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**Strategic Human Capital Practices and Firm-Level Success: The  
Role of Workplace Engagement in Small Industrial Firms in Iraq**

\*Corresponding author:



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Yusra Yaseen Lazim

Department of Industrial Administration  
College of Administration and Economic  
University of Baghdad; Iraq

**E-mail:** [yusra.y@coadec.uobaghdad.edu.iq](mailto:yusra.y@coadec.uobaghdad.edu.iq)

Hind Salim Abbood

College of Administration and Economics, Department of Business Administration, Shatt Al-Arab University

**E-mail:** [hind.salim.abood@sa-uc.edu.iq](mailto:hind.salim.abood@sa-uc.edu.iq)

Ahmed Riyadh Naser

Department of Accounting  
College of Administration and Economic  
University of Basrah; Iraq

**E-mail:** [Ahmed.riyadh@uobasrah.edu.iq](mailto:Ahmed.riyadh@uobasrah.edu.iq)

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**Abstract**

This review paper aims to explore the connection between strategic human capital practices (SHCPs) and the success of small industrial firms in Iraq. The focus is on the role of employee engagement as a critical mechanism through which human resource strategies affect firm-level outcomes. Using the Ability–Motivation–Opportunity (AMO) framework and the Resource-Based View (RBV), this review synthesizes studies from 2018 to 2025. It finds that practices such as employee

training, fair performance appraisal, and involvement in decision-making tend to produce better organizational results when employees are engaged. Engagement, in this context, reflects a deeper psychological connection to the workplace, which leads to greater effort, loyalty, and innovation. In Iraq, where firms operate in volatile and resource-constrained environments, fostering engagement can help firms develop resilience and competitiveness. The paper argues that adopting people-focused HRM strategies is not only beneficial but essential for sustainable growth. Overall, investing in employee engagement enables small firms to unlock the true potential of their workforce and generate meaningful improvements in retention, productivity, and financial performance.

**Keywords:** Strategic Human Capital Practices, Employee Engagement, Small Industrial Firms, Iraq, AMO Framework, Resource-Based View, Firm Performance, Retention, Innovation, Productivity.

## 1. Introduction

Small industrial firms are widely recognized as critical drivers of economic development and employment, particularly in developing and post-conflict regions. In many countries, enterprises with fewer than 50 employees constitute the backbone of the economy, accounting for the majority of private-sector jobs and a substantial share of GDP. Iraq, as a nation emerging from conflict and economic volatility, exemplifies a context where the success of small firms is pivotal for broader recovery and growth. Within such challenging environments, strategic human capital practices – meaning deliberate human resource management (HRM) policies designed to develop and deploy employees’ skills and knowledge – have been posited as key levers for improving firm-level performance and securing competitive advantage. In fact, recent studies in post-conflict economies like Iraq underscore that strategically managing human capital is essential for organizational adaptability and success (Agha et al,2025).

One crucial factor receiving growing attention is workplace engagement (often termed employee engagement), which reflects employees’ emotional and cognitive commitment to their work. There is increasing evidence that employee engagement may act as a mediating link – a “missing link” in the HRM-performance causal chain – by which human capital practices influence outcomes like productivity, innovation, and retention. High levels of engagement, characterized by vigor, dedication, and absorption in one’s role, are associated with greater discretionary effort and alignment with

organizational goals. Especially for small firms that typically lack abundant financial capital or sophisticated technologies, an engaged workforce can be a critical intangible resource for success. This literature review surveys recent (2018–2025) scholarly work on strategic human capital practices and firm performance, with a focus on how workplace engagement functions as a mediator or moderator in this relationship for small industrial enterprises in developing and conflict-affected contexts like Iraq. Key theoretical frameworks – notably the Ability-Motivation-Opportunity (AMO) model and the Resource-Based View (RBV) – are discussed to ground the analysis. The review also examines specific performance outcomes (employee retention, innovation, productivity, and financial indicators) relevant to small firms, synthesizing findings from contemporary studies to highlight how strategic HRM and engagement together foster firm-level success (Karami & Ghasemi (2020)). Notably, local research in Iraq finds that applying people-focused HR practices can significantly boost employee engagement, which in turn drives performance improvements (Alghnimi et al ,2020). This underscores the general theory with context-specific evidence.

## **2. Literature Review and Hypothesis Development**

### **2.1 Strategic Human Capital Practices in Small Industrial Firms**

**2.1.1 Human Capital in Small Firms:** Human Capital in Small Firms: In small industrial firms, human capital – the collective skills, knowledge, and abilities of employees – often represents the primary source of competitive advantage. Unlike large corporations, small businesses operate with leaner structures and fewer tangible assets, making the effective use of human resources even more critical for survival and growth. The Resource-Based View (RBV) of the firm underscores that sustained competitive advantage stems from valuable, rare, inimitable, and non-substitutable resources residing within the organization. Human capital meets these criteria when nurtured properly: a skilled and motivated workforce is difficult for competitors to replicate. Researchers have widely adopted RBV in strategic HRM scholarship, converging on the view that people are strategic assets and that HRM practices have a direct influence on building these assets. In fact, a consensus has emerged that human capital can be a source of sustained advantage, that HRM systems most directly shape an organization’s human capital pool, and that internally coherent HRM systems themselves may be complex and unique enough to be inimitable. For small firms in Iraq and similar contexts, which face environmental instability and resource constraints, leveraging human capital is not merely advantageous but essential. Strategic human capital practices—such as selective hiring, training, performance incentives, and

employee involvement—help these firms to cultivate unique capabilities embedded in their people, enabling them to compete even under adverse external conditions. As one recent study of Bangladeshi SMEs concluded, small businesses “need training and development, performance measurement, and monetary incentives to succeed” in today’s market. This finding confirms the necessity of developing human capital in small enterprises to improve organizational performance and gain an edge over competitors. (Saadi, I. A.(2025)).

**2.1.2 Characteristics of HRM in Small Enterprises:** It is important to note that HRM in small firms often differs from that in larger organizations. Small enterprises tend to have informal structures, with owner-managers playing a dominant role in personnel decisions and often lacking formal HR expertise. HR policies in such firms may be ad-hoc or rudimentary; nonetheless, evidence suggests that even basic and informal HR practices can yield significant benefits when applied consistently and strategically. Atkinson et al. (2022) observed that although many small businesses initially have minimal or routine HR practices, exposure to HR support and increased understanding can lead owner-managers to implement more “progressive” practices that improve workforce management. They present a model of strategic HRM in the small firm context, highlighting that external HR support services (e.g. training or consultancy) and the sense-making by owner-managers about the value of HR are key enablers of HRM adoption. Thus, while small industrial firms might not have formal HR departments, strategic human capital practices are still relevant and can be tailored to fit the scale and culture of the firm. Practices such as close team-based work, flexible role assignments, and direct communication (often naturally occurring in small businesses) can be leveraged as strengths. Indeed, some researchers note that small firms often cultivate strong team spirit, informal work procedures, and tight owner oversight, aligning HRM with the owner’s vision for continuity and a healthy work climate. These idiosyncratic features, when consciously managed, can translate into a workforce that is uniquely committed and efficient. In fragile contexts like Iraq, where external uncertainties are high, the internal cohesion and adaptability of employees become even more critical; strategic HRM can fortify these internal strengths. (Saadi, I. A.(2025)).

**2.1.3 Strategic HRM Practices Defined:** Strategic human capital practices refer to a bundle of HRM activities deliberately aligned with the firm’s strategy to enhance employee competencies and motivation for improved performance. Drawing on the Ability-Motivation-Opportunity (AMO)

framework, we can categorize these practices into three groups: those that develop employee abilities, those that motivate employees, and those that provide opportunities for employees to contribute. Ability-enhancing practices typically include rigorous recruitment and selection procedures (to hire individuals with the right skills or potential) and training and development programs (to build employees' knowledge and capabilities). Motivation-enhancing practices include performance-based compensation, rewards and recognition, fair performance appraisal systems, promotions, and job security – all aimed at incentivizing effort and commitment. Opportunity-enhancing practices involve empowering work designs, such as granting employees autonomy, involving them in decision-making, encouraging teamwork and information sharing, and establishing channels for employee voice. These categories correspond to HRM levers that improve what employees can do (ability), want to do (motivation), and get to do (opportunity) on the job. Research has shown that when implemented as a coherent system, AMO-aligned practices significantly improve workforce performance. For example, a study in the Malaysian public sector found that training & development, compensation, job security, and promotion opportunities were positively related to employee performance, and crucially, their effectiveness was partly transmitted through increased employee engagement. This underscores that strategic HRM is not just about having policies on paper – it is about enacting practices that genuinely enhance employees' skills, motivation, and empowerment, thus unlocking higher productivity and creativity. (Darwish & Dmour (2024)).

Notably, small industrial firms might prioritize certain HR practices over others due to resource limitations. For instance, providing extensive formal training might be challenging for a 30-person manufacturing workshop in Iraq with limited funds; however, the firm could emphasize on-the-job learning, cross-training employees in multiple roles (building ability and flexibility), while also implementing low-cost recognition programs and involving workers in problem-solving meetings (boosting motivation and opportunity for input). Such strategic choices align with the notion of “best-fit” HRM – tailoring practices to the context – as opposed to a one-size-fits-all “best practice” approach. The literature suggests that even in constrained environments, there are high-leverage practices small firms can adopt. For example, empowering employees and encouraging participation have been highlighted as critical drivers of performance in SMEs. A recent Iraqi study in the healthcare sector found that two sustainable HRM practices – employee participation in decision-making and employee empowerment – had a positive impact on job performance in a hospital setting. This study further

confirmed that those HR practices were effective largely because they fostered greater employee engagement, which in turn enhanced performance (a point expanded in the next section). (Darwish & Dmour (2024)).

In sum, strategic human capital practices in small firms revolve around building a capable and committed workforce aligned with the firm’s strategic objectives. In developing regions or post-conflict economies, where external market factors can be volatile, having a resilient and high-performing human capital base can differentiate firms that thrive from those that falter. The following sections delve deeper into the theoretical underpinnings (AMO and RBV) of why these practices matter, and explore the pivotal role of employee engagement as the conduit linking human capital practices to firm-level success. (Hussein & Alazzawy (2023); Alyasiri, W. W. (2024))

#### 2.1.4 Key HRM Terminologies and Their Focus

To clarify conceptual overlaps, Table 1 summarizes the distinctions between closely related terms such as Strategic Human Capital Practices (SHCPs), Strategic HRM Practices, High-Performance Work Systems (HPWS), and Sustainable HRM Practices. This clarification ensures conceptual precision for the present study

**Table 1:** Key HRM Terminologies and Their Focus

<b>Term</b>	<b>Description and Focus</b>
Strategic Human Capital Practices (SHCPs)	Deliberate HR practices aimed at developing employees’ skills, motivation, and opportunities in alignment with strategic goals. Often viewed as a subset of strategic HRM that highlights building human capital as a source of competitive advantage.
Strategic HRM Practices	The pattern of planned HR deployments and activities intended to enable an organization to achieve its goals. Focuses on aligning HR policies with long-term business strategy (Darwish, 2013). Sometimes used interchangeably with SHCPs in emphasizing strategic alignment of people management.
High-Performance Work Systems (HPWS)	A cohesive set of HR practices designed to enhance employee abilities, motivation, and opportunities, thereby boosting organizational performance. HPWS are conceptually similar to SHCPs/strategic HRM, often encompassing selective hiring, training, incentive pay, and involvement to drive higher productivity (Agha et al 2025).
Sustainable HRM Practices	HRM practices that focus on long-term employee development and well-being as part of sustaining performance. Emphasizes practices (e.g. empowerment, participation) that not only improve immediate results but also ensure ongoing engagement and retention for future success (Alghnimi et al 2020).

## **2.2 Theoretical Frameworks: AMO Theory and RBV Perspective**

**2.2.1 Ability-Motivation-Opportunity (AMO) Theory:** The AMO framework provides a compelling lens for understanding how HRM practices influence employee performance and, by extension, organizational performance. Initially articulated in the early 2000s (Malki, et al, (2025)) as part of high-performance work systems literature, AMO theory posits that employees perform well when they can do the job (have the requisite abilities), will do the job (are motivated to exert effort), and have the opportunity to do the job (their work environment allows them to contribute meaningfully). In practice, this means an effective HRM system should encompass practices targeting all three dimensions. Ability-enhancing practices (e.g. selective hiring, training programs) ensure employees have the knowledge and skills to be competent. Motivation-enhancing practices (e.g. fair compensation, rewards, career development, job security) provide incentive and desire for employees to put forth their best effort. Opportunity-enhancing practices (e.g. team-based work, empowerment, involvement in decision making, open communication) ensure employees have avenues to use their talents and participate in improving organizational processes. (Khoshnaw, D. 2025); Darwish & Dmour (2024)). Several contemporary studies affirm the utility of the AMO model in small-firm contexts. For example, Tensay and Singh (2020), in an Ethiopian public service context, explicitly drew on AMO (alongside social exchange theory) to examine the HRM–performance link, finding that a system of HR practices spanning recruitment, training, rewards, autonomy, and participation was positively associated with both employee engagement and organizational performance. They observed that while each category of practices had a differing effect on engagement and performance, collectively the synergistic effect was strongest. Notably, among individual practices, providing autonomy (an opportunity-enhancing practice) emerged as an especially important driver of higher engagement and better performance. This aligns with broader HR findings that empowering employees (granting autonomy and voice) can unlock discretionary effort and innovation. Similarly, a meta-analysis of HR systems suggests that bundles of AMO-oriented practices yield higher employee effectiveness than any single practice alone. (Karami & Ghasemi (2020)). The AMO framework is particularly relevant to the engagement discussion: HR practices influence employees’ abilities and motivations, which then shape their level of engagement at work. For instance, when employees receive training (ability), feel fairly rewarded (motivation), and are encouraged to speak up about improvements (opportunity), they are more likely to be psychologically engaged – invested in their roles and willing to go above and beyond. In developing-country SMEs, adopting an AMO approach can be challenging (due to fewer resources for formal programs), but even informal or small-scale initiatives can fulfill the AMO criteria. A South African public sector study

recommended using AMO to manage and enhance performance, arguing that focusing on ability, motivation, and opportunity provides a clear roadmap for HR interventions even in resource-constrained settings. In Iraq's small industrial firms, one could apply AMO by, for example: hiring technically skilled workers or providing apprenticeships (ability), instituting group-based bonuses or profit-sharing to reward productivity (motivation), and fostering a participative culture where even shop-floor workers can suggest operational improvements (opportunity). AMO thus guides how to structure HRM interventions holistically, ensuring improvements in human capital translate into performance gains via the appropriate motivational and workplace conditions. (Alyasiri, W. W. 2024).

**2.2.2 Resource-Based View (RBV):** The Resource-Based View of the firm complements AMO by offering a strategic rationale for investing in human capital. RBV, a cornerstone of strategic management theory (pioneered by Barney, 1991), argues that firms gain sustainable competitive advantages by possessing and effectively managing resources that are valuable, rare, imperfectly imitable, and non-substitutable. Human capital, when unique and well-developed, fits this description. Unlike physical assets or easily codified technologies, tacit knowledge and skills residing in employees can be highly firm-specific and difficult for competitors to replicate. For example, an industrial firm with a deeply experienced team of technicians or engineers—who understand not only technical processes but also the firm's particular workflows and client needs—holds a resource that rivals cannot easily poach or copy. Additionally, the system of managing those people – the culture, the relationships, the accumulated know-how in working together – can itself be a complex capability that is inimitable. Modern strategic HRM literature has thoroughly integrated RBV as a foundational argument for why HR practices matter. It shifts the perspective from seeing HR as merely an operational necessity to viewing HRM as a strategic function that creates value through people. RBV-influenced research suggests that high-performance HR practices contribute to firm performance because they build unique human capital and because an internally coherent HRM system is hard for competitors to identify and duplicate. For instance, Delery and Shaw (2001) noted – as summarized in Yusra's (2015) thesis – a common agreement on three points: (1) human capital can be a source of competitive advantage, (2) HRM practices have the most direct influence on an organization's human capital, and (3) the complex, interrelated nature of effective HRM systems adds to their inimitability. This implies that not only are individual talents important, but also the way a firm recruits, develops, and retains those talents in combination forms a unique strategic asset. A 2019 sustainability study of Iraqi universities (though

outside the small-firm context) argued along RBV lines that strategic HRM practices are valuable assets because they are distinct and hard to imitate – thereby improving institutional performance and sustaining competitive advantage. In that study, strategic HRM positively influenced human capital development and employee commitment, which in turn partially mediated its effect on the sustainability of competitive advantages (Hamadamin & Atan, 2019). The implication for smaller firms is clear: even a modest enterprise can cultivate resources (in the form of a skilled, engaged workforce and a strong company culture) that larger competitors might lack. Saadi, I. A.(2025). RBV also highlights the importance of retention: valuable human capital must be retained to realize competitive gains – if high performers leave, the resource is lost. This is one reason why practices that boost employee engagement and commitment are strategic: they help protect the human capital resource from erosion through turnover.

RBV-oriented studies often tie in with the notion of human capital rent – returns gained from unique employee contributions. For a small manufacturing firm in Iraq, for example, developing a specialized skill set among its workers for a particular craft or production technique can create a niche advantage. However, if those trained workers are not engaged or satisfied, they might leave for other opportunities, taking their valuable expertise with them. Thus, strategic HRM must also focus on creating an environment that binds employees to the firm (through engagement, loyalty, career opportunities, etc.), ensuring that the investment in human capital yields long-term benefits. In extending RBV to small businesses, researchers note unique features: the owner’s dominant influence, less formal management, and idiosyncratic processes. These features mean that the VRIN characteristics of human capital in small firms may stem not just from formal training or credentials, but from contextual knowledge, personal relationships, and informal know-how. A study cited by Yusra (2015) pointed out that despite the uniqueness of each small business, general HRM principles under RBV emerged: emphasis on team cohesion, informal work methods, and coordination by the owner – all tailored to the owner’s goals of continuity and control. These effectively become firm-specific ways of managing people that competitors cannot easily mimic (Khoshnaw, D. 2025). To wrap up, AMO theory and RBV together provide a robust explanatory foundation: AMO explains how HR practices improve performance (through enhancing employees’ abilities, motivation, and opportunities, thereby often increasing engagement and effort), while RBV explains why those people-related improvements translate into competitive advantage (because human capital and effective HR systems are strategic assets in their own

right). In the following section, we explore in detail the concept of employee engagement, which sits at the intersection of these frameworks – as both an outcome of good HR practices (per AMO and social exchange reasoning) and a contributor to valuable human capital (per RBV, engaged employees are more productive and likely to stay, enhancing the firm’s knowledge base (Khoshnaw, D. 2025).

## **2.3 Workplace Engagement as a Mediator Between HR Practices and Performance**

**2.3.1 Defining Employee Engagement:** Workplace engagement (or employee engagement) refers to a positive, fulfilling state of mind in employees characterized by high energy and mental resilience (vigor), strong involvement and pride in one’s work (dedication), and being engrossed in work tasks (absorption). Engaged employees are often described as those who “go the extra mile” – they are emotionally and cognitively invested in their job performance and in the success of the organization. Engagement is multifaceted; some scholars distinguish between job engagement (focused on one’s tasks and role) and organizational engagement (focused on attachment to the organization itself). For practical purposes, engaged employees demonstrate enthusiasm, commitment, and proactive behavior at work. This construct has gained immense popularity in HRM research in the past two decades due to its strong correlations with various performance outcomes. (Hussein & Alazzawy (2023)).

**2.3.2 HRM Practices as Antecedents of Engagement:** A growing body of evidence from 2018 onwards indicates that strategic HRM practices can significantly foster employee engagement, which then mediates the effect of those practices on performance outcomes. The rationale is often grounded in Social Exchange Theory (SET): when organizations invest in supportive, fair, and developmental practices for employees, employees reciprocate with higher levels of engagement and effort. For example, if a firm provides ample training and career development (signaling that it values and supports the employee’s growth), the employee is likely to feel more obligated and motivated to put forth discretionary effort – i.e., to be engaged. Similarly, if the firm’s reward systems are seen as fair and rewarding of high performance, employees will be more dedicated to their work. A 2020 study by Norhasnina et al. demonstrated exactly this dynamic: it found that HRM practices such as training & development, fair compensation, job security, and internal promotions were positively related to employee performance, and crucially, that employee engagement mediated this relationship. In other words, those HR practices led to better performance largely because they first increased how engaged

employees were with their jobs. The study used social exchange theory to explain that employees responded to the favorable HR practices by becoming more engaged, which then drove performance improvements. (Khoshnaw, D., 2025; Agha et al .2025). Multiple empirical studies in various contexts echo these findings. In the Ethiopian public service study (Tensay & Singh, 2020) mentioned earlier, employee engagement was tested as an “intervening effect” in the HRM–performance link. The results showed a positive and significant relationship between the HRM system, employee engagement, and organizational performance, with engagement partially mediating the effect of HRM on performance. This suggests that while some HR practices may have direct effects on outcomes (for instance, better training might directly improve output quality), a substantial portion of HRM’s impact is indirect through shaping employees’ psychological states and behaviors. Engagement captures several such states – including job satisfaction, commitment, and involvement – synthesizing them into a single robust predictor of performance. Another study from Iraq’s healthcare sector Alghnimi et al (2020) provides a developing-country example: it found that sustainable HRM practices (specifically, empowering employees and encouraging participation) were significantly linked to higher job performance, and that employee engagement significantly mediated this link. This was in a hospital setting, but the principles translate to industrial SMEs: when employees feel empowered to make decisions and have a voice (an HR practice), they become more engaged, which makes them more effective in their work, improving overall performance.

It is also worth noting that not all studies find engagement to be a full mediator; sometimes it is partial, meaning HR practices still have some direct impact beyond engagement. The nuance often depends on which practices and which outcomes are measured. For instance, consider a high-performance work practice like performance-based pay: it might directly incentivize higher productivity (direct effect), but it also likely boosts engagement by making employees feel recognized and aligning their goals with the company’s (indirect effect). In such a case, engagement would partially carry the effect. Indeed, Tensay & Singh (2020) reported that while engagement mediated the overall HRM–performance link, individual HR practices had “differing effects” on engagement and performance. This suggests that some practices (e.g., autonomy, as they found) strongly drive engagement, whereas others might influence performance through additional routes (e.g., directly improving skills). Nonetheless, the consensus in recent literature is that employee engagement is a critical pathway by which HRM

produces performance gains, often referred to as opening the “black box” of HRM’s impact on organizational outcomes. (Malki, et-al, (2025)).

**2.3.3 Impacts of Engagement on Performance Outcomes:** Engaged employees contribute to organizations in multiple, tangible ways. They tend to perform better at their core tasks, exhibit greater initiative and creativity, are less likely to be absent or to quit, and even have positive effects on customer satisfaction and loyalty in service settings. By mediating HR practices, engagement essentially amplifies the effect of those practices on outcomes such as retention, innovation, productivity, and financial performance. We will examine each of these outcomes in detail in the next section, but it is useful here to highlight how engagement plays a role: (Karami & Ghasemi (2020)).

**Retention/Turnover:** Engagement has a well-demonstrated inverse relationship with employee turnover. When employees are engaged, they are emotionally attached to their work and organization, making them far less likely to contemplate leaving. A 2020 analysis of U.S. federal employees found that those with higher engagement levels were significantly less likely to report intention to leave their jobs than those with lower engagement. All components of engagement – employees’ positive perceptions of supervisors and leaders, and their intrinsic work experiences – were independently associated with lower turnover intention. The authors concluded that increasing engagement can positively affect retention by keeping the workforce productive and committed. For small firms, which often cannot offer the same level of pay or benefits as larger firms, engagement is a key retention tool – engaged employees are less likely to be lured away purely by salary, as their motivation is partly intrinsic and tied to the work environment. To the extent HR practices like recognition, empowerment, and supportive leadership drive engagement, they thereby indirectly reduce costly turnover. This connection is vital in places like Iraq where skilled labor may be in short supply; losing a talented technician or manager can severely set back a small factory. Engaging HR practices (e.g., involving employees in decisions, ensuring they feel valued) help retain these critical human assets. (Darwish & Dmour (2024)).

**Innovation:** Engaged employees are more proactive and willing to contribute ideas, which fuels innovation. When people are passionate and absorbed in their work, they often go beyond their formal job description to experiment and suggest improvements. A recent 2023 study in Pakistan’s manufacturing sector specifically investigated whether employee engagement promotes innovative work behavior. The findings revealed that engaged employees are indeed more likely to exhibit innovation in

the workplace. In fact, the study found that engagement's effect on innovation was fully mediated by employee voice behavior – meaning engaged employees tend to speak up with new ideas or process suggestions, which directly leads to innovative outcomes. This underscores that engagement fosters an internal drive to improve and create. HR practices that enhance engagement (like providing learning opportunities, encouraging teamwork, rewarding creative efforts) thus indirectly boost innovation by creating a workforce that cares enough to innovate. In small industrial firms, incremental innovations in processes or products can be crucial for competitiveness. For example, engaged production workers might come up with a clever way to reduce waste or improve product quality on the assembly line – something disengaged workers would have little inclination to do. A lack of engagement, conversely, leaves employees disinterested and unlikely to invest energy in innovation; as Ghani et al. (2023) noted, without engagement, employees may “lose focus, become disoriented, and move in opposite directions,” undermining innovation and other goals. Engaged employees, by feeling ownership and purpose, are inspired to take initiative and even calculated risks to help the company succeed. In environments like Iraq's, where firms must adapt to changing economic conditions and often lack access to cutting-edge foreign technologies, harnessing employees' innovative potential can make a meaningful difference. (Karami & Ghasemi (2020)).

**Productivity and Quality:** Engagement has been linked repeatedly to higher productivity at the individual and unit levels. Engaged employees tend to exert extra effort, leading to higher throughput, better quality control, and more efficient service. Gallup and other organizational studies (mostly pre-2018) often reported that business units in the top quartile of engagement are significantly more productive and profitable than those in the bottom quartile. Recent research continues to support this trend. For instance, McCarthy et al. (2020) cite prior findings that engaged employees are more productive and that organizations with more engaged workforces see better performance metrics. In their own study, while focusing on turnover, they reinforce the idea that engagement is essential for maintaining a “productive workforce” and that human capital practices should aim to optimize engagement to reduce withdrawal behaviors. Meta-analytic evidence also shows a clear connection: as voluntary turnover rises (often a symptom of disengagement and poor HR practices), organizational performance indicators including productivity and customer satisfaction decline. Conversely, strong engagement correlates with positive work attitudes and higher productivity. The mechanism is intuitive – an engaged machine operator will pay more attention to detail and care about output quality,

producing more units with fewer defects in the same time as a disengaged operator. Thus, when HR initiatives increase engagement (say through an incentive program that rewards team output or through job enrichment that makes work more meaningful), firms often see gains in operational performance measures like production rates, error rates, or sales per employee. Even in the public sector, higher engagement has been associated with better work outcomes. It stands to reason that in small private firms, where each employee's contribution is highly visible, engagement's impact on productivity is substantial (Malki, et-al, (2025)).

**Financial Performance:** Ultimately, improved retention, innovation, and productivity feed into financial results – higher profits, growth, and market share. While many factors influence financial performance, human capital is a major driver, especially for knowledge-intensive and service-oriented businesses. Engaged employees help generate revenue through better customer service and innovation, and they save costs by being more efficient and by reducing turnover-related expenses. In one illustrative meta-analysis (by Gallup, updated through late 2010s), companies with top engagement scores were found to have significantly higher profitability and lower costs (due to factors like less absenteeism and turnover) compared to those with low engagement. To give a concrete datum: Gallup's research (cited in a secondary source) suggests that highly engaged businesses achieve substantially lower employee turnover – e.g., 59% less turnover in low-turnover industries – and this stability contributes directly to better financial outcomes. Another stream of research on strategic HRM shows that effective HR practices, via building human capital and engagement, contribute to productivity and innovation which then improve financial metrics like ROI and sales growth. For example, Park & Shaw's meta-analysis (2013, referenced in McCarthy et al.) found that rising turnover (often the result of disengagement) led to declines in an organization's financial performance, indicating the financial cost of failing to engage and retain staff. In industries with a high human capital emphasis, like many service industries, the negative impact of turnover on financial performance is even stronger – implying that where people are central to value creation, engagement and retention are directly tied to profits. Small industrial firms in Iraq might not have publicly traded stock or elaborate financial reporting, but they see the effects in their bottom line: lower scrap rates, timely order fulfillment, repeat business from satisfied customers, and agility in operations all translate to better financial health, and these are exactly the areas improved by an engaged workforce. (Karami & Ghasemi (2020)).

In summary, workplace engagement is a pivotal mediator and enabler in the relationship between strategic HRM practices and firm-level success. Engaged employees represent the realization of a firm's human capital potential – they are the ones who actually implement ideas, solve problems, and push productivity to higher levels. HRM practices that treat employees as valued assets – by investing in their development, rewarding their contributions, and giving them a voice – tend to unlock this engagement. This has been empirically demonstrated in various contexts from hospitals in Iraq, to public organizations in Africa, to SMEs in Asia. The next section will delve into the specific performance outcomes of interest – retention, innovation, productivity, and financial performance – drawing on recent literature to illustrate how strategic human capital practices, through mechanisms like engagement, drive improvements in each area. (Khoshnaw, D. 2025); Agha et al, 2025).

## **2.4 Linking Human Capital Practices, Engagement, and Performance Outcomes**

### **2.4.1 Employee Retention and Turnover**

Employee retention is a critical performance metric for small firms because high turnover can be especially damaging when headcounts are small. Each departure in a firm of 20 people can mean losing 5% of the workforce, along with valuable skills and knowledge that may be hard to replace in the Iraqi context where specialized skills are not abundant. Strategic human capital practices that improve retention are therefore invaluable. Research indicates that practices fostering employee commitment and engagement are among the most effective tools for reducing turnover. (Hussein & Alazzawy (2023)).

One clear finding from recent studies is that engagement significantly predicts lower turnover intention and actual turnover. McCarthy et al. (2020) showed that U.S. federal employees with higher engagement were much less likely to consider quitting; all facets of engagement (such as trust in leadership and feeling of purpose in work) correlated with reduced intentions to leave. The logic extends globally – engaged employees in any context feel a sense of loyalty and are less likely to be actively job-hunting. For small businesses, HR practices such as providing growth opportunities, recognizing achievements, maintaining open communication, and ensuring fair treatment all serve to build that engagement and commitment, thereby increasing retention. A 2019 Malaysian study (Taib et al., 2018) found that when employees perceived strong HRM practices (like training, career development, and job security), they exhibited higher engagement, which in turn was linked to better performance and presumably a lower desire to leave. While that study did not measure turnover directly, engagement's mediating role

suggests that those HR practices would help keep employees on board. (Khoshnaw, D. 2025; Agha et al 2025). Another important aspect is how disengagement and poor HR practices contribute to turnover. If employees feel neglected, unappreciated, or see no advancement, they disengage and are more likely to exit. The cost of such turnover is multi-fold: direct costs of hiring and training replacements, lost productivity while positions are vacant, and disruption of team cohesion and tacit knowledge networks. As the Sage Open article summarized, voluntary turnover can cause loss of internal knowledge, interruptions in workflow, and increased replacement costs – ultimately negatively impacting performance. These effects are magnified in high-human-capital-emphasis industries and, one could argue, in small firms where each employee’s knowledge carries a lot of weight. For example, if a small industrial workshop in Baghdad loses its only experienced machinist due to disengagement and resignation, the firm’s production might slow to a crawl until a replacement is trained, and client orders could be delayed (hurting revenue and reputation). This scenario underlines the strategic importance of retention as an outcome of HRM. High-commitment HR practices such as internal promotions, competitive pay, and supportive supervision are designed to enhance retention by making employees feel valued and part of a family – this is particularly effective in collectivist or tight-knit cultures often found in the Middle East. (Saadi, I. A.(2025)).

Recent local evidence also backs the role of HRM in retention. An empirical study in the Middle East (Bahrain’s retail sector, 2021) found that perceptions of equal opportunities and inclusion (an aspect of good HR practice) increased employee engagement, which then reduced turnover intentions. Although that study was in retail, the principle likely holds in industrial SMEs: fairness and inclusion, as HR values, breed engagement and loyalty. Another study from the healthcare sector in Iraq (Hamadamin & Atan, 2019) indirectly touches on retention by emphasizing employee commitment as a mediator for sustaining competitive advantage. Commitment is closely related to engagement and is a known predictor of lower turnover. By showing that strategic HRM practices raise commitment, their research implies those practices would also help retain staff in the long run. (Alyasiri, 2024).

In summary, strategic human capital practices contribute to employee retention primarily by increasing engagement and commitment, and by creating a positive work environment that employees are reluctant to leave. This includes practices like clear career paths, mentorship, respectful treatment, work-life balance initiatives, and competitive benefits. For Iraqi small firms recovering in a post-conflict economy, retaining talent can be a huge challenge due to both external pull factors (e.g., brain drain,

opportunities abroad) and internal push factors (e.g., security concerns, instability). Thus, implementing HR practices that cement employees' attachment to the firm – like family-friendly policies or involving employees in rebuilding the company's vision – can be a decisive factor in their success. Engaged employees become advocates for the firm rather than flight risks, which stabilizes the workforce and preserves the firm's human capital investments over time Saadi, I. A.(2025).

#### **2.4.2 Innovation and Creativity**

Innovation is another vital outcome for firm success, even for small industrial firms that might not have R&D departments but still need to innovate in processes, products, or business models to stay competitive. Human capital is a major source of innovation, and strategic HRM practices can stimulate innovation by fostering an engaged, skilled, and empowered workforce. Research in the last few years has increasingly explored the linkage between HRM, engagement, and innovative work behaviors. (Alyasiri, (2024)).

Employee engagement has been identified as a facilitator of innovation because engaged employees are more likely to take initiative, share knowledge, and go beyond their formal duties to implement new ideas. The 2023 Heliyon study by Ghani et al. is illustrative: it empirically confirmed that engaged employees in manufacturing are significantly more prone to exhibit innovative behavior at work. Another important point is that it highlighted the role of employee voice – engaged employees speak up with suggestions, which was found to fully mediate the engagement-innovation relationship. This means that engagement encourages employees to use their “voice,” and it's through expressing and acting on their ideas that innovation happens. Strategic HR practices can nurture this environment by both boosting engagement and directly encouraging innovation. For instance, high-involvement HRM practices (often overlapping with AMO opportunity practices) give employees autonomy and involvement in decision-making. A 2021 study in an emerging economy context noted that high-involvement HR practices (like empowerment, information sharing, supportive supervision) improve employees' skills and autonomy, thereby enhancing both engagement and their capability to innovate. Essentially, when employees feel their contributions matter (an outcome of good HRM and engagement), they are mentally invested in improving the organization. (Darwish & Dmour (2024)).

Training and development practices also play a role by improving employees' creative skills and knowledge base. A workforce that continuously learns is more likely to come up with new solutions. But without engagement, even well-trained employees may not apply their knowledge creatively. Thus,

HRM must couple ability-development with motivational factors. Recognition and reward systems for innovative ideas, for example, both motivate and signal that innovation is valued. Some firms implement suggestion schemes or hackathons; in small firms, this could simply be weekly team meetings to brainstorm improvements. These practices provide opportunity for innovation and reinforce engagement by showing trust in employees' ideas. (Saadi, I. A.(2025))

From a theoretical standpoint, AMO and engagement together explain innovation outcomes well: ability (skills) is needed to generate useful ideas, motivation (engagement) is needed to put in the effort and risk-taking to pursue ideas, and opportunity (empowerment, voice) is needed for those ideas to be heard and implemented. Recent evidence in developing country contexts supports each link in that chain. In addition to Ghani et al.'s work, another study (Zhang et al., 2022, as an example from China) found that when employees perceive HR practices as supportive, they exhibit greater innovative work behavior, especially when they feel psychologically empowered (which is closely tied to engagement). Although not focused on Iraq, these findings are quite generalizable: supportive HRM (e.g., feedback, fair rewards) leads to higher engagement/empowerment, which then triggers innovation. (Darwish & Dmour (2024).

Small industrial firms often engage in what's known as incremental innovation – small but continuous improvements on the shop floor or in customer service. Engaged frontline employees are often the source of such innovations because they see problems and opportunities first-hand. A disengaged employee might ignore a machine's suboptimal setup, whereas an engaged one might devise a tweak to speed up production or improve safety. Therefore, one could argue that building a culture of engagement effectively equates to building a culture of continuous improvement. Studies of lean manufacturing and quality management often emphasize employee involvement; this dovetails with engagement as engaged workers actively participate in quality circles and problem-solving teams. One recent (2020) study on well-being-oriented HRM in China found that HR practices improved both innovative work behavior and engagement, suggesting that focusing on employee well-being and satisfaction can encourage employees to be more innovative and engaged simultaneously. (Hussein & Alazzawy (2023)). (Karami & Ghasemi (2020)).

To summarize, strategic human capital practices contribute to innovation by empowering, motivating, and enabling employees to contribute ideas. An engaged workforce serves as an internal engine of innovation, which is crucial for small firms that may lack formal R&D. For Iraqi SMEs, cultivating

innovation could mean adapting imported technologies to local conditions, finding creative work-arounds for infrastructure gaps, or developing new products suited to local market needs. Engaged employees are far more likely to come up with and implement these innovations. Human capital practices such as idea recognition programs, cross-functional teamwork, training in creative thinking, and tolerance for well-intentioned failures can all reinforce an innovation-friendly climate. Coupled with high engagement, these practices turn a small firm's size into an advantage – fewer layers of hierarchy and closer communication can speed the implementation of new ideas, giving the firm agility that larger competitors might lack. (Karami & Ghasemi (2020)).

### **2.4.3 Employee Productivity and Efficiency**

Productivity – the efficient conversion of inputs (including labor) into outputs – is a core performance outcome for any firm. For small industrial firms, high productivity can be the difference between profitability and failure, given tight margins and competition. Strategic HRM practices influence productivity through multiple pathways: enhancing worker skills (so tasks are done faster or with fewer errors), increasing motivation (so employees put in more effort or work smarter), and fostering engagement (so employees care about and actively seek to improve their productivity). .....

Numerous studies link effective HRM with higher productivity. For example, a study of SMEs in the UK found that adoption of high-performance work practices (a set of HR practices similar to what we've discussed as strategic HRM) was associated with significant improvements in labor productivity over time, especially when coupled with supportive management behavior. Another study focusing on manufacturing and service SMEs (Vu et al., 2020) concluded that implementing consistent training, empowerment, and incentive practices led to productivity gains, and interestingly they observed both forward causality (HRM leading to productivity) and reverse causality (more productive firms investing more in HRM). This points to a virtuous cycle: investing in human capital boosts productivity, which then gives the firm resources and justification to invest further in human capital. (Darwish & Dmour, 2024).

Engagement plays a key role in day-to-day productivity. As noted earlier, engaged employees simply work more effectively. They often exert discretionary effort – the classic example being the engaged worker who stays a bit late to ensure a job is done properly, versus the disengaged one who leaves at the stroke of closing time regardless of task completion. Engaged employees also tend to have better focus and are mentally present, reducing mistakes and accidents. In the U.S. federal workforce study, it was

highlighted that engaged employees are more productive and their presence helps retain a “productive workforce”. On the flip side, disengaged or actively disengaged employees can be a drag on productivity and even morale. Gallup’s global estimates (2022) suggested that the cost of disengagement in terms of lost productivity runs into trillions of dollars worldwide – a striking figure showing what a broad impact engagement has. Although such broad estimates aren’t specific to small firms or Iraq, they underline that even moderate improvements in engagement can yield substantial efficiency benefits. (Malki, et-al, (2025)).

From an RBV perspective, a firm’s productivity advantage can be seen as a capability that competitors struggle to imitate, especially if it’s rooted in the firm’s culture and human capital practices. For instance, the Toyota Production System’s productivity edge has long been linked to its emphasis on worker involvement and continuous improvement culture – essentially HR-driven factors that are hard to copy because they involve deeply ingrained behaviors and engagement. For a small Iraqi manufacturer, creating a productivity-oriented culture might involve training workers in multiple skills (to reduce downtime), implementing suggestion systems to cut waste, and fostering teamwork so that production flows smoothly even if someone is absent. These are HR interventions that directly and indirectly influence productivity. (Malki, et-al, (2025)).

One specific area of productivity in which HRM and engagement have a direct effect is absenteeism. Engaged employees typically have lower absenteeism rates – they are less likely to call in sick without good reason because they feel accountable to their team and find meaning in showing up. Lower absenteeism means more consistent output and less need for finding temporary replacements or overworking others, thus maintaining productivity. Many high-commitment HR systems include attendance rewards or at least foster a culture of commitment that naturally reduces absenteeism. Empirical studies (e.g., a 2019 survey by the Society for Human Resource Management) often show a correlation between engagement scores and absenteeism or attendance data. (Malki, et-al, (2025)).

To illustrate with research: a study by He et al. (2021) found that in Chinese firms, units with higher average engagement had higher operational performance and lower wastage. Meanwhile, Zhang & Jin (2019) reported that in a sample of manufacturing teams, those with more supportive HR practices saw higher team efficiency and quality, mediated by collective engagement. Such studies indicate that the HRM-engagement link is scalable from individual to team levels – an important consideration for small firms where teamwork is common. (Malki, et-al, (2025)).

In summary, strategic human capital practices bolster productivity by equipping employees with better skills and tools (raising potential output), by incentivizing and energizing them to work efficiently (raising actual output), and by embedding a sense of responsibility and initiative through engagement (leading to process improvements and lower inefficiencies). A tangible example from an industrial SME could be implementing a gainsharing program (HR practice) that rewards teams for productivity improvements; this not only motivates higher effort but also engages employees in problem-solving (they might brainstorm how to rearrange their workstations to save time). Over a year, such engaged efforts can significantly boost output per worker and reduce per-unit costs. Financially, this translates to higher profit margins or the ability to offer more competitive prices.

#### **2.4.4 Financial Performance and Competitive Advantage**

Ultimately, the goal of strategic human capital investments is to improve the firm's financial performance and competitive position. While financial outcomes are influenced by many factors (market conditions, competition, etc.), there is strong evidence that effective HRM and high engagement contribute positively to a firm's financial metrics. These metrics include profitability, revenue growth, market share, and even shareholder value in the case of large firms (though for small private firms, metrics like profit margin and return on assets are more relevant) (Alyasiri, (2024)). One compelling piece of evidence comes from a meta-analysis of over 1,000 businesses (Harter et al., updated through 2019) which confirmed a well-established connection between employee engagement and 11 different performance outcomes, including productivity, customer satisfaction, and profitability. Firms with higher engagement enjoyed better financial results, and this held across industries. The reason, as elaborated throughout this review, is that engagement drives the intermediate outcomes – retention, innovation, productivity – which then drive financial success. For example, fewer defects and more satisfied customers (due to engaged employees) mean lower costs and higher sales, which boost profits. Engaged sales teams directly sell more; engaged service teams increase customer loyalty, impacting revenue. (Alyasiri, (2024)).

High-performance HR practices have similarly been linked to financial outcomes in research. A notable study by Jiang et al. (2012, though slightly older than our range) aggregated results from many studies and found that commitment-oriented HR systems had significant positive relationships with financial performance indicators. More recent research has built on this by examining contexts like emerging markets. For instance, a 2018 study on Indonesian companies (Sudarma & Ferry, 2018) found that

strategic HRM practices improved not just operational outcomes but also financial outcomes, especially when mediated by human capital quality and innovation. In the Middle East, Hamadamin and Atan's work (2019) on Iraqi universities is instructive: while focusing on competitive advantage sustainability, it implies that institutions effectively applying strategic HRM (thus developing human capital and commitment) are better positioned to achieve their objectives and outperform rivals. By extension, a business that leverages its engaged human capital can adapt faster, deliver quality, and attract customers – all contributors to financial success. (Karami & Ghasemi (2020)).

Another way to see HRM's impact is through cost reductions. Turnover costs money (hiring, training new staff, lost productivity during vacancies) – so, as engagement and good HR practices reduce turnover, they save costs. Absenteeism, as mentioned, has costs – engaged employees reduce those. Safety incidents also have financial costs (insurance, legal, lost work days), and engaged workplaces tend to have fewer accidents because employees pay more attention and follow procedures. Gallup has reported that units with high engagement have significantly fewer safety incidents and less shrinkage (theft), both of which can affect the bottom line. Saadi, I. A.(2025).

In conflict-affected or developing contexts, there's an added layer to competitive advantage: many firms operate in environments with infrastructure problems, political instability, or skills shortages. Those that manage to maintain a stable, skilled, and motivated workforce in spite of the turmoil can outperform others who are constantly dealing with HR crises. In Iraq, for example, firms that invested in employee training and engagement even during difficult times (e.g., periods of unrest or pandemic disruptions) may emerge stronger once conditions improve, as they have a loyal core of talent ready to exploit new opportunities. This aligns with the concept of organizational resilience, which some recent studies (e.g., Bhattacharya et al., 2021) tie to strategic HRM – suggesting that HRM not only improves immediate performance but also the capacity to withstand shocks and bounce back, which is very pertinent to conflict-affected regions. (Alyasiri, (2024)).

To highlight a specific performance indicator: sustainable growth. Human capital drives innovation and customer service, which drive growth. A dynamic that appears in some research is that SMEs with more enlightened HRM (like those adopting progressive HR practices early on) tend to scale up more successfully than those that don't. They avoid the common pitfalls of growing companies, such as culture deterioration or talent drain, because their HR foundation is solid. Though literature on Iraqi SMEs specifically is scant, one can extrapolate from global SME research that those with higher

employee engagement and better HR systems see stronger sales growth and are more likely to transition into larger, competitive firms. (Alyasiri, (2024)).

It's also worth noting that financial performance feedback can reinforce HRM practices – success allows more investment in people, which further drives success (the cycle mentioned earlier). Companies like Google or Microsoft famously invest heavily in employee engagement and well-being, which sustains their innovation and financial dominance. While a small firm cannot match those resources, the principle scales down: a profitable small firm can afford to, say, pay a bit above market to keep its best workers or to hire an extra technician to reduce burnout among staff – these HR moves then further secure its performance. (Alyasiri, (2024)).

To wrap up, strategic human capital practices, underpinned by theories like AMO and RBV and facilitated by high employee engagement, are strongly linked with improved firm-level outcomes across the board. Small industrial firms in Iraq that adopt such practices – focusing on building skills, motivating through fair rewards and involvement, and genuinely engaging their employees – are likely to see better retention of talent, more innovation on the shop floor, higher productivity, and ultimately superior financial results compared to those that neglect the human side of the enterprise. By viewing employees not as an expense but as a strategic asset, and by working to unlock their full potential through engagement, these firms can overcome some of the disadvantages of their size and challenging environment. Indeed, the literature suggests that even in conflict-affected or resource-poor settings, it is often the people factor that differentiates successful firms. As Iraq continues to rebuild its economy, small firms with engaged human capital are poised to contribute significantly to growth and to reap firm-level success, validating the adage that investing in people pays off. (Khoshnaw, D. 2025; Agha et al .2025).

### **Hypothesis Development**

H1: SHCPs are positively associated with employee engagement in small industrial firms.

H2: Employee engagement is positively associated with firm-level outcomes (retention, innovation, productivity, financial performance).

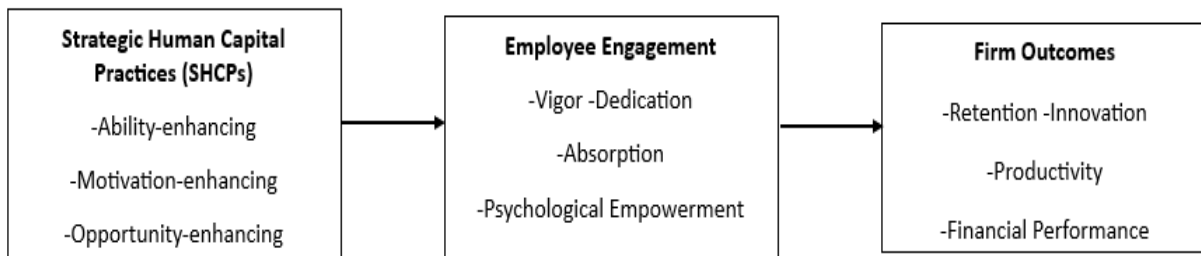
H3: Employee engagement mediates the relationship between SHCPs and firm-level outcomes.

H4: SHCPs tailored using the AMO framework enhance employee engagement more effectively than generic practices.

### 3. Conceptual Framework

To synthesize the review, Figure 1 below illustrates the study’s conceptual model linking SHCPs, employee engagement, and firm-level outcomes. Engagement is posited as a mediator through which SHCPs influence outcomes, reflecting hypotheses H1–H3. H4 further suggests that applying SHCPs via the AMO framework enhances engagement more effectively than generic practices.

Figure 1. Conceptual framework depicting the relationship between Strategic Human Capital Practices (SHCPs), employee engagement, and firm-level outcomes. SHCPs are expected to improve firm outcomes (e.g., retention, innovation, productivity, financial performance) primarily through increasing employee engagement.



### 4. Research Methodology

This paper follows a review-based methodology using peer-reviewed academic sources published between 2017 and 2025. Articles were selected from high-impact journals, with a focus on the Journal of Economic and Administrative Sciences, among others. The search strategy emphasized HRM practices, employee engagement, and performance in SMEs or similar settings. Inclusion criteria involved empirical studies, theoretical articles, and regional relevance (with an emphasis on Iraq and developing economies).

Data were categorized by thematic relevance: SHCP categories (ability, motivation, opportunity), engagement constructs, and performance outcomes. The review employs a narrative synthesis method to integrate findings and identify consistent relationships between SHCPs, engagement, and outcomes.

### 5. Results

The literature strongly supports the connection between SHCPs and firm performance via employee engagement. Numerous studies confirm that firms implementing strategic recruitment, training, fair performance appraisal, and

employee involvement see improved engagement, which then translates to higher retention, innovation, and productivity. In Iraq and similar contexts, engagement is found to be especially critical due to environmental volatility.

Empirical studies also indicate partial mediation effects. While HR practices have some direct impacts, their influence is significantly amplified through engagement. For instance, empowerment and voice opportunities have shown particularly strong effects on innovation, while recognition and supportive leadership influence retention.

## **6. Discussion of Results**

The synthesis reveals that even small and informal HRM systems can create strategic value when aligned with employee needs. Engagement emerges as a critical driver that turns HR practices into tangible performance improvements. The findings reaffirm AMO's validity as a framework for designing HR interventions and show that RBV holds even in small firms, provided practices are tailored and implemented coherently.

The results also point to context-specific adaptations: in resource-constrained firms, on-the-job learning, peer recognition, and participative decision-making are cost-effective yet impactful practices. Additionally, cultural factors in Iraq (e.g., collectivist work values) enhance the impact of engagement-focused HR practices.

## **7. Conclusion**

Strategic human capital practices are vital levers for driving success in Iraq's small industrial firms. The AMO framework provides a practical guide for structuring these practices, while RBV explains their strategic importance. Engagement plays a central role in mediating the relationship between SHCPs and firm outcomes. Through deliberate investment in employee development, motivation, and empowerment, small firms can build resilience and achieve competitive advantages despite environmental constraints.

This review affirms that HRM is not merely an administrative function but a strategic enabler of success, especially when employee engagement is actively fostered. Policymakers and firm leaders in developing economies should therefore prioritize human-centric strategies, not only for organizational performance but also for broader economic development.

### **Authors Declaration:**

Conflicts of Interest: None

We Hereby Confirm That All The Figures and Tables In The Manuscript Are Mine and Ours. Besides, The Figures and Images, which are Not Mine, Have Been Permitted Republication and Attached to The Manuscript.

- Ethical Clearance: The Research Was Approved by The Local Ethical Committee in The University of Baghdad.

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