competitive

benefits, flexible conditions of work, and professional development opportunities. The introduction of wellness programs and other mental health supports will go a long way toward improving employee satisfaction and retention.

#### **4. Building in Leadership Capacity**

The findings have identified skill and leadership development as an important cornerstone for the management of strategic HRM. There is a significant direct effect of leadership development practices on economic viability,  $\beta = .2845$ ,  $p < .001$ , and employee engagement,  $\beta = .4560$ ,  $p < .001$ , indicating the key role of the practice in attaining business objectives through improved alignment of the workforce. This is supported by literature that a focused strategy for leadership development will help MSMEs build resilient and adaptive organizations (Garavan et al., 2016; Scott et al., 2022). This will require MSMEs to invest in leadership training programs that ensure strategic thinking, digital literacy, and sustainability-driven decision-making. Government bodies and industry associations can also facilitate this process by providing them with access to leadership development resources, workshops, development of organisational coaches and mentoring programs.

#### **5. Addressing Resource Constraints**

Resource limitations are general challenges to MSMEs in adopting advanced HR practices, as supported by the weak negative correlation of HR formalization with economic feasibility at  $r = -.082$ ,  $p = .111$ . These call for cost effective, innovative and customized interventions which would ensure that HR reforms are more accessible and affordable. The literature suggests that collaborative models, such as shared HR services and public-private partnership models, may enable MSMEs to share resources and, therefore, reduce costs (Hiremath & Mandali, 2019;

Debi & Budhwar, 2008). For example, MSMEs might come together with industry clusters or local chambers of commerce and share HR expertise, training programs, and digital tools. Similarly, MSMEs may develop in-house trainers, coaches, mentors, facilitators for employee development purpose. Government initiatives, like tax incentives for HR reforms or subsidies for digital HR tools, alleviate more financial burdens and thus encourage them toward wider diffusion.

## **6. Developing Legal compliance behaviour**

The study reveals a significant positive relationship between the legal compliance behaviour and the image maintained by the employer, with the coefficient being 0.7507 ( $p < 0.0000$ ). MSMEs lacks adequate competency for complying with legal regulations (Khuan et al., 2024). Legal compliance behaviour of MSMEs is not influenced by isolated factors but is shaped by the intricate relationships between legal awareness, access to justice, and social support. Lack of management capabilities to comply with legal obligations which include lack of legal awareness, inability to access to justice, lack of social support (Khuan et al., 2024), lack of technological support can lead to failure to comply with the legal obligations thereby eroding the ethical governance standards of MSMEs and business continuity.

## **7. Connecting HR Practices to Sustainability Objectives**

The study finally establishes the strategic role of HR in bringing organizational practices in line with the sustainability perspectives of organization. In summing, an integrated green HRM and digital tools to develop employee-related interventions will collectively present a comprehensive approach on the environmental, social, and economic dimensions of sustainability. Indeed, the literature reinforces that only integrated approaches lead to

organizational resilience and competitiveness (Meijerink & Keegan, 2019; Rothwell & George, 2012). It calls for the introduction of clear MSME sustainability metrics in tune with HR policies and practices, such as performance appraisals that reward good behaviour towards the environment, training programs aligned with the objectives of sustainability, and an accountability culture regarding environmental outcomes socially shared (Lopez & Valle, 2020). Literature identifies well-defined metrics to facilitate organizational change and to support sustainability goals (Meijerink & Keegan, 2019; Rothwell & George, 2012).

### **Future Research**

Several directions for further research emanate from the tensions and issues arising out of the present study: the potential in-depth longitudinal analysis of the business outcome of digital HR practices would make the transition dynamics and long-term benefits of digital transformation clearer. Further, cross-industry, cross sector, and cross-regional comparison analyses could depict how contextual factors support the diffusion of HR practices. Moreover, investigating the interface of green HRM and employer branding on customer loyalty would not only present a balanced approach toward the conflicting trends in this research but also add to more subtle information in the area of sustainability effects of HR practices (Aldrich & Von Glinow, 1992). The present study has elaborated on how digital HR tools improve efficiency and enhance the employee experience. However, integrating AI and advanced analytics in HR systems in MSMEs remains unexplored to a large extent.

While this study gave an overview of the HR practices across the MSME sector, challenges and opportunities within these differ significantly across industries. Through sector-specific studies, researchers can make more tailored recommendations which answer the specific

requirements of the various industries, as recommended by Garavan et al. (2016) in their study of leadership practices. Another avenue for important research is that of government policy and public-private partnerships in promoting MSME HR reforms. While the supportive role of governments was found to be significant in helping resource constraints, future studies might, for example, assess the role of certain policy measures, including subsidies for eco-friendly HR practices, or grants that would boost a digital transformation process. Such a study would therefore provide evidence-based lessons to policymakers on how to design appropriate interventions to support MSMEs effectively. This is supported by the works of Hiremath & Mandali, (2019); Debi & Budhwar, (2008).

### **5.5. Summary**

The chapter synthesizes the inferences of the results into a comprehensive analysis of the HR ecosystem for sustainability among Indian MSMEs, drawing meaningful conclusions based on the research objectives that have pointed out practical implications, outlined pathways to implementation, and suggested directions for future research. These are all the building blocks of a deeper understanding of how human resources practices can support the long-term growth and competitiveness of MSMEs in India.

The findings confirm that HR ecosystems greatly aid MSMEs to innovate and remain resilient to the shifting business realm. Among the main trends identified as drivers for sustainability were green HR practices, digital transformation, and employee-centric strategies. The chapter has also discussed some of the major difficulties that MSMEs confront in effectively implementing HR practices, relating to resource constraints and a lack of formalized systems. The chapter has also highlighted some contradictions in the findings. From these, the practical

implications have emerged regarding the use of incremental approaches, including gradual digitalization and the incremental covering of sustainability issues in their HR policies and that provide real ways through which leaders of MSMEs and policymakers can act. Other discussions have been on shared HR services and public-private partnerships that reduce financial and operational burdens on MSMEs (Hiremath & Mandali, 2019; Debi & Budhwar, 2008).

The chapter finally identifies directions for future research in view of calls for more longitudinal studies, sector-based studies, studies involving cultural dimensions, and explorations into new and evolving technologies that might serve to foster newer insights in helping the HR functions create and apply finer strategies towards achieving competitiveness through human resource intervention in MSMEs. This chapter, therefore, underscores the transformative potential of Strategic HR ecosystems to foster sustainable growth among MSMEs in India. By tackling the constraints and leveraging the ensuing prospects, MSMEs can put in place resilient HR frameworks vital for their continued success and competitiveness in the long term.

This study confirms the criticality of HR ecosystem in enabling MSME sustainability but also points out important challenges and contradictions that need further investigation. The consistency of the findings with the literature underlines the transformative potential of HR reforms; however, the practical barriers and emerging complexities indicate the need for more contextualized and scalable approaches. Addressing these challenges will have the potential to fully exploit HR ecosystems for MSMEs in their long-term resilience and growth (Chams & García-Blandón, 2019).

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## APPENDICES

### APPENDIX – A: INTERVIEW SCHEDULE

#### Part A: Demographic Information

<p><b>1. Age (in Years)</b></p> <ul style="list-style-type: none"> <li>a) 18-30</li> <li>b) 31-40</li> <li>c) 41-50</li> <li>d) 51-60</li> <li>e) 60 and above</li> </ul> <p><b>2. Gender</b></p> <ul style="list-style-type: none"> <li>a) Male</li> <li>b) Female</li> <li>c) None-Binary</li> <li>d) Prefer not to disclose</li> </ul> <p><b>3. Marital Status</b></p> <ul style="list-style-type: none"> <li>a) Married</li> <li>b) Unmarried</li> <li>c) Divorced</li> </ul> <p><b>4. I am:</b></p> <ul style="list-style-type: none"> <li>a) Manager</li> <li>b) Key stakeholder</li> <li>c) MSME Owner</li> <li>d) Service Provider</li> </ul>	<p><b>5. Educational Qualification</b></p> <ul style="list-style-type: none"> <li>a) High School or Equivalent</li> <li>b) Diploma</li> <li>c) Graduate</li> <li>d) Post Graduate</li> <li>e) Doctorate or Equivalent</li> </ul> <p><b>6. Years of Professional Experience</b></p> <ul style="list-style-type: none"> <li>a) 0-5 years</li> <li>b) 6-10 years</li> <li>c) 11-15 years</li> <li>d) 16-20 years</li> <li>e) 21-25 years</li> <li>f) More than 25 years</li> </ul>
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#### Part B: Qualitative Questions:

1. Can you discuss the current trends in HR practices within your organization? Please also discuss how these trends impact your business sustainability.

2. How does the HR ecosystem within your organization lead to long-term business sustainability?
3. What are the key challenges MSMEs in India experience while adopting effective HR practices?
4. Can you describe any barriers that MSMEs in India encounter while trying to enhance their HR practices?
5. How have HR reforms in Indian MSMEs positively impacted business performance and sustainability?
6. In what manner have HR reforms improved employee engagement and retention in Indian MSMEs, and how do these improvements contribute to the long-term sustainability of the business?
7. What are the emerging trends in HR management in the context of the Indian MSMEs?
8. What strategies can be leveraged to improve the HR environment in Indian MSMEs?
9. What recommendations will you provide to Indian MSMEs trying to enhance their HR practices and environment?

## APPENDIX B: SURVEY QUESTIONNAIRE

### Questionnaire

#### **The Future of HR Ecosystem for Business Sustainability of Indian MSMEs: Assessing the Trends, Opportunities and Challenges**

The Questionnaire given below is a tool chosen for collecting data for the research project titled “**The Future of HR Ecosystem for Business Sustainability of Indian MSMEs: Assessing the Trends, Opportunities and Challenges**”. This questionnaire is developed to collect pertinent data from different stakeholders within Indian MSMEs including employees, owners, HR managers etc. This questionnaire intends to collect pertinent data from these respondents regarding the trends, opportunities and challenges associated with the future of the HR ecosystem specifically in Indian MSMEs. The participants are requested to respond attentively to all of the below-mentioned questions. The respondents are assured that the information they provide will be used for research purposes only and will be kept confidential and un-identifiable to an individual or organisation.

#### **Part A: Demographic Information**

Please select one appropriate option in the below-mentioned questions by putting tick mark (✓)

<p><b>1. Age (in Years)</b></p> <p>a) 18-30 b) 31-40 c) 41-50 d) 51-60 e) 60 and above</p> <p><b>2. Gender</b></p> <p>a) Male b) Female c) None-Binary d) Prefer not to disclose</p> <p><b>3. Marital Status</b></p> <p>a) Married b) Unmarried c) Divorced</p>	<p><b>4. Educational Qualification</b></p> <p>a) High School or Equivalent b) Diploma c) Graduate d) Post Graduate e) Doctorate or Equivalent</p> <p><b>5. Years of Professional Experience</b></p> <p>a) 0-5 years b) 6-10 years c) 11-15 years d) 16-20 years e) 21-25 years f) More than 25 years</p>	<p><b>6. Nature of Organisation</b></p> <p>a) Micro b) Small c) Medium</p> <p><b>7. Category of Business</b></p> <p>a) Manufacturing b) Electricity c) Trade d) Services</p> <p><b>8. I am:</b></p> <p>a) Employee b) Owner c) Manager d) HR stakeholders</p>
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**Part B:** On a scale of 1-5, please indicate (✓) the degree to which you agree to the statements given below based on your experience. (SD = Strongly Disagree, D = Disagree, N = Neither Agree nor Disagree, A = Agree, SA = Strongly Agree)

Statements	SD	D	N	A	SA
1. The digitalisation of HR processes enhances the effectiveness of HR operations in our organisation.					
2. Digital systems are quite effective in managing employee data and records within my organisation.					
3. The digital HR self-service tools for employees are quite user-friendly and accessible.					
4. Our organisation is financially quite stable.					
5. Our organisation achieves profitability in a consistent manner.					
6. Our organisation has access to external funding for its growth and expansion.					
7. I am quite satisfied with the work environment in our organisation.					
8. Our organisation supports a healthy work-life balance for its employees.					
9. Our organisation is effective in recognising and rewarding employee achievements and contributions.					
10. HR strategy in our organisation aligns with the overall business strategy of the organisation.					
11. Our organisation's HR framework manages and enhances employee performance.					
12. Our organisation is successful in attracting, developing, and retaining top talent through its HR strategies.					
13. The employees in our organisation feel committed to its mission and values.					

14. The employees in our organisation feel satisfied with their current job roles and responsibilities.					
15. The employees in our organisation are satisfied with opportunities for professional growth and development.					
16. The HR department in our organisation promotes environmental awareness among employees.					
17. Our organisation implements and follows sustainable HR policies and practices.					
18. Our organisation is committed to conserving resources through HR practices.					
19. Our organisation actively works to reduce its carbon emissions.					
20. The organisation has effective waste management and recycling programs in place.					
21. The organisation promotes fair labour practices and worker safety.					
22. The overall reputation of the organisation as an employer is quite good within the industry.					
23. The current employees of our organisation recommend it as a good place to work for others.					
24. The external community perceive the brand of our organisation as an employer in a positive manner.					
25. Our organisation finds that outsourcing to gig workers is more cost-effective.					
26. The gig workers to whom we outsource provide high-quality work.					
27. Outsourcing HR tasks to gig workers allows the internal team of the organisation to focus more on core business activities.					
28. The work-life balance initiatives are quite effective in our organisation.					
29. The organisation involves employees in decision-making processes that affect them.					

30. The organisation is effective in recognition and rewards programs in acknowledging employee contributions.					
31. The organisation is committed to fostering innovation in products and services.					
32. The customers are satisfied with the overall quality of the products/services offered by the organisation.					
33. The organisation integrates customer feedback into the improvement of products/services in an effective manner.					
34. The organisation is open to adopting new technologies.					
35. The organisation ensure that sufficient investments are made in technology to stay competitive.					
36. The organisation is effective in training employees on new technologies.					
37. The training programmes in our organisations are effective in employee's skill development.					
38. The organisation provides opportunities for its employees to take on leadership roles.					
39. The quality of leadership development programs is quite good in our organisation.					
40. The HR policies in our organisation are standardised and formalised.					
41. The roles and responsibilities defined for positions in our organisation are clear.					
42. The document and record-keeping for HR activities in our organisation are quite organised.					
43. The decision-making process in our organisation is quite transparent.					
44. The organisation adheres to established ethical standards and practices quite firmly.					
45. The policies and practices in our organisation are fair and equitable.					

46. The level of collaboration and teamwork in the organisation is quite effective.					
47. The employee morale and job satisfaction in our organisation are quite high.					
48. The leadership in our organisation are quite supportive and approachable.					
49. The stakeholders have trust and reliability in our organisation.					
50. The stakeholders are satisfied with their level of engagement and interaction with the organisation.					
51. The organisation integrates stakeholder feedback into its strategic planning and operations quite effectively.					
52. The organisation is quick and effective to act according to changes in the market.					
53. The organisation makes decisions in response to new opportunities or challenges quite effectively.					
54. The operations and processes within the organisation to accommodate new demands.					
55. The objectives of HR strategies are clear and well-defined.					
56. The HR planning process is effective in anticipating and meeting workforce needs.					
57. The organisation's HR initiatives and strategies are successfully implemented.					
58. Job satisfaction influences the employee's decision to remain within the organisation.					
59. The employees are satisfied with the career development opportunities within the organisation.					
60. The managers and leaders within the organisation are quite supportive of retaining employees.					
61. The organisation understands and keeps up with legal requirements relevant to its operations effectively.					

62. The organisation is compliant with local and national employment laws and regulations.					
63. The organisation is effective in monitoring compliance with legal requirements and providing necessary training.					
64. The employees in our organisation have a good work-life balance.					
65. The organisation provides support and resources for the mental well-being of the employees.					
66. The employees feel physically safe and healthy in the workplace.					
67. HR practices and policies implemented within the organisation are consistent.					
68. The skill development programs are effective in improving employee capabilities.					
69. The leadership development initiatives in our organisation are effective for building future leaders.					