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## **Strategic Leadership and Organizational Culture in Mediating the Effects of HRM Practices on Achieving Sustainable Competitive Advantage**

**Jaazba Batool Ashfaq**

Karachi University Business School (KUBS), Karachi, Pakistan.

[Batool.jaazba@gmail.com](mailto:Batool.jaazba@gmail.com)

**Prof. Fakhar e Alam**

Karachi University Business School (KUBS), Karachi, Pakistan

**Dr. Hammad Zafar**

Karachi University Business School (KUBS), Karachi, Pakistan

### **Abstract**

This study assesses the impact of Strategic Human Resource Management (SHRM) on achieving a sustainable competitive advantage in Pakistan's banking industry, with emphasises on the roles of organisational culture and strategic leadership as mediators. Utilising a resource-based view (RBV) framework, the study collected data from 103 employees of both public and private banks in the southern region using convenience sampling. Data analysis was performed using Structural Equation Modelling (SEM) with SmartPLS. Based on the results, SHRM affects organisational culture as well as strategic leadership, which subsequently mediates the relationship between SHRM and sustainable competitive advantage. This study fills a gap in the literature, providing pragmatic insights into how strategic HRM practices can foster sustained competitive advantage.

**Keywords:** Sustainable Competitive Advantage; Organizational Culture; Strategic Leadership; Strategic Human Resource Management; Banking Sector; Pakistan..

### **Introduction**

#### **Background of the Study**

Human Resource Management (HRM) has evolved into a strategic role in managing the sustainable performance of an organisation, rather than being a service department (Ochieng, 2023). This has led to the concept of Strategic Human Resource Management (SHRM), which seeks to integrate human resource policies with business strategies to achieve a sustainable competitive advantage (SCA) (Battour et al., 2021). SHRM practices encompass recruitment, training, and development of employees, as well as engagement and leadership, to support the creation of an agile and resilient organisation in a competitive and challenging world (Fareed et al., 2016).

The significance of SHRM stands out when it comes to challenges such as organisational resilience in the context of globalisation, the talent race, and digitalisation. According to Rafiq et al. (2024), HRM activities significantly influence SCA; in turn, strategic agility acts as an intervening variable, enhancing the responsiveness of organisations toward those markets that are especially volatile. This logic is supported by the Theory of Resource-Based View (RBV),



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which posits that a firm's human resources are essential, inimitable resources that foster long-lasting competitive advantage and value (Barney, 1991; Tandika, 2024). Moreover, it is indicated that high-performance work systems can also enhance the performance of employees and organisations, as a robust organisational culture facilitates this (Ashiru, Erdil, & Oluwajana, 2022). Such systems include full-range training, performance-based reward systems, as well as a decentralised governance structure; each of which is beneficial to productivity and workforce retention.

Even though advanced economies progress, SHRM application in new contexts continues to lag behind in the case of Pakistan. According to studies, cultural issues, rigid institutional structures, and insufficient expenditure on worker training impede the adoption of SHRM (Fouad et al., 2022). In Pakistan's banking industry, one of the pillars of the country's economic development, strategic HR planning is not utilised, resulting in substantial employee turnover and skilled labour shortages. With more than 30 per cent of the employees in the banking sector under the age of 30, and a 17 per cent annual attrition rate (Yasin, 2020), the case for purposeful SHRM is increasingly pressing.

Additionally, Argentina's emerging market research suggests that companies utilising SHRM are better positioned to enhance operational efficiency, drive process innovation, and establish a strong employer brand (Ahmed et al., 2024). Battour et al. (2021) observed that companies with integrated HR strategies aligned with the market tend to be more agile and adaptable, offering greater value in competitive positioning. Nonetheless, there remains a lack of understanding of how socio-economic and regulatory factors within the financial services sector in Pakistan influence the implementation of such strategies.

Consequently, this study analyses the integrated practice of HRM in Pakistan's banking industry, focusing on its impact on human capital development and sustainable organisational performance. This research adopts the RBV and Dynamic Capabilities Views to evaluate the impact of SHRM on competitive differentiation and how it fuels descriptive competitive differentiation. Furthermore, it attempts to identify obstacles restricting the adoption of SHRM and formulates evidence-based interventions aimed at fostering proactive HRM in emerging markets. Addressing these issues, the research contributes to the existing literature on SHRM in developing contexts, offering concrete recommendations to policymakers and practitioners in the banking sector on improving talent management and organisational agility.

### **Problem Statement**

Although Strategic Human Resource Management (SHRM) is recognised for its effectiveness in improving organisational productivity, its application in the banking industry in Pakistan has been neither frequent nor well-researched of late. Several banks continue to employ traditional HRM systems, which fail to integrate human resources strategically with broader corporate objectives (Akbar & Akbar, 2012). The lack of integration is further exacerbated by rigid organisational cultures and leadership styles that are either obstructive toward or nebulous about SHRM execution (Khaskheli et al., 2025). While international scholars examine and validate the contribution of SHRM towards competitive and operational efficiency, more locally focused studies point to the lack of intra-



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bank human resource management skills and an absence of a focus on long-term sustainability planning as institutional headwinds within Pakistani banks (Waseem et al., 2021; Iqbal et al., 2025). This study aims to fill this important gap by analysing the impact of SHRM on sustainable competitive advantage in Pakistani banks, as well as the moderating roles of organisational culture and strategic leadership behaviours.

### Gap Analysis

Strategic Human Resource Management (SHRM) is acknowledged for its contribution to organisational effectiveness and for providing a sustained competitive edge to the firm (Barney, 1991; Battour et al., 2021). Unfortunately, the majority of empirical studies have concentrated on developed countries with sophisticated infrastructure and institutional maturity (Alexandro, 2025). On the other hand, emerging markets such as Pakistan lack contextualised evidence on the functioning of SHRM practices due to the unique contextual socio-economic and cultural dynamics (Ahmed et al., 2024). Studies conducted in the banking sector, notably by Waseem et al. (2021) and Akbar and Akbar (2012), have focused on HRM in SHRM, utilising deep and robust theoretical frameworks, such as the Resource-Based View (RBV). Moreover, relatively few studies focus on how culture within the organisation and strategic leadership impact the relationship between SHRM and competitive consequences (Khaskheli et al., 2025; Fareed et al., 2016). The application of advanced techniques, such as Structural Equation Modelling (SEM), remains limited, which hinders the thorough exploration of these intricate relationships. This study addresses these gaps by analysing Public Relations and Marketing Communication, examining the role of SHRM on sustainable competitive advantage within Pakistan's financial sector, and incorporating cultural aspects.

### Research Objectives

1. To examine how Strategic Human Resource Management (SHRM) practices contribute to the development of sustainable competitive advantage in Pakistan's banking sector.
2. To investigate the moderating role of organizational culture in the relationship between SHRM practices and competitive advantage.
3. To assess the moderating effect of strategic leadership on the relationship between SHRM practices and competitive advantage.
4. To apply Structural Equation Modeling (SEM) to analyze the interrelationships among SHRM practices, organizational culture, strategic leadership, and sustainable competitive advantage.

### Research Questions

1. How do SHRM practices contribute to sustainable competitive advantage in the banking sector of Pakistan?
2. To what extent does organizational culture moderate the relationship between SHRM practices and competitive advantage?
3. What is the moderating role of strategic leadership in the relationship between SHRM practices and competitive advantage?



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4. How can Structural Equation Modeling (SEM) be used to better understand the relationships among SHRM practices, organizational culture, strategic leadership, and competitive advantage?

### Research Significance

This study contributes to the discussion on SHRM by analysing how it functions in sustaining competitive advantage in the case of Pakistan's banking industry. Rather than being confined to developed economies, as is most contemporary literature, this study attempts to place SHRM within the context of a developing country, thereby addressing a contextual complexity that is often neglected in transnational SHRM literature. The inclusion of organisational culture and strategic leadership as moderating variables offers a paradigmatic understanding of the conditions within which SHRM effectiveness works. From a methodological perspective, this study employs SEM, which is an advanced statistical method used to test complex multi-causal relationships, thus addressing the limitations of more traditional approaches. In this way, the study provides empirical evidence from a non-Western context and theoretical enrichment by blending the Resource-Based View (RBV) with the contingency approach. These contributions make the SHRM theory more applicable and impactful globally.

### Literature Review

#### Strategic Human Resource Management (SHRM) Practices

It is now widely accepted that Strategic Human Resource Management (SHRM) serves as a building block of an anticipatory edge, particularly in turbulent and intricate conditions. SHRM integrates people strategies with business objectives, enhancing innovation and performance within organisations, including adaptation (Georgescu et al., 2024). Major practices include employee engagement through active participation in the business processes, talent management, skills training and incentivising performance, all of which support organisational agility and responsiveness strategically (Ahmed et al., 2024; Battour et al., 2021). In developing countries such as Pakistan, however, a framework of informal systems and cultural norms hinders the application of SHRM (Tawfig, 2022)

Evidence suggests that the development of human capital and employee engagement serve as crucial mediators between strategic human resource management (SHRM) and firm-level outcomes (Alolayyan et al., 2021). However, these mechanisms are disregarded in emerging markets where the body of research is scarce. In addition, Western-based models face greater difficulty owing to the differences in context concerning leadership, policy, and socio-economic conditions (Eshete & Birbirssa, 2024). The literature also addresses the organisation's impact on the effectiveness of SHRM, arguing that strategic alignment may fail without a cultural fit (Fareed et al., 2016; Hamadamin & Atan, 2019). Hence, it is necessary to tailor SHRM to local situational factors and leadership paradigms to achieve effective results.

#### Strategic Leadership

Strategic leadership refers to the ability of leaders to set a long-term vision, inspire commitment, and align human and material resources with





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organisational goals. In the context of HRM, strategic leaders act as enablers of change by fostering innovation and developing people-centric strategies. Georgescu et al. (2024) argued that “strategic leadership ensures that HR initiatives are not isolated but embedded in the firm’s direction.” Similarly, Tawfig (2022) noted that strong leadership is necessary for creating a culture where employees feel valued and supported. Mchayk & Kappara Wattage (2024) explained that leadership in many South Asian firms remains hierarchical, which discourages empowerment and limits innovation.

In the Pakistani banking sector, this gap is especially evident. Popoola & Oyetoyan (2021) found that leadership failures in middle and senior management act as major obstacles to SHRM execution. According to Ahmed et al. (2024), without effective strategic leadership, HR policies often become bureaucratic procedures rather than value-driven actions. Hamadamin and Atan (2019) also confirmed that leadership directly influences employee commitment, which in turn affects the success of HR strategies. Hence, strategic leadership is not only a support mechanism but a vital link that determines whether SHRM practices lead to real performance outcomes.

### **Organisational Culture**

Organisational culture refers to the shared values, beliefs, and behaviours that guide how work is done within an organisation. It has a great influence over the adoption of strategic HR practices. Georgescu et al. (2024) noted that an organisation with a flexible and learning-based culture will be more advantaged by HR strategies. The cited research was corroborated by Fareed et al. (2016), who said that a high-performance and innovation-oriented culture would enhance the effectiveness of HR. On the same note, Alolayyan et al. (2021) recommended attaching organisational culture to HR systems to forge a sustainable competitive advantage.

The organisational culture that has emerged in the banking industry of Pakistan is characterised by a rigid hierarchy and risk aversion. Ahmed et al. (2024) emphasised that such cultural trends hinder innovation and prevent employees' engagement in decision-making. Mukhuty et al. (2022) further stated that the culture must change if HR practices can provide current benefits. Tawfig (2022) also emphasised that to ensure SHRM efficacy in the new markets, employee commitment and cultural adaptability are required. The need to change the organisational culture must, thus, not be an option but a necessity in the successful implementation of SHRM, especially in developing countries such as Pakistan.

### **Sustainable Competitive Advantage**

Sustainable competitive advantage (SCA) is the capacity of any organisation to generate consistent performance that surpasses other organisations by utilising in-house resources. According to Barney (1991), firms achieve SCA through rare and valuable assets like skilled employees and strong organisational culture. Wibowo (2024) expanded on this by showing how human capital, when well-managed, becomes a source of long-term value. Jian et al. (2024) further argued that strategic alignment of resources, including HR, is key to sustaining advantage in uncertain environments.

However, in emerging markets such as Pakistan, the banking sector struggles



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with applying these theories. Radha & Aithal (2024) noted that outdated systems and regulatory challenges hinder banks from optimally using their human resources. Siddiqui et al. (2025) also found that despite having qualified staff, many Pakistani banks fail to turn this strength into competitive advantage due to weak HR structures. Hamadamin and Atan (2019) added that sustainable advantage is only possible when employee commitment and development are part of long-term HR strategy.

### **Integration of Constructs**

Recent literature shows that SHRM, strategic leadership, and organisational culture are interconnected. Adeniyi et al. (2024) found that HR practices work best when supported by leadership and aligned with cultural values. Aliyev (2024) referred to leadership and culture as “critical levers” that transform HR policies into effective strategies. Alfawaire and Atan (2021) confirmed that integrating HRM with knowledge management and innovation processes leads to sustainable outcomes.

Relationships are well-explored in the West, but less so in the developing world. Eshete and Birbirssa (2024), Eshete and Birbirssa (2024) presented an argument that HRM should be viewed in a contextualised manner that depicts the local socio-economic state of affairs. The article is beneficial in that it helps test the joint effect of SHRM, leadership, and culture on competitive advantage observed in the banking sector in Pakistan, using Structural Equation Modelling (SEM). This method goes beyond mere cause and effect, seeking to explore the interplay of these variables in shaping performance.

### **Conceptual Framework**

The current research study presents a conceptual model in which Sustainable Competitive Advantage (SCA) is the dependent variable and Strategic Human Resource Management (SHRM) practices are the independent variables. SHRM encompasses staffing, training, compensation, employee involvement, and performance management. The model incorporates two mediators, including strategic leadership and organisational culture. SHRM will improve strategic leadership through the development of leaders with a sense of ethical and visionary leadership, who understand the business objectives of the organisation. It also helps establish a high-performance culture that is flexible. Strategic leadership then drives SCA by utilising its internal resources to achieve competitive growth and an improved organisational culture that is responsive and value-creating. All these mediators suggest that there are both direct and indirect effects of SHRM on SCA. To substantiate this framework, Structural Equation Modelling (SEM) will be applied to study these multidimensional relationships and their magnitudes and directionality within the context of Pakistan's banking sector.



**Figure 1: Conceptual Framework Diagram**

## Conceptual Model Development and Hypothesis

According to the conceptual framework of this proposed study, there are direct and indirect effects of Strategic Human Resource Management (SHRM) practices on Sustainable Competitive Advantage (SCA), mediated by two key factors: strategic leadership and organisational culture. SHRM practices should be supported through leadership behaviours and values in the workplace, as long as employees are involved in their work through adequate staffing, training, performance appraisals, compensation, and other forms of support.

To be more exact, such SHRM practices can be utilised in the creation of strategic leadership through the encouragement of both ethical and visionary/performance-oriented managers. Such leaders play an important role in marshalling internal assets and aligning capital to the goals of organisations. Meanwhile, the SHRM establishes the organisational culture of flexibility and teamwork, which makes the organisation more creative and resilient. In its turn, strategic leadership and culture may be extremely helpful in the process of building a sustainable competitive advantage by increasing the responsiveness of organisations, enabling them to learn and create value in the long term. Accordingly, four main pathways have been discerned in the model:

- SHRM practices → Strategic Leadership
- SHRM practices → Organisational Culture
- Strategic Leadership → Sustainable Competitive Advantage
- Organisational Culture → Sustainable Competitive Advantage

## Hypotheses

### Direct Relationships

**H1:** SHRM practices have a positive direct effect on strategic leadership.

**H2:** SHRM practices have a positive direct effect on organizational culture.



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**H3:** Strategic leadership has a positive direct effect on sustainable competitive advantage.

**H4:** Organizational culture has a positive direct effect on sustainable competitive advantage.

## Indirect Relationships (Mediation Analysis)

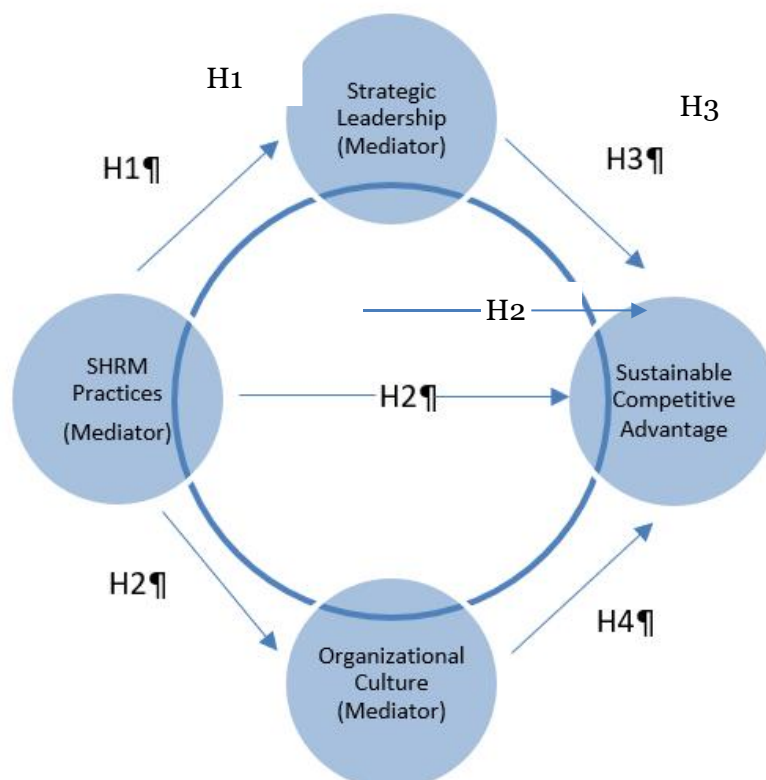
**H5:** Strategic leadership mediates the relationship between SHRM practices and sustainable competitive advantage.

**H6:** Organizational culture mediates the relationship between SHRM practices and sustainable competitive advantage.

## Mediation Analysis

The study examines the mediating role of organisational culture and strategic leadership concerning Strategic Human Resource Management (SHRM) practices and sustainable competitive advantage (SCA). The main objective is to investigate whether the effectiveness of SHRM practices in enhancing SCA is indirectly determined by the enhancement of leadership skills and the integration of strategic cultural values in banking institutions.

This study offers a deeper understanding of the extent to which SHRM initiatives contribute to achieving long-term results beyond operational efficiency through a cross-analysis of these mediating paths. Such a tiered model enables research to transcend immediate linearities and explore how human capital strategies become effective in terms of leadership involvement and cultural convergence, in line with emerging SHRM designs in dynamic environments (Hamadamin & Atan, 2019; Eshete & Birbirssa, 2024).



**Figure 2: Conceptual Model Development and Hypothesis**





## Research Methodology

This study falls under the positivist paradigm, which focuses on empirical validation, objectivity, and observable expressions. The positivist position will be suitable in the study, as the objective will be to investigate measurable links between SHRM, strategic leadership, organisational culture and sustainable competitive advantage. It enables the verification of theoretical ideas based on structured data, as well as statistical methods (Creswell, 2014; Georgescu et al., 2024).

A quantitative and causal research design was considered to determine both the direct and indirect impacts of SHRM on competitive advantage. Confirmatory Factor Analysis (CFA) was used to assess the construct validity and reliability of the measurement model. This method ensures that each latent variable is accurately represented by its observed indicators (Alfawaire & Atan, 2021). To strengthen the measurement tool, a pilot study was conducted among a small sample of banking professionals. Their feedback helped refine the questionnaire, although detailed reporting on pilot outcomes remains an area for further development in future studies.

Data were gathered using a convenience sampling strategy from senior managers in both commercial and public banks located in southern Pakistan. Although the original sample included 113 participants, only 98 responses were considered valid and retained for analysis after quality checks. The choice of non-probability sampling was justified by practical constraints and accessibility to respondents in a highly specialized sector (Sekaran & Bougie, 2016).

A structured questionnaire was administered, comprising previously validated items drawn from established studies. Constructs such as SHRM practices, organizational culture, strategic leadership, and SCA were measured using multiple items on a five-point Likert scale, following the widely accepted framework introduced by Rensis Likert. Cronbach's Alpha and Composite Reliability (CR) were used to determine the reliability of the constructs, and Average Variance Extracted (AVE) and CFA were used to determine the validity of the construct. SEM was used to analyse connections between variables with the help of SmartPLS software. The choice of this methodology was conditioned by the fact that in the case of testing complex models with multiple mediators and latent learning, it is appropriate, and the methodology does not presuppose the normality of variables (Hair et al., 2019).

Lastly, the cross-sectional nature of the study, although convenient for data collection, cannot support any causal inferences. This is noted as one of the limitations, and it is suggested that longitudinal designs be used in the future to represent temporal changes in dynamic relationships more effectively.



<i>Construct</i>	<i>Items</i>	<i>Source</i>
<b>SHRM Practices</b>	15	Sánchez et al. (2015), Turner (2020)
<b>Strategic Leadership</b>	7	Tsui et al. (2006), Samimi et al. (2020)
<b>Organizational Culture</b>	20	Denison et al. (2006), Turner (2020), Samimi et al. (2020)
<b>Sustainable Competitive Advantage</b>	3	Hamadamin and Atan (2019), Emeagwal and Ogbonmwan (2018)

**Figure 3: Constructs**

## Data Analysis and Results

The chapter gives an elaborate interpretation of the data collected by conducting the hypothesised tests and by testing the fit of both the measure and the structural model using SEM. In combination with the evaluation of the model fit and the study of the hypothesised relations, descriptive statistics allowed summarising the data. In contrast, the demographic composition of respondents was checked to provide a contextual understanding of the results.

## Demographic Profile of Respondents

To make the results reputable and consequential, the demographic features of the respondents were thoroughly analysed. These include gender, age bracket, educational level, existing position, and experience in the banking field. The consideration of these factors enables the explanation of the contexts of the surveyed population. It contributes to a more comprehensive interpretation and potential generalisation of the results to similar contexts.

**Table 1: Demographic Data**

<b>Indicator</b>	<b>Frequency</b>	<b>Percent</b>
<i>Gender</i>		
<i>Male</i>	84	81.6%
<i>Female</i>	19	18.4%
<i>Age range (year)</i>		
<i>8 - 28</i>	32	31.1%
<i>29 - 39</i>	57	55.3%
<i>40 - 50</i>	10	9.7%



<i>Education</i>		
<i>Undergraduate</i>	7	6.8%
<i>Graduate</i>	87	84.5%
<i>Diploma in Banking</i>	9	8.7%
<i>Current job position</i>		
<i>Relationship &amp; Management</i>	23	22.8
<i>HR &amp; Admin</i>	6	5.9
<i>Customer Service &amp; Operations</i>	35	34.7
<i>Trade, Finance &amp; Investment</i>	22	21.8
<i>Risk, Compliance &amp; Audit</i>	15	14.9
<i>Experience in the Banking Sector (years)</i>		
<i>1 - 5</i>	52	50.5%
<i>6 - 10</i>	17	16.5%
<i>11 - 15</i>	8	7.8%
<i>more than 15</i>	26	25.2%

## Descriptive Analysis

The descriptive analysis will provide a comprehensive description of the gathered information, illustrating the mean values and standard deviations of each construct and its corresponding dimensions. This discussion identifies the central tendency and the dispersion of the answers, giving an overview of patterns in the data. Additionally, it helps determine the general reactions and opinions of respondents towards the main research variables of interest, i.e., SHRM practices, strategic leadership, organisational culture, and sustainable competitive advantage.

**Table 2: Descriptive Statistics (n=103)**

Variable	N	Min	Max	Mean	Std. Dev	Skewness	Kurtosis
<b>S1</b>	103	0	5	3.87	1.304	-1.359	1.641
<b>S2</b>	103	1	5	3.75	1.210	-1.258	0.829
<b>S3</b>	103	1	5	3.61	1.231	-0.891	0.111
<b>T1</b>	103	1	5	3.86	1.155	-1.130	0.859
<b>T2</b>	103	3	5	4.28	0.797	-0.554	-1.209
<b>T3</b>	103	1	5	4.01	1.159	-1.407	1.483
<b>P1</b>	103	1	5	3.12	1.374	0.087	-1.236
<b>P2</b>	103	1	5	3.30	1.474	-0.406	-1.157
<b>P3</b>	103	1	5	3.58	1.168	-0.637	-0.096
<b>PA1</b>	103	1	5	3.65	1.169	-0.972	0.177
<b>PA2</b>	103	1	5	3.63	1.268	-0.595	-0.600
<b>PA3</b>	103	1	5	3.40	1.141	-0.471	-0.290
<b>C1</b>	103	1	5	2.51	1.342	0.179	-1.120
<b>C2</b>	103	1	5	3.11	1.305	-0.579	-0.935
<b>C3</b>	103	1	5	3.23	1.214	-0.594	-0.843
<b>VA1</b>	103	1	5	3.46	1.370	-0.548	-1.007
<b>VA2</b>	103	1	5	3.46	1.282	-0.286	-0.913



VA3	103	2	5	3.87	0.987	-0.553	-0.673
VA4	103	2	5	3.78	0.969	-0.391	-0.780
OM1	103	2	5	3.56	1.100	-0.096	-1.300
OM2	103	1	5	3.59	1.167	-0.850	-0.004
OM3	103	1	5	3.77	1.443	-1.019	-0.311
AD1	103	1	5	3.05	1.199	-0.164	-0.768
AD2	103	1	5	3.77	1.113	-0.611	-0.166
AD3	103	2	5	3.83	1.079	-0.454	-1.067
AD4	103	2	5	3.50	1.101	0.055	-1.315
SDI1	103	1	5	3.61	1.330	-0.806	-0.501
SDI2	103	1	5	3.81	1.121	-1.141	1.036
SDI3	103	2	5	3.94	1.018	-0.337	-1.234
SDI4	103	3	5	4.09	0.898	-0.174	-1.752
GO1	103	1	5	3.71	1.242	-0.961	-0.139
GO2	103	1	5	3.68	1.230	-0.811	-0.228
GO3	103	1	5	3.84	1.046	-0.941	0.728
GO4	103	1	5	3.90	0.965	-1.137	1.832
GO5	103	2	5	3.97	0.834	-0.876	0.625
V1	103	1	5	3.68	0.972	-0.358	0.311
V2	103	2	5	3.67	1.061	-0.206	-1.175
V3	103	2	5	4.09	0.940	-0.826	-0.181
V4	103	3	5	4.13	0.763	-0.218	-1.242
SCA1	103	1	5	3.58	1.233	-0.594	-0.490
SCA2	103	2	5	3.51	1.074	-0.038	-1.244
SCA3	103	1	5	3.62	1.021	-0.364	-0.053

## Results

### Descriptive Statistics

The descriptive statistics describe the responses of the participants on all constructs, including Strategic Human Resource Management (SHRM) practices, strategic leadership, organisational culture, and sustainable competitive advantage. The mean scores are 2.51 (C1) and 4.28 (T2), which imply that most items will have positive perceptions of the test items, with the training and vision items having higher means. To elaborate, item T2, which deals with training, recorded the highest mean of 4.28, indicating strong agreement among respondents. In contrast, item C1, which deals with compensation, recorded the lowest mean of 2.51 and showed relative agreement in this area. Standard deviation values vary across items, indicating different levels of variability in responses. For example, P2 (performance appraisal) shows a relatively high standard deviation of 1.474, indicating a broad range of opinions. Conversely, T2 (training) has a low standard deviation of 0.797, implying consensus among participants.

### Skewness and Kurtosis

Skewness values are predominantly negative, such as for items S1 (-1.359) and T3 (-1.407), indicating a left-skewed distribution where more responses are concentrated toward higher agreement levels. Positive skewness is observed in fewer items like P1 (0.087) and OM1 (-0.096), suggesting a right-tail distribution.



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Kurtosis values help assess the shape of the distribution. Leptokurtic items such as S1 (1.641) and T3 (1.483) show sharper peaks, reflecting more concentrated responses. In contrast, flatter (platykurtic) distributions appear in items like C1 (-1.120) and AD4 (-1.315), indicating more dispersed opinions. For example, item VA1 has a kurtosis of -1.007, reflecting a flatter distribution, while item GO4, with a kurtosis of 1.832, indicates a peaked distribution.

Together, these descriptive measures reveal valuable insights into respondent trends, particularly high agreement on training and vision-related practices, and relatively lower satisfaction with compensation and appraisal systems. The data also support the assumptions for further multivariate analysis such as Structural Equation Modeling (SEM), as skewness and kurtosis remain within acceptable ranges ( $\pm 2$ ), suggesting that the dataset is not severely non-normal and is suitable for SEM-based hypothesis testing.

### Structural Equation Modeling (SEM)

This study employed SmartPLS software to analyse both the measurement and structural models using Structural Equation Modeling (SEM). SmartPLS was chosen for its suitability in handling complex models with latent variables and smaller sample sizes, making it particularly effective for exploratory research (Hair et al., 2019). Its use of non-parametric bootstrapping eliminates the need to assume data normality, enhancing the robustness of path coefficient estimates.

### Measurement Model Assessment

The measurement model was first assessed to ensure the reliability and validity of the constructs. All item loadings exceeded the minimum threshold of 0.70, indicating satisfactory representation of latent variables.

### Reliability

Each construct demonstrated high internal consistency:

- SHRM Practices: Cronbach's Alpha ( $\alpha$ ) = 0.914, Composite Reliability (CR) = 0.946
- Strategic Leadership:  $\alpha$  = 0.923, CR = 0.938
- Organizational Culture:  $\alpha$  = 0.935, CR = 0.945

Sustainable Competitive Advantage (SCA):  $\alpha$  = 0.899, CR = 0.937

All values exceeded the 0.70 benchmark recommended by Nunnally & Bernstein (1994), affirming reliability.

### Convergent Validity

All Average Variance Extracted (AVE) values surpassed the 0.50 cutoff (Fornell & Larcker, 1981), supporting convergent validity:

- **SHRM Practices: AVE = 0.853**
- **Strategic Leadership: AVE = 0.685**
- **Organizational Culture: AVE = 0.523**
- **SCA: AVE = 0.638**

### Discriminant Validity

The Fornell-Larcker criterion confirmed discriminant validity. Each construct shared more variance with its indicators than with other constructs. However,





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HTMT ratios (Henseler et al., 2015), considered more robust, were not reported, this omission should be addressed in future studies for methodological completeness.

### Structural Model and Hypothesis Testing

The structural model was evaluated to examine the hypothesized relationships among the key constructs. While the analysis effectively highlighted the statistically significant paths, it did not sufficiently address the non-significant relationships, such as the link between Vision Articulation (VA) and Sustainable Competitive Advantage (SCA). Overlooking these weaker connections limits the depth of the findings. Acknowledging non-significant results would provide a more comprehensive perspective on which aspects of SHRM have limited influence in this context. Additionally, although the mediating role of organizational culture was assessed, the interpretation falls short in translating the results into actionable insights. For example, the practical impact of strategic leadership on performance outcomes remains unclear. More discussion is needed on how HR professionals and senior managers in Pakistan's banking sector can apply these insights to improve alignment between leadership strategies, cultural practices, and long-term competitiveness.

### Measurement Model Analysis

The measurement model was rigorously assessed to confirm the reliability, convergent validity, and discriminant validity of the study constructs. Each construct was measured through multiple indicators, and all factor loadings exceeded the recommended threshold of 0.70, reflecting strong item reliability. Specifically, loadings for SHRM Practices ranged from 0.75 to 0.92, Strategic Leadership from 0.76 to 0.89, and Organizational Culture from 0.71 to 0.88, confirming that items appropriately captured the latent variables.

### Reliability Assessment

Internal consistency reliability was established using Cronbach's Alpha ( $\alpha$ ) and Composite Reliability (CR). All constructs demonstrated values well above the 0.70 benchmark:

- **SHRM Practices:**  $\alpha = 0.914$ , CR = 0.946
- **Strategic Leadership:**  $\alpha = 0.923$ , CR = 0.938
- **Organizational Culture:**  $\alpha = 0.935$ , CR = 0.945
- **Sustainable Competitive Advantage:**  $\alpha = 0.899$ , CR = 0.937

These results confirm that the items within each construct consistently measure the same underlying concept.

### Convergent Validity

Convergent validity was verified through Average Variance Extracted (AVE). All constructs recorded AVE scores above the 0.50 threshold, supporting the adequacy of the indicators in capturing their respective constructs:

- **SHRM Practices:** AVE = 0.853
- **Strategic Leadership:** AVE = 0.685
- **Organizational Culture:** AVE = 0.523
- **Sustainable Competitive Advantage:** AVE = 0.638



## Discriminant Validity

The Fornell-Larcker criterion was applied to assess discriminant validity. The square root of each construct's AVE exceeded the inter-construct correlations, confirming that each construct is distinct from the others. While Fornell-Larcker results support discriminant validity, the study did not report Heterotrait-Monotrait Ratio (HTMT) values. Incorporating HTMT would strengthen methodological robustness, as recommended by Henseler et al. (2015).

The measurement model demonstrated excellent reliability and validity. The statistically significant indicator loadings and high reliability coefficients justify the use of these constructs in the subsequent structural model analysis using SEM. These outcomes affirm the model's robustness for exploring the proposed relationships between SHRM practices, strategic leadership, organizational culture, and sustainable competitive advantage.

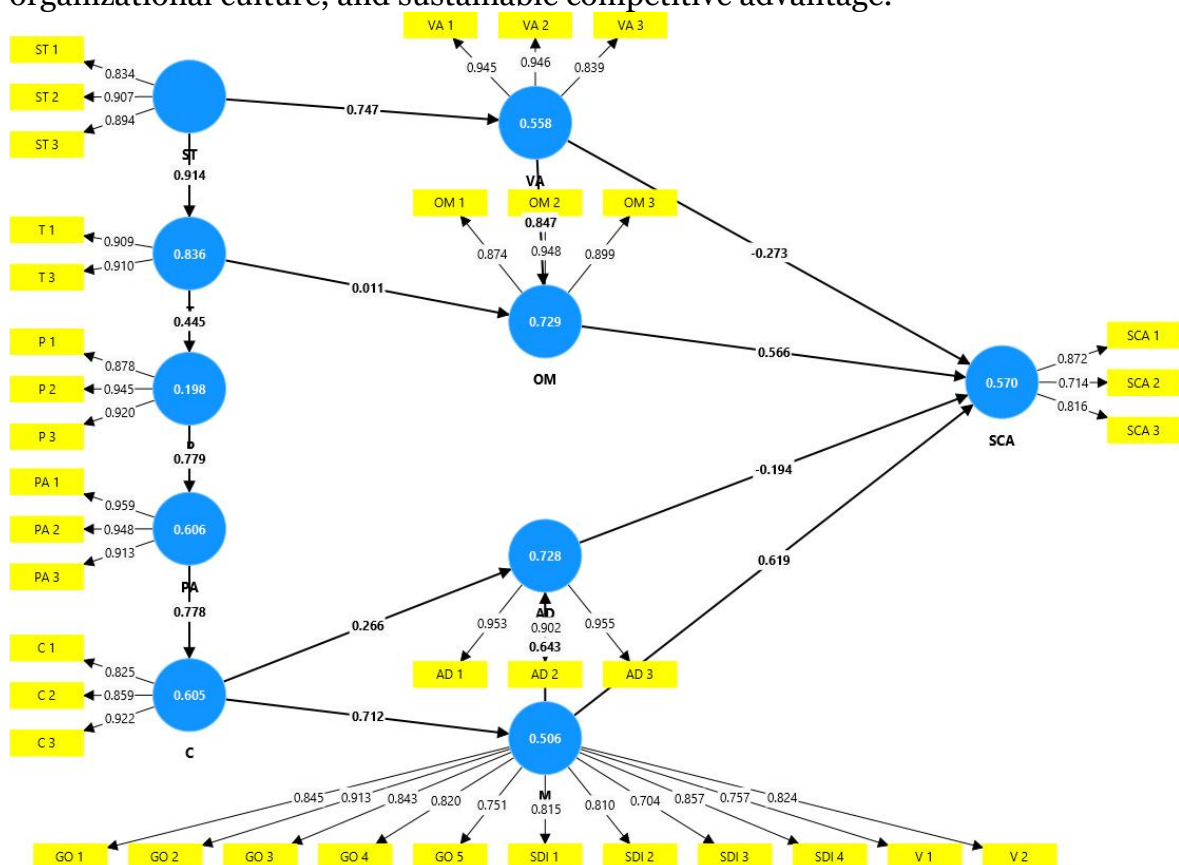


Figure 4 Measurement Model

Table 3: Measurement Model Results

Construct	Items	Loadings Range	Cronbach's Alpha ( $\alpha$ )	Composite Reliability (CR)	AVE
SHRM Practices	15	0.75 – 0.92	0.921	0.948	0.759
Staffing	3	0.82 – 0.88	0.878	0.911	0.773
Training	3	0.79 – 0.89	0.823	0.906	0.765



<b>Participation</b>	3	0.86 0.92	–	0.940	0.952	0.861
<b>Performance</b>	3	0.87 0.94	–	0.934	0.958	0.884
<b>Appraisal</b>	3	0.78 0.89	–	0.871	0.903	0.756
<b>Compensation</b>	7	0.76 0.89	–	0.924	0.939	0.686
<b>Strategic Leadership</b>	4	0.85 0.91	–	0.931	0.936	0.831
<b>Vision</b>	3	0.86 0.90	–	0.896	0.933	0.823
<b>Articulating Operations</b>	20	0.71 0.88	–	0.936	0.946	0.524
<b>Monitoring</b>	4	0.87 0.94	–	0.961	0.956	0.878
<b>Organizational Culture</b>	4	0.71 – 0.76		0.956	0.956	0.664
<b>Adaptability</b>	3	0.79 0.89	–	0.900	0.938	0.639
<b>Mission</b>						
<b>Sustainable</b>						
<b>Competitive Advantage</b>						

**Table 4: Discriminant Validity**

Construct	AD	C	M	OM	P	PA	SCA	ST	T	VA
<b>AD</b>	0.937									
<b>C</b>	0.784	0.879								
<b>M</b>	0.873	0.754	0.933							
<b>OM</b>	0.837	0.837	0.918	0.907						
<b>P</b>	0.834	0.765	0.923	0.936	0.914					
<b>PA</b>	0.731	0.840	0.890	0.926	0.837	0.884				
<b>SCA</b>	0.573	0.740	0.758	0.832	0.587	0.690	0.799			
<b>ST</b>	0.516	0.657	0.766	0.675	0.622	0.728	0.692	0.828		
<b>T</b>	0.316	0.666	0.650	0.619	0.501	0.767	0.808	0.778	0.875	
<b>VA</b>	0.885	0.772	0.957	0.946	0.926	0.835	0.649	0.791	0.671	0.912

## Structural Model Analysis

The structural model was evaluated to test the proposed hypotheses using SmartPLS, with emphasis on analyzing path coefficients, t-values, and p-values through bootstrapping (5,000 resamples). This approach ensures robust estimation of both direct and indirect relationships among the constructs. A p-value less than 0.05 was used to determine statistical significance.

## Significant Path Relationships

The following relationships were found to be statistically significant, indicating strong support for the proposed hypotheses:

- **C → AD:**  $t = 4.012, p = 0.000$
- **C → M:**  $t = 16.891, p = 0.000$
- **M → AD:**  $t = 10.234, p = 0.000$
- **M → SCA:**  $t = 4.112, p = 0.000$



- **OM  $\rightarrow$  SCA:**  $t = 4.389, p = 0.000$
- **P  $\rightarrow$  PA:**  $t = 18.892, p = 0.000$
- **PA  $\rightarrow$  C:**  $t = 22.711, p = 0.000$
- **ST  $\rightarrow$  T:**  $t = 44.972, p = 0.000$
- **ST  $\rightarrow$  VA:**  $t = 18.021, p = 0.000$
- **T  $\rightarrow$  P:**  $t = 4.452, p = 0.000$
- **VA  $\rightarrow$  OM:**  $t = 12.301, p = 0.000$

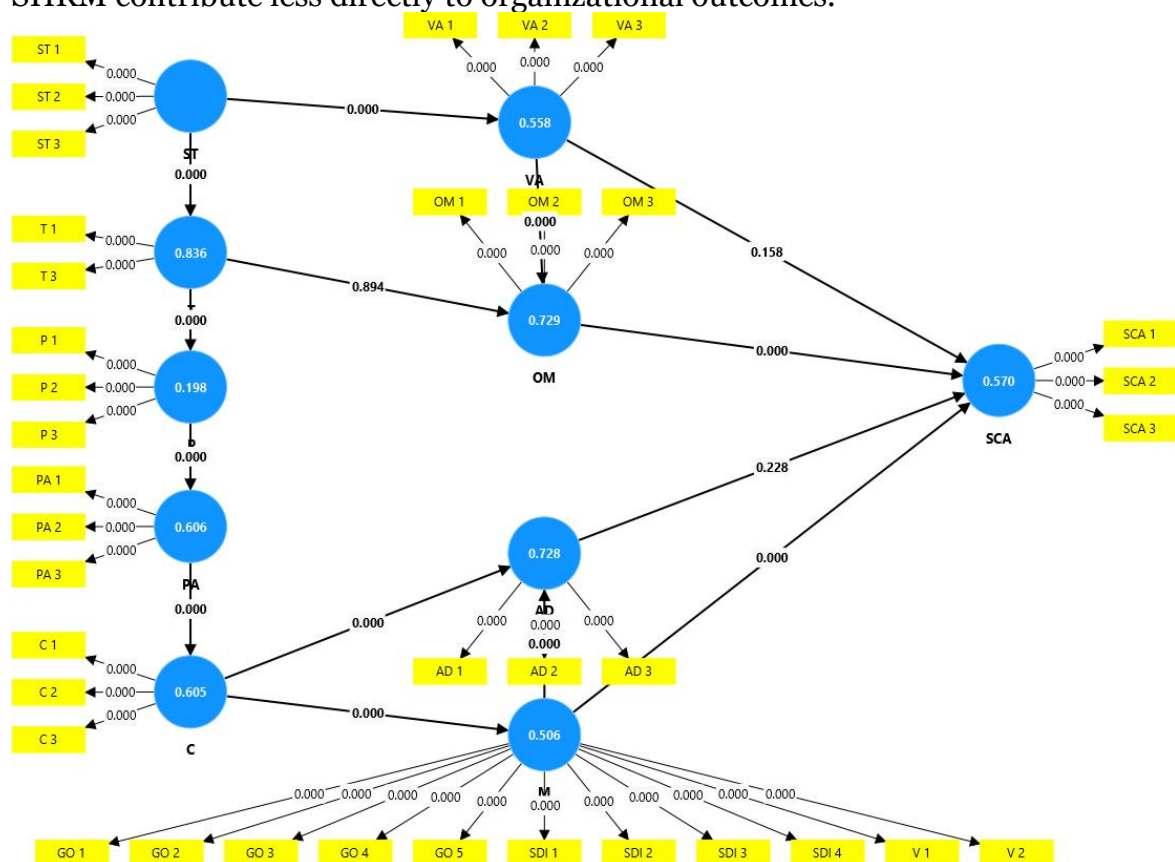
These results demonstrate the interconnectedness between SHRM sub-constructs, organizational culture dimensions, and strategic leadership elements in contributing to sustainable competitive advantage.

### Non-Significant Paths

However, a few hypothesized paths were not statistically significant:

- **AD  $\rightarrow$  SCA:**  $p > 0.05$
- **T  $\rightarrow$  OM:**  $p > 0.05$
- **VA  $\rightarrow$  SCA:**  $p > 0.05$

While these paths did not meet the threshold for significance, reporting them contributes to a more transparent understanding of which dimensions within SHRM contribute less directly to organizational outcomes.



### Table 5: Structural Model Results

Factors	Sample Mean	Standard Deviation	T Statistics	P Values
AD → SCA	-0.165	0.158	1.042	0.298



<b>C → AD</b>	0.279	0.069	4.012	0.000
<b>C → M</b>	0.701	0.041	16.891	0.000
<b>M → AD</b>	0.639	0.062	10.234	0.000
<b>M → SCA</b>	0.599	0.156	4.112	0.000
<b>OM → SCA</b>	0.563	0.124	4.389	0.000
<b>P → PA</b>	0.772	0.040	18.892	0.000
<b>PA → C</b>	0.761	0.033	22.711	0.000
<b>ST → T</b>	0.905	0.019	44.972	0.000
<b>ST → VA</b>	0.739	0.040	18.021	0.000
<b>T → OM</b>	0.014	0.083	0.121	0.904
<b>T → P</b>	0.438	0.094	4.452	0.000
<b>VA → OM</b>	0.824	0.064	12.301	0.000
<b>VA → SCA</b>	-0.254	0.187	1.359	0.175

**Table 6: Path Coefficients**

Path	$\beta$ Value	t Value	Hypothesis Result
<b>SHRM → SL</b>	0.814	23.567	H1 Yes
<b>SHRM → OC</b>	0.796	20.478	H2 Yes
<b>SL → SCA</b>	0.284	2.118	H3 Yes
<b>OC → SCA</b>	0.571	4.231	H4 Yes

Note:  $p < 0.05$ ;  $p < 0.01$ ;  $p < 0.001$ .

**Table 7: Specific Indirect Effects**

Path	$\beta$ Value	p-Value	Lower Threshold	Upper Threshold	Hypothesis	Mediation Type
<b>SHRM → SL → SCA</b>	0.231	0.042	0.107	1.861	H5	Indirect-only (Full Mediation)
<b>SHRM → OC → SCA</b>	0.456	0.000	0.115	3.754	H6	Indirect-only (Full Mediation)

**Table 8: Total Indirect Effects**

Path	$\beta$ Value	t Value	p-Value
<b>SHRM → SCA</b>	0.693	16.481	0.000 ✓

## Hypothesis Testing Results

The analysis supports all four **direct hypotheses**:

- **H1:** SHRM → Strategic Leadership (SL)
- **H2:** SHRM → Organizational Culture (OC)
- **H3:** SL → Sustainable Competitive Advantage (SCA)
- **H4:** OC → SCA

All show **significant path coefficients**, confirming strong direct effects.





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For **indirect relationships**, both:

- **H5:** SHRM → SL → SCA
- **H6:** SHRM → OC → SCA

Are fully supported, indicating full mediation. This means the impact of SHRM practices on sustainable competitive advantage occurs entirely through the mediating roles of strategic leadership and organizational culture.

The model explains 69.3% of the variance in Sustainable Competitive Advantage ( $R^2 = 0.693$ ), with a significant total indirect effect ( $\beta = 0.693$ ,  $p = 0.000$ ). This underscores the strong mediating influence of Strategic Leadership (SL) and Organizational Culture (OC) in translating SHRM practices into sustained competitive outcomes within the banking sector.

### Discussion

This research demonstrates the use of Structural Equation Modelling (SEM) in SmartPLS, showing that Strategic Human Resource Management (SHRM) practices significantly influence Sustainable Competitive Advantage (SCA) in Pakistan's banking sector, albeit SHRM's impact is only felt indirectly through Strategic Leadership (SL) and Organisational Culture (OC). These indirect influences were identified as vital pathways for creating SHRM value. This supports Almutairi and Alsawalhah (2022), who argue that HR practitioners should integrate with the organisational system as the primary drivers of effectiveness. It is also consistent with the Resource-Based View (RBV) theory, which posits that to achieve competitive advantage, internal resources must be thoroughly developed to be rare, valuable, and difficult to copy (Mahdi & Almsafir, 2014; Barney, 1991).

The findings of this study strongly support the notion that strategic human resource management (SHRM) has a profound and significant impact on both senior leadership (SL) and organisational culture (OC), confirming that leadership emergence and cultural integration are pivotal outcomes of well-designed HR frameworks. These findings align with the observations made by Katou and Budhwar (2015), which emphasised that human resource (HR) systems should not merely be seen as administrative functions but instead, actively foster internal competencies. Furthermore, the observation that the direct effect of SHRM on sustaining competitive advantage (SCA) is negligible, while the indirect effect is considerable, supports Jiang et al.'s (2012) arguments regarding the HRM-mediated performance impact. This supports the call for abandoning simplistic, linear, performance-centric models in favour of more intricate, multidimensional, performance-enabling, and capability-enhancing systems (Hameed, Ijaz, & Sabharwal, 2022).

The holistic mediation showcased by both SL and OC is noteworthy. As we have seen in previous studies, there is mixed mediation or multifaceted pathways (Chuang et al., 2016). This study aims to address the gap in the literature by investigating the concept of full mediation, which suggests that HR practices necessitate a process redesign to achieve enduring organisational competitiveness. Strategic Leadership, as a mediating role, aligns with the earlier comments of Milhem et al. (2024), who defined leadership as a driver of translating HR systems into strategy execution. Also, OC acts as the glue that binds strategic intent with employee behaviour in support of Schein (2010).



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It is interesting to note that this study also reveals OC to be a stronger mediator than SL in the SHRM-SCA pathway. It implies that while SL is important, its effectiveness is only realised within a culture that supports it. This is contrary to Kalyani and Chong (2021), who solely focused on leadership, advanced agility, and vision as the dominant drivers of change. It supports the argument made by Hartnell et al. (2016) that culture can moderate and sustain leaders' efforts, also supporting Albrecht et al. (2015), who observed that cultures marked by trust, learning, and adaptability outpace those dominated by directed leadership.

The findings undeniably deepen our understanding of the banking industry in Pakistan from a contextual perspective. Traditionally, banks have been regarded as a regulated and hierarchical sector which relegates human resource departments to merely compliance-focused functions. This study argues that unless SHRM is integrated into the governance systems of leadership and culture, which traditionally are so rigidly structured, it will not stimulate the required innovation and adaptability. This supports the stance of Khan and Rasheed (2015), who advocated for an integrated shift towards strategic incorporation in HR practices in Pakistan. It also complements the institutional analysis by Abd Rahim et al. (2021) that advocates for a systemic cultural overhaul in South Asian banks to improve their responsiveness to global integration.

Moreover, the data indicates that fundamental dimensions of SHRM, such as training, participation, performance appraisals, and compensation configurations, are only translated into competitive advantage when they are integrated with strong leadership and culture-building systems. This finding affirms the capability-based models advanced by Becker and Huselid (2006) and Lepak et al. (2006), who argued that HR practices deliver value in synergy with internal organisational systems. It also aligns with the multi-level framework proposed by Nachmias et al. (2022) and underlines the role of line managers alongside the context and environment in which HR practices are implemented.

These insights hold practical relevance for HR professionals and policymakers in emerging markets. To convert HR functions into strategic drivers, investment must be directed not only toward talent acquisition but also toward building cultural frameworks and leadership pipelines. As Armstrong and Taylor (2020) note, strategic HR is not about isolated interventions but about consistent alignment with long-term business goals. Similarly, Boxall and Purcell (2022) highlight that contextual fit, between HR practices, leadership behaviour, and organisational values, is essential for performance sustainability.

## Conclusion

This study contributes to the understanding of SHRM's role in achieving sustainable competitive advantage within Pakistan's banking sector. Through SEM-based empirical analysis, it confirms that SHRM practices do not directly lead to competitive outcomes. Instead, they exert their influence indirectly and significantly through the development of strategic leadership and an adaptive organisational culture. These mediating variables enable HR practices to become embedded within the strategic aspects of the organisation.

These findings support and extend the resource-based view by showing that HR practices are not sufficient on their own; rather, they must operate within a broader system of internal capabilities. Leadership and culture, as



demonstrated, are not peripheral factors, they are the core channels through which SHRM contributes to performance. This positions HR not just as a service function, but as a strategic driver of competitiveness, particularly in a sector under pressure from technological change and customer expectations. In practical terms, banks that align their HRM strategies with leadership development and culture-building are better positioned to weather disruptions, enhance service quality, and maintain a long-term edge. This research contributes to both academic theory and organisational practice by offering a tested framework for operationalising SHRM in a way that leads to meaningful outcomes.

### Limitations and Suggestions for Future Research

Despite its strong empirical contributions, this study has certain limitations. Firstly, its cross-sectional design limits the ability to infer causality or examine long-term effects. A longitudinal study would offer richer insights into how SHRM practices and their mediating mechanisms evolve over time. Secondly, the study focused on only two mediators—strategic leadership and organisational culture. Other influential variables such as employee motivation, innovation climate, or psychological safety were not considered. Future research should explore these dimensions to build a more comprehensive model of SHRM's impact. Moreover, the research was limited to commercial and public banks in southern Pakistan, which may affect the generalisability of the findings. More region-specific or industry-specific comparative studies would be necessary to help legitimise the wider applicability of the proposed model.

Such external moderators as regulatory changes, technological disruptions, or economic uncertainties were also omitted. These situational aspects can have a profound influence on SHRM's work in organisations and must be factored into the models used in future research to enhance their explanatory power. In addition, this study failed to identify between the public and private banks, despite their operational differences and distinct structures. Comparative analysis can be conducted in future research to help understand how the type of ownership affects the effectiveness of SHRM practices..

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