Advanced International Journal for Research (AIJFR)
E-ISSN: 3048-7641 ● Website: www.aijfr.com ● Email: editor@aijfr.com

Beyond Employee Engagement: The Role of Strategic Human Resource Management in Building a Sustainable and High-Performance Workforce in MSMEs, Tamil Nadu, India

Dr. B. Anitha Rani

Professor, Department of Management
K V Institute of Management and Information Studies (Autonomous)
Affiliated to Anna University, Chennai
Coimbatore, Tamil Nadu, India

DOI: https://doi.org/10.63363/aijfr.2026.v07i06.8832

Abstract

The growing complexity of the business environment has transformed human resource management from a predominantly administrative function into a strategic organizational capability. Micro, Small and Medium Enterprises (MSMEs), particularly in developing economies such as India, face significant challenges relating to employee retention, skill development, workforce adaptability, employee well-being, and organizational performance. These challenges highlight the need to move beyond conventional employee engagement initiatives towards an integrated approach to Strategic Human Resource Management (SHRM).

This study examines the role of strategic human resource management in building a sustainable and high-performance workforce in MSMEs in Tamil Nadu, India. Specifically, it investigates the relationships between strategic HRM practices, employee engagement, training and development, performance management, employee well-being, workforce sustainability, and organizational performance. Drawing on the Resource-Based View, Social Exchange Theory, Human Capital Theory, and the Ability-Motivation-Opportunity framework, the study proposes an integrated conceptual model explaining how HR practices can contribute to sustainable workforce outcomes.

The empirical investigation adopts a quantitative research approach using structured questionnaires administered to employees working in selected MSMEs in Tamil Nadu. The proposed analytical framework includes descriptive statistics, reliability analysis, correlation, multiple regression, and mediation analysis, subject to the suitability of the collected data. Employee engagement is examined as a potential mediating mechanism linking strategic HRM practices with workforce and organizational outcomes.

The study seeks to contribute to strategic HRM literature by contextualizing sustainable workforce development within the operational realities of MSMEs. Its practical implications concern affordable talent management, employee participation, skill development, workplace well-being, and retention-oriented HR policies. The empirical findings and statistical conclusions will be incorporated after verification of the collected survey dataset.

Keywords: Strategic Human Resource Management, Employee Engagement, Workforce Sustainability, Talent Management, Employee Well-being, Organizational Performance, MSMEs, Tamil Nadu.

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) constitute an important component of India's economic and industrial development. Their contributions extend beyond employment generation to entrepreneurship, innovation, regional industrialization, supply-chain development, and inclusive economic growth. In Tamil Nadu, MSMEs operate across diverse industrial and service sectors, including textiles, garments, engineering, automobile components, food processing, leather, footwear, information technology, and other service enterprises.

The MSME sector in Tamil Nadu has considerable economic significance. The Ministry of MSME's 2024–2025 annual report records more than 34 lakh Udyam registrations in the state, demonstrating the scale and diversity of the enterprise ecosystem. This creates an important context for examining how enterprises develop and retain their human capital.

Despite their economic contribution, MSMEs frequently encounter human resource challenges, including limited financial resources, employee turnover, skill shortages, inadequate training infrastructure, informal performance appraisal mechanisms, and difficulties in attracting experienced personnel.

Traditional personnel management approaches generally emphasize recruitment, payroll administration, attendance, compensation, and statutory compliance. Although these activities remain necessary, they are insufficient to address the long-term workforce challenges associated with technological advancement, changing employee expectations, competitive pressures, and organizational sustainability.

Strategic Human Resource Management (SHRM) provides an integrated approach to addressing these challenges by aligning workforce policies with organizational objectives. It emphasizes the coordinated implementation of recruitment, training and development, performance management, compensation, employee participation, talent management, and employee welfare.

Employee engagement is an important outcome of these practices. However, engagement should not be treated as the ultimate objective of HR management. A highly engaged workforce also requires appropriate skills, adequate organizational resources, supportive leadership, fair employment conditions, and opportunities for meaningful participation.

Consequently, organizations must move beyond isolated engagement programmes towards sustainable workforce development.

This study examines the relationship between strategic HRM practices and the development of a sustainable and high-performance workforce in selected MSMEs in Tamil Nadu.

1.1 Background of the study

The growing importance of human capital in organizational competitiveness has encouraged researchers to examine the relationship between HR practices and organizational performance.

Barney (1991) explains that valuable, rare, imperfectly imitable, and organizationally supported resources can provide sustainable competitive advantage. From this perspective, employee capabilities, organizational knowledge, and workforce competencies may constitute strategically important resources.

Similarly, Huselid (1995) demonstrates the significance of high-performance HRM practices in understanding employee turnover, productivity, and corporate financial performance.

However, the adoption of formal HR practices in MSMEs may be constrained by organizational size, resource availability, managerial capabilities, and the absence of specialized HR departments.

These characteristics make it important to examine HR practices that are both strategically relevant and operationally feasible.

1.2 Statement of the problem

MSMEs often depend on employees' technical knowledge, experience, commitment, and operational capabilities for maintaining productivity and competitiveness.

Nevertheless, many enterprises experience difficulties in establishing structured HR systems. Employee engagement initiatives may be implemented without sufficient attention to training, career progression, employee well-being, performance management, and long-term retention.

This creates a potential gap between employee engagement and sustainable workforce performance.

The central research problem is therefore to understand how integrated strategic HRM practices can strengthen employee engagement and translate it into sustainable workforce development and improved organizational performance in MSMEs in Tamil Nadu.

1.3 Research gap

Existing strategic HRM literature has extensively investigated relationships between HR practices, employee attitudes, productivity, and organizational performance.

Nevertheless, several research opportunities remain relevant to the MSME context:

1. Limited contextual understanding of the integration of strategic HRM and sustainable workforce development in regional MSME ecosystems.
2. Insufficient attention to employee well-being and work-life balance alongside conventional performance indicators.
3. The need to understand employee engagement as a potential mechanism connecting HR practices with sustainable workforce outcomes.
4. The need to examine affordable and integrated HR strategies appropriate for resource-constrained enterprises.
5. The need to investigate how employee participation, training, performance management, and talent retention collectively contribute to workforce effectiveness.

Recent reviews also identify the need for greater research attention to social sustainability and HRM in SMEs, particularly in developing-country contexts (Elnakib & Gallego-Roquelaure, 2025; Sustainability in Human Resource Management Practices Used by Small and Medium-Sized Enterprises: A Systematic Review, 2025).

The present study addresses these opportunities through an integrated conceptual and empirical examination of selected MSMEs in Tamil Nadu.

1.4 Significance of the study

The study is significant in four dimensions.

Theoretical significance: It integrates strategic HRM, employee engagement, workforce sustainability, and organizational performance through established theoretical perspectives.

Managerial significance: It identifies practical HR initiatives that MSMEs can implement despite financial and administrative limitations.

Employee significance: It emphasizes employee development, workplace safety, fair treatment, recognition, and work-life balance.

Policy significance: It provides insights relevant to MSME development initiatives, workforce skill development, and sustainable employment practices.

2. Review of Literature

2.1 Strategic Human Resource Management

Strategic HRM refers to the systematic alignment of HR policies and practices with organizational objectives and long-term competitive priorities.

The Resource-Based View provides an important theoretical foundation for understanding this relationship. Barney (1991) argues that organizational resources and capabilities can generate sustainable competitive advantage when they meet specific strategic conditions.

Human capital, employee knowledge, specialized competencies, and organizational learning can therefore become important sources of organizational value.

Huselid (1995) examined the relationship between high-performance HRM practices and organizational outcomes, emphasizing the importance of coordinated HR practices in influencing employee turnover and productivity.

Boxall and Purcell (2016) further explain the relationship between HR strategy, organizational context, and employment systems.

For MSMEs, strategic HRM involves adapting these principles to smaller organizational structures and resource constraints.

2.2 Employee Engagement

Employee engagement represents the extent to which individuals express their physical, cognitive, and emotional selves in their work roles.

Kahn (1990) identified psychological meaningfulness, psychological safety, and psychological availability as important conditions influencing personal engagement.

Engaged employees may demonstrate greater involvement, motivation, commitment, and willingness to contribute towards organizational objectives.

However, engagement should be examined in relation to workplace conditions rather than treated as an isolated motivational outcome.
In MSMEs, supportive supervision, recognition, communication, employee participation, and opportunities for development may contribute to engagement.

2.3 Training and Development
Training and development enhance employee knowledge, technical competencies, adaptability, and job-related capabilities.
From the Human Capital Theory perspective, investments in employee education and training can improve productive capabilities (Becker, 1964).
In MSMEs, training is particularly important because technological changes and customer expectations require employees to continuously update their skills.
Practical approaches include on-the-job training, mentoring, apprenticeship, peer learning, digital learning, and technical workshops.
The effectiveness of training should be assessed through skill acquisition and its transfer into workplace performance.

2.4 Employee Well-being and Workforce Sustainability
Workforce sustainability involves maintaining a healthy, capable, adaptable, and productive workforce over time.
It includes physical safety, psychological well-being, work-life balance, fair employment conditions, employee development, and retention.
Employee well-being is not merely an additional welfare activity. It is an important component of sustainable workforce management.
For MSMEs, unsafe working conditions, excessive working hours, inadequate welfare provisions, and limited employment security may negatively influence employee satisfaction and retention.
The recent systematic review by Elnakib and Gallego-Roquelaure (2025) highlights the importance of examining the social dimension of sustainable HRM in SMEs in developing countries.

2.5 Performance Management
Performance management involves establishing expectations, assessing employee contributions, providing feedback, and supporting continuous improvement.
Effective performance management requires transparent performance indicators and fair evaluation mechanisms.
Relevant indicators may include productivity, output quality, attendance, customer satisfaction, teamwork, innovation, and operational efficiency.
A balanced system should combine performance accountability with employee development.

2.6 Talent Management and Employee Retention
Talent management includes identifying, developing, motivating, and retaining employees whose capabilities contribute to organizational objectives.
Employee retention is particularly significant for MSMEs because the departure of experienced employees may result in recruitment costs, productivity disruptions, and loss of organizational knowledge.

Career development, recognition, mentoring, fair compensation, supportive leadership, and opportunities for skill advancement can strengthen retention.

2.7 Ability-Motivation-Opportunity Framework

The Ability-Motivation-Opportunity (AMO) framework explains how HR practices influence employee performance by strengthening employees' capabilities, motivation, and opportunities to contribute.

- Ability: Recruitment, training, and competency development.
- Motivation: Compensation, recognition, incentives, and supportive leadership.
- Opportunity: Participation, autonomy, teamwork, and decision-making.

Bos-Nehles et al. (2023) emphasize the importance of conceptual clarity and appropriate measurement when applying the AMO framework to HRM research.

The framework provides a useful foundation for examining how integrated HR practices may contribute to workforce performance.

2.8 Synthesis of the literature

The reviewed literature suggests that HR practices may influence organizational performance through multiple employee-level mechanisms.

The present study integrates these mechanisms into a proposed relationship in which strategic HRM practices contribute to employee engagement, workforce sustainability, and organizational performance.

3. Theoretical Framework

The study draws on four complementary theoretical perspectives.

3.1 Resource-Based View

The Resource-Based View explains how human capital and organizational capabilities can contribute to sustainable competitive advantage.

Within MSMEs, employee competencies, operational knowledge, teamwork, and organizational learning may represent valuable strategic resources.

3.2 Social Exchange Theory

Social Exchange Theory suggests that employees may respond positively when organizations demonstrate support, fairness, recognition, and concern for employee welfare.

Employees who perceive supportive employment relationships may reciprocate through commitment, involvement, and discretionary effort.

3.3 Human Capital Theory

Human Capital Theory explains the economic value of investments in employee knowledge, education, and skills.

Training and development can strengthen workforce capabilities and support productivity improvements.

3.4 Ability-Motivation-Opportunity Framework

The AMO framework provides an integrated explanation of how employee capabilities, motivation, and opportunities to participate may contribute to performance.

Together, these theories provide a foundation for understanding the relationship between strategic HRM, employee engagement, workforce sustainability, and organizational performance.

4. Objectives of The Study

The primary objective is to examine the role of strategic human resource management in building a sustainable and high-performance workforce in MSMEs in Tamil Nadu.

The specific objectives are:

1. To examine the relationship between strategic HRM practices and employee engagement in MSMEs.
2. To analyse the influence of training and development on employee productivity.
3. To evaluate the role of employee participation and motivation in strengthening organizational commitment.
4. To examine the relationship between employee well-being and employee retention.
5. To investigate the relationship between performance management and workforce performance.
6. To examine the mediating role of employee engagement in the relationship between strategic HRM practices and workforce outcomes.
7. To develop managerial recommendations for sustainable workforce development in MSMEs.

5. Conceptual Framework

The proposed conceptual framework establishes four interconnected dimensions.

Independent variable: Strategic HRM practices

- Recruitment and selection.
- Training and development.
- Performance management.
- Compensation and rewards.
- Employee participation.
- Talent management.

Mediating variable: Employee engagement

- Emotional commitment.
- Job involvement.
- Motivation.
- Organizational belongingness.
- Employee recognition.

Workforce sustainability dimensions

- Employee well-being.
- Employee retention.
- Skill development.
- Work-life balance.
- Workplace safety.

Dependent variable: Organizational and workforce performance

- Productivity.
- Quality of output.
- Innovation.
- Operational efficiency.
- Employee performance.

The proposed model assumes that strategic HRM practices may strengthen engagement and contribute to sustainable workforce outcomes. Employee engagement is proposed as a potential mediating mechanism, rather than an empirically established mediator.
Organizational size, sector, leadership style, and technological adoption may influence the strength of these relationships.

6. Research Hypotheses

The following hypotheses are proposed for empirical testing.
H1: Strategic HRM practices have a significant positive relationship with employee engagement in MSMEs.
H2: Training and development have a significant positive relationship with employee productivity.
H3: Employee engagement has a significant positive relationship with organizational commitment.
H4: Employee well-being has a significant positive relationship with employee retention.
H5: Performance management practices have a significant positive relationship with workforce performance.
H6: Employee engagement mediates the relationship between strategic HRM practices and workforce performance.
H7: Employee participation has a significant positive relationship with organizational commitment.
H8: Talent management practices have a significant positive relationship with employee retention.
The hypotheses will be evaluated using the actual collected dataset. Their acceptance or rejection will depend on the statistical results.

7. Research Methodology

7.1 Research design

The study adopts a quantitative research approach using a descriptive and analytical research design.
A structured questionnaire is used to examine employee perceptions of strategic HRM practices, engagement, employee well-being, workforce sustainability, and organizational performance.
The study is designed to examine relationships among the proposed research variables.

7.2 Study area

The geographical scope of the study is selected MSMEs located in Tamil Nadu, India.
The relevant industrial and service sectors include textiles and garments, engineering and automobile components, food processing, leather and footwear, information technology, and other manufacturing and service enterprises.

7.3 Population of the study

The target population comprises employees working in selected MSMEs in Tamil Nadu.

Where available, information from HR managers, supervisors, and enterprise owners may be used to provide additional organizational context.

7.4 Sample size

The original research proposal identifies 300 respondents as the intended sample size.

Final achieved sample size: [Insert verified number of valid respondents].

The number of questionnaires distributed, returned, rejected, and retained for analysis should be reported separately.

7.5 Sampling technique

Stratified sampling may be used to ensure representation across selected MSME sectors.

Where the actual sampling process involved convenience, purposive, or other non-probability procedures, the manuscript must report the method actually followed rather than describe it as random sampling.

7.6 Sources of data

Primary data: Structured questionnaires administered to selected MSME employees.

Secondary data: Academic journal articles, books, government publications, MSME reports, and relevant research documents.

7.7 Measurement scale

A five-point Likert scale is used for measuring employee perceptions.

Response	Score
Strongly disagree	1
Disagree	2
Neutral	3
Agree	4
Strongly agree	5

The final questionnaire and scoring procedures should be checked against the actual instrument administered.

7.8 Research variables

Variable	Role	Indicators
Strategic HRM	Independent	Training, rewards, appraisal, participation
Employee engagement	Mediator	Motivation, involvement, commitment
Employee well-being	Predictor	Safety, work-life balance, welfare
Workforce sustainability	Outcome	Retention, skills, employee health
Organizational performance	Outcome	Productivity, quality, efficiency

7.9 Statistical techniques

The following techniques are appropriate, subject to measurement quality and data suitability.

1. Percentage analysis for demographic characteristics.
2. Mean and standard deviation for employee perceptions.
3. Cronbach's alpha for internal consistency reliability.
4. Exploratory or confirmatory factor analysis, where appropriate.
5. Pearson correlation for relationships between suitable continuous composite variables.
6. Multiple regression for examining predictive relationships.
7. ANOVA for comparing groups.
8. Mediation analysis using an appropriate bootstrap procedure.

7.10 Reliability and validity

The questionnaire should be assessed for:

- Content validity.
- Construct validity.
- Internal consistency reliability.
- Convergent validity, where applicable.
- Discriminant validity, where applicable.

Cronbach's alpha should be calculated for each multi-item construct rather than assuming that one overall reliability coefficient is sufficient.

7.11 Ethical considerations

Participation should be voluntary and based on informed consent.

Respondent identities and enterprise-sensitive information should be protected. Data should be analysed and reported in aggregate form.

The manuscript should include the actual institutional ethics approval or exemption details, if applicable, and should not claim approval unless it has been obtained.

8. Data Analysis and Results

Important reporting note: The original draft contains illustrative demographic frequencies, means, correlations, and regression coefficients. These figures are not treated as actual results in this manuscript. The following tables provide the reporting structure for the collected dataset.

8.1 Demographic profile of respondents

Table 1. Demographic profile of respondents

Variable	Category	Frequency	Percentage
Gender	Male	[ ]	[ ]
	Female	[ ]	[ ]
	Other/prefer not to say, if collected	[ ]	[ ]
Age	Below 25	[ ]	[ ]
	25–35	[ ]	[ ]

Variable	Category	Frequency	Percentage
	36–45	[ ]	[ ]
	Above 45	[ ]	[ ]
Education	School level	[ ]	[ ]
	Diploma	[ ]	[ ]
	Undergraduate	[ ]	[ ]
	Postgraduate	[ ]	[ ]
Experience	Below 2 years	[ ]	[ ]
	2–5 years	[ ]	[ ]
	6–10 years	[ ]	[ ]
	Above 10 years	[ ]	[ ]

Source: Primary survey data.

Interpretation: The demographic distribution will be analysed to understand the respondents' age, gender, educational qualifications, and work experience. The results will also provide a profile of the workforce represented in the selected MSMEs.

8.2 Distribution of respondents by MSME sector

Table 2. Sector-wise distribution of respondents

Industry sector	Frequency	Percentage
Textile and garments	[ ]	[ ]
Engineering and automobile components	[ ]	[ ]
Food processing	[ ]	[ ]
Leather and footwear	[ ]	[ ]
IT and service enterprises	[ ]	[ ]
Other manufacturing	[ ]	[ ]
Total	[N]	100

Source: Primary survey data.

Interpretation: The sector-wise analysis will identify the distribution of respondents across the selected MSME industries and help assess the extent of sectoral representation.

8.3 Descriptive analysis of strategic HRM practices

Table 3. Employee perceptions of strategic HRM practices

HRM dimensions	Mean	SD
Recruitment and selection	[ ]	[ ]
Training and development	[ ]	[ ]

HRM dimensions	Mean	SD
Performance appraisal	[ ]	[ ]
Compensation and rewards	[ ]	[ ]
Employee participation	[ ]	[ ]
Career development	[ ]	[ ]
Overall strategic HRM	[ ]	[ ]

Source: Primary survey data.

Interpretation: The mean values will indicate employees' perceptions of strategic HRM practices. Higher scores will indicate more favourable perceptions, subject to the direction and coding of questionnaire items.

8.4 Employee engagement analysis

Table 4. Employee engagement dimensions

Engagement dimensions	Mean	SD
Emotional commitment	[ ]	[ ]
Job involvement	[ ]	[ ]
Motivation	[ ]	[ ]
Organizational belongingness	[ ]	[ ]
Employee recognition	[ ]	[ ]
Overall engagement	[ ]	[ ]

Source: Primary survey data.

Interpretation: The analysis will identify the engagement dimensions that receive relatively favourable or unfavourable employee assessments.

8.5 Workforce sustainability analysis

Table 5. Workforce sustainability indicators

Sustainability indicators	Mean	SD
Employee well-being	[ ]	[ ]
Work-life balance	[ ]	[ ]
Workplace safety	[ ]	[ ]
Job security	[ ]	[ ]
Skill development	[ ]	[ ]
Employee retention	[ ]	[ ]

Source: Primary survey data.

Interpretation: The results will indicate employees' perceptions of workplace sustainability and identify dimensions requiring managerial attention.

8.6 Correlation analysis

Table 6. Correlation between strategic HRM and workforce outcomes

Variables	Strategic HRM	Engagement	Sustainability	Performance
Strategic HRM	1.00	[ ]	[ ]	[ ]
Employee engagement	[ ]	1.00	[ ]	[ ]
Workforce sustainability	[ ]	[ ]	1.00	[ ]
Organizational performance	[ ]	[ ]	[ ]	1.00

Source: Primary survey data.

Interpretation: Correlation coefficients will be examined to identify the direction and strength of associations between the research variables. Statistical significance will be reported using exact p-values where possible, alongside the sample size and confidence intervals.

Correlation does not establish causality.

8.7 Regression analysis

Table 7. Regression analysis of factors associated with workforce performance

Independent variables	Standardized beta	t-value	p-value
Training and development	[ ]	[ ]	[ ]
Employee engagement	[ ]	[ ]	[ ]
Employee well-being	[ ]	[ ]	[ ]
Performance management	[ ]	[ ]	[ ]
Employee participation	[ ]	[ ]	[ ]

Source: Primary survey data.

Additional model statistics:

- R^2: [Insert actual value]
- Adjusted R^2: [Insert actual value]
- F-statistic: [Insert actual value]
- Model significance: [Insert actual p-value]
- Valid sample size: [Insert actual N]

Interpretation: Standardized regression coefficients will be examined to assess the relative predictive contribution of the independent variables. Model diagnostics, including multicollinearity and residual assumptions, should also be reported.

8.8 Hypothesis testing

Table 8. Summary of hypothesis testing

Hypothesis	Proposed relationship	Empirical decision
H1	Strategic HRM → Employee engagement	[ ]
H2	Training → Employee productivity	[ ]
H3	Engagement → Organizational commitment	[ ]
H4	Well-being → Employee retention	[ ]

Hypothesis	Proposed relationship	Empirical decision
H5	Performance management → Workforce performance	[ ]
H6	Engagement mediates HRM–performance relationship	[ ]
H7	Participation → Organizational commitment	[ ]
H8	Talent management → Employee retention	[ ]

Source: Primary survey data.

The decisions will be based on the relevant statistical tests and predetermined significance criteria.

9. Discussion

The study examines strategic HRM as an integrated mechanism for developing sustainable workforce capabilities in MSMEs.

The proposed framework emphasizes that organizational performance should not be examined independently of employee engagement, capabilities, and well-being.

First, strategic HRM provides a coordinated structure for workforce planning, employee development, performance evaluation, and talent retention. This is consistent with the Resource-Based View, which recognizes human capital as a potentially valuable organizational resource (Barney, 1991).

Second, employee engagement provides an important behavioural connection between organizational practices and individual contributions. Kahn's (1990) work suggests that psychological meaningfulness, safety, and availability are relevant conditions for engagement.

Third, training and development can strengthen employee capabilities and support productivity. The AMO framework explains how ability-enhancing practices, motivation-enhancing practices, and opportunities to participate can collectively contribute to performance (Bos-Nehles et al., 2023).

Fourth, employee well-being is essential for long-term workforce sustainability. An organization cannot achieve sustainable performance merely through increased work intensity or production targets. It must also maintain safe working conditions, fair employment practices, and reasonable work-life balance.

Finally, MSMEs require HR approaches that reflect their resource limitations and operational conditions. The integration of low-cost HR practices, including mentoring, peer learning, recognition, feedback, and employee participation, may provide practical opportunities for improvement.

The final empirical discussion should compare these theoretical expectations with the actual statistical findings and relevant previous studies.

10. Managerial Implications

The proposed framework provides several implications for MSME owners, managers, and HR professionals.

10.1 Institutionalize basic HR systems

MSMEs should develop clearly documented procedures for recruitment, training, compensation, performance assessment, and employee welfare.

10.2 Strengthen skill development

Technical training, peer learning, mentoring, and apprenticeship programmes can strengthen employee capabilities without necessarily requiring extensive financial investment.

10.3 Promote participative management

Employees should be encouraged to share suggestions concerning production quality, operational efficiency, workplace safety, and customer satisfaction.

10.4 Improve employee well-being

Organizations should prioritize workplace safety, fair wages, reasonable working hours, grievance redressal, and supportive supervision.

10.5 Introduce transparent performance management

Performance expectations should be clearly communicated, and appraisal systems should combine productivity indicators with employee development.

10.6 Develop retention-oriented practices

Recognition, career development, mentoring, and internal talent identification can help MSMEs preserve organizational knowledge and employee capabilities.

10.7 Adopt affordable digital HR solutions

Digital attendance, payroll, employee records, and training-management systems can improve administrative efficiency and workforce planning.

10.8 Integrate sustainability into HR strategy

Workforce sustainability should become part of long-term business planning rather than being treated as a separate welfare initiative.

11. Challenges in Implementing Strategic HRM in MSMEs

Major challenges	Recommended strategic responses
Limited financial resources	Low-cost and phased HR initiatives
Lack of professional HR managers	HR capability development for owners and supervisors
Employee skill shortages	Technical training and apprenticeships
High employee turnover	Recognition and retention strategies
Resistance to change	Communication and participative leadership
Limited technology adoption	Affordable digital HR tools
Informal performance appraisal	Transparent performance indicators
Inadequate employee welfare	Basic safety and well-being policies

The effectiveness of these strategies depends on enterprise size, management commitment, employee expectations, and operational feasibility.

12. Theoretical Contributions

The study offers a proposed integrated perspective on the relationship between strategic HRM, employee engagement, workforce sustainability, and organizational performance.

First, it extends the application of the Resource-Based View by considering sustainable workforce capabilities as an important component of MSME competitiveness.

Second, it incorporates Social Exchange Theory to explain how supportive HR practices may encourage employee commitment and involvement.
Third, it uses Human Capital Theory to emphasize the importance of training and continuous skill development.
Fourth, it applies the AMO framework to explain the combined contribution of employee ability, motivation, and participation opportunities.
The study's central theoretical proposition is that employee engagement should be understood as a potential connecting mechanism within a broader sustainable workforce development process.
These contributions remain propositions until evaluated against the empirical results.

13. Limitations and Future Research Directions

The study has several potential limitations that should be considered when interpreting its findings.

1. The geographical scope is restricted to selected MSMEs in Tamil Nadu.
2. If data are collected through self-reported questionnaires, common-method and response biases may affect the results.
3. A cross-sectional research design cannot establish temporal precedence or strong causal relationships.
4. Sectoral differences may influence employee perceptions and HR practices.
5. Differences in enterprise size and organizational maturity may affect the adoption of strategic HRM.

Future research could examine longitudinal workforce outcomes, sector-specific HR practices, differences between micro, small, and medium enterprises, and the influence of digital HR adoption.
Further studies could also investigate the relationship between employee well-being, organizational resilience, and sustainable business performance.

14. Conclusion

Strategic Human Resource Management represents an important opportunity for MSMEs to move beyond conventional employee administration and isolated employee engagement initiatives towards an integrated approach to sustainable workforce development.
The present study proposes that employee engagement, training and development, performance management, employee well-being, employee participation, and talent management should be considered interconnected dimensions of strategic workforce management.
The central argument is that a high-performance workforce cannot be developed through productivity targets alone. It requires a supportive organizational environment in which employees are skilled, motivated, respected, and provided with meaningful opportunities for professional growth.
For MSMEs in Tamil Nadu, these practices are particularly relevant because workforce capabilities and employee commitment contribute directly to operational continuity, product quality, innovation, and competitiveness.
The study positions employee engagement as a potential mechanism connecting strategic HRM practices with sustainable workforce outcomes. Its broader contribution is to emphasize that organizational sustainability and employee well-being should be treated as complementary rather than competing priorities.
The empirical conclusions will be established through the analysis of the collected survey data.

References

1. Armstrong, M., & Taylor, S. (2020). Armstrong's handbook of human resource management practice (15th ed.). Kogan Page.
2. Barney, J. (1991). Firm resources and sustained competitive advantage. Journal of Management, 17(1), 99–120. https://doi.org/10.1177/014920639101700108
3. Becker, G. S. (1964). Human capital: A theoretical and empirical analysis, with special reference to education. University of Chicago Press.
4. Becker, B. E., & Huselid, M. A. (1998). High performance work systems and firm performance: A synthesis of research and managerial implications. Research in Personnel and Human Resources Management, 16, 53–101.
5. Bos-Nehles, A., Townsend, K., Cafferkey, K., & Trullen, J. (2023). Examining the Ability, Motivation and Opportunity (AMO) framework in HRM research: Conceptualization, measurement and interactions. International Journal of Management Reviews, 25(4), 725–739. https://doi.org/10.1111/ijmr.12332
6. Boxall, P., & Purcell, J. (2016). Strategy and human resource management (4th ed.). Palgrave Macmillan.
7. Elnakib, A., & Gallego-Roquelaure, V. (2025). Sustainable human resources management in small-medium enterprises in developing countries: A systematic literature review. Employee Relations, 47, 605–625. https://doi.org/10.1108/ER-09-2024-0527
8. Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. Academy of Management Journal, 38(3), 635–672. https://doi.org/10.2307/256741
9. Kahn, W. A. (1990). Psychological conditions of personal engagement and disengagement at work. Academy of Management Journal, 33(4), 692–724. https://doi.org/10.2307/256287
10. Ministry of Micro, Small and Medium Enterprises. (2025). Annual report 2024–25. Government of India.
11. Sustainability in human resource management practices used by small and medium-sized enterprises: A systematic review. (2025). Central European Management Journal, 33(1), 87–106. https://doi.org/10.1108/CEMJ-03-2024-0097