

The Importance of HRM System, Absorptive Capacity, And Innovative Performance in Jordanian SMEs: A Proposed Conceptual Framework

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Abstract

Purpose: In this competitive era, innovative performance is necessary for SMEs to maintain their competitive advantage. Innovative performance results from leveraging opportunities for creativity, value building via resources and capabilities, as well as the combination of effective internal and external knowledge structures. As such, this study proposes a model to explore the relationships between human resource management (HRM) system and absorptive capacity (AC), and their impact on innovative performance (IP) in Jordanian SMEs.

Design/methodology/approach: A range of relevant literature is explored and a conceptual model is proposed and discussed.

Findings – This paper proposes an answer to “how” the HRM system can influence the innovative performance of SMEs. It is also suggested that the HRM system play a unique role in creating AC, which leads to superior innovative performance for SMEs in Jordan.

Practical implication: The paper can help SME managers in Jordan to understand better the importance of the HRM system and AC. Through the integration of these two resources, superior and sustainable innovative performance can be achieved.

Originality/value: The Ability-Motivation-Opportunity (AMO) and Resource-based View (RBV) theories were utilised to delineate the topic at hand. Essentially, this study adds to the body of knowledge and offers an insight pertaining to the impact of the HRM system on innovative performance, as well as the configuration of the HRM system within the context of Jordanian SMEs.

Keywords:

Jordan, Small and Medium-Sized Enterprises (SMEs), Human Resource Management System, Absorptive Capacity, Innovative Performance

INTRODUCTION

To date, the business and market segment is fiercely competitive at the verge of forcing all firms to constantly innovate and produce top-

quality products and services in attaining competitive advantage. Although competitive advantage may be achieved through valued and unique resources and capabilities, the

sustainability of competitive advantage relies on organisational innovative performance (Alzuod *et al.*, 2017; Hanifah *et al.*, 2019).

Hotho and Champion (2011) associated successful small and medium-sized enterprises (SMEs) with those that deploy change process generated by motivated workforce that queries the systems in terms of choices, discretions, deviations, and decisions. Most SMEs operating within the globalised business setting display readiness to take on risky investments, characterised by the need for better efficiency and efficacy grounded upon knowledge and innovation (Hanifah *et al.*, 2019; Rahman and Mendy, 2019). In such an environment, manufacturing SMEs are increasingly pressured to turn into “world-class” enterprises (Autio *et al.*, 2011). Schilirò (2015) asserted that it is integral for SMEs to assess their competitive strategies, besides incorporating innovation into their activities so that their strategic goals may be met successfully.

Studies concerning innovations have assessed large firms within developed markets (Rahman and Mendy, 2019). Nonetheless, studies that have evaluated the correlation between HRM and innovative performance in SMEs are in scarcity. Heneman *et al.* (2000) emphasised on the need to perform more studies to strengthen theories related to HRM by embedding several factors, including organisational size and structure. Chandrakumara (2013) deduced that the significant roles of HRM in SMEs are still unclear. The author did mention a number of theories that may be deployed to predict the effect of certain HRM practices on innovation and the importance of probing into such studies. Despite their significant contribution to a country’s economic growth, SMEs across developing countries are exposed to higher chances of failure when compared to SMEs established in developed countries (Arinaitwe, 2006). In light of the economic status in Jordan, Alzuod *et al.* (2017) reported the positive contribution of SMEs, despite the lack of global revolution. Several studies (see Al-Jinini *et al.*, 2019; Sardi *et al.*, 2020) identified lack of innovation, capacity of human resource (HR), and age of SMEs as causes of lack of global breakthrough. Laforet and Tann (2006) found a range of values and practices in different cultures, while Okpara and Kabongo (2009) reported the rise of new markets in developing

countries that provide firms better prospects for rapid expansion and industrialisation at the global scale.

Prior studies pertaining to HRM practices (see Lopez-Cabrales *et al.*, 2009; Seeck and Diehl, 2017) pointed out innovation as a key contributor to organisational competitive advantage. The impact of knowledge and HRM practices of employees on the facilitation of innovation was examined by López Cabrales *et al.* (2009) and Fu *et al.* (2015). Among Jordanian SMEs, knowledge is viewed as confidential. Notably, exposing knowledge to the public is bound to jeopardise the competitiveness and the sustainability of a company. On the other hand, most innovative firms view knowledge dissemination as an integral aspect in attaining success (Chang *et al.*, 2013; Soo *et al.*, 2017).

Previous studies on the central role of HRM in absorptive capacity have garnered interest among relevant parties. Upon determining the effect of HRM on innovation, Seeck and Diehl (2017) unravelled the presence of a ‘black box’ between HR and innovation. Boxall *et al.* (2016) described mediators as the theoretical connexions that clarify the expectation of certain outcomes, wherein according to Messersmith and Wales (2013), these connexions serve as mechanisms that liberate the ‘black box’ of HRM. Boxall (2012) mentioned that some of the mechanisms remain untapped.

Based on the Global Innovation Index 2017 by Cornell University, INSEAD and World Intellectual Property Organisation (WIPO) (2017); Jordan was the 9th country to demonstrate enhanced innovativeness in light of innovative performance in comparison to its peers within the Arab nation. In the world’s record index, Jordan was ranked at the 64th place in 2014 and rose to the 75th place in the following year (2015) (Cornell University, INSEAD and WIPO, 2014, 2015). After that, Jordan was ranked 82nd and 83rd in 2016 and 2017, respectively (Cornell University, INSEAD and WIPO, 2016, 2017). In terms of human capital and research, the GII (2017) placed Jordan in the 86th position. These rankings implied the drawbacks of Jordan in those areas. In terms of market sophistication, Jordan was positioned at the 115th place. Figure 1 illustrates the details.

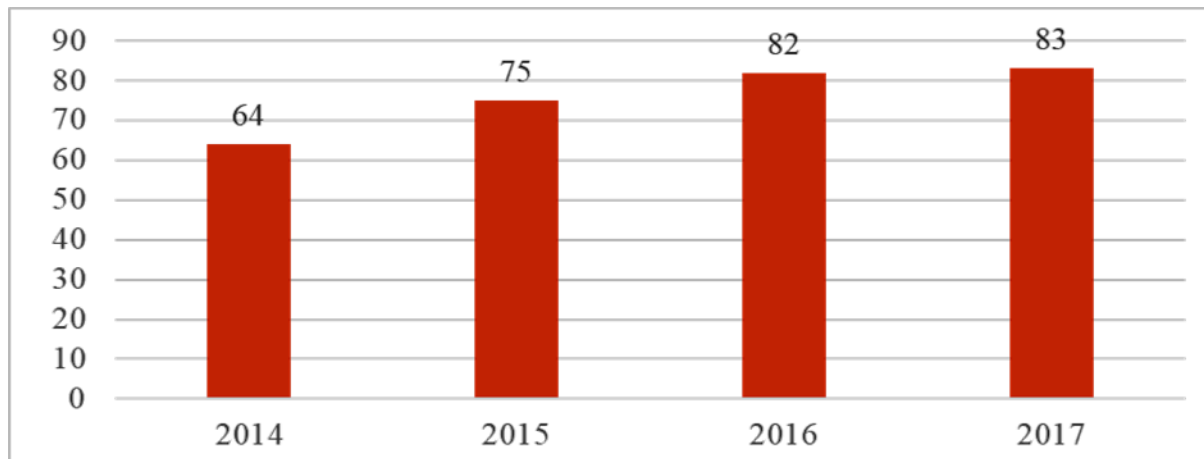


Figure 1. Innovative Performance Positions Held by Jordan 2014-2017

Grounded on extant theories and ambidexterity, a framework is proposed in this study to describe the correlations of HRM system and its subtypes with various shapes of organisational innovation. In this regard, absorptive capacity originates from resource-based view (RBV). This study had assessed the mediating role of absorptive capacity on the link between HRM system and innovation. In particular, this study provides insights into how these resources may be built to promote innovation amongst Jordanian SMEs. This study concludes with a discussion regarding exploration of future empirical studies into the proposed conceptual framework, as well as implications for future research work and practical aspects.

LITERATURE REVIEW

Overview of Jordan SMEs

Both SMEs and conglomerates operate in highly dynamic and erratic business environment. Such scenario affects the life cycles of the generated products or services. Hence, it is crucial for SMEs in Jordan to enhance their creativeness and innovativeness in ascertaining competitiveness, survivability, growth, and competitive edge, while simultaneously facilitating performance. Despite their contribution to boost the economy, Okpara and Kabongo (2009) asserted that SMEs need to face challenges that impede them from attaining competitive advantage. According to Arinaitwe (2006), it is more likely for SMEs established in developing countries to fail when compared to those in developed countries. Scholars have agreed in consensus on the need for SMEs to acquire knowledge on the scope and the importance of these challenges to

successfully thrive in the business setting (see Al-Sa'di *et al.*, 2017; Obeidat *et al.*, 2018;). Accordingly, the Ministry of Industry and Trade in Jordan (2009) outlined a significant variance in the economic structures between developed and developing countries. In the context of Jordan, about 98% of all established companies are SMEs with up to 250 employees. Evidently, SMEs operating in developing countries have yet to be fully evolved. This situation has been factored by (among others) economic downfall, poor business strategy, limited resources and finance, inadequate innovation and training, high employment rate, increased complexity, and mobilisation of local resources (World Bank Group, 2014; Zakaria, 2013). In the attempt of sustaining sound performance, keeping pace, and in moving forward, SMEs in Jordan and those alike in other developing countries would need to achieve innovative performance level similar to SMEs established in advanced and high middle-income countries. Schilirò (2015) emphasised on the importance of human capital development for national economic growth. According to Hotho and Champion (2011) and Zakaria (2013), human capital development is crucial to attain high innovation and success among SMEs.

Upon discussing the challenges faced by SMEs in Jordan, the Jordan Enterprise Development Corporation ([JEDCO], 2009) listed the following hurdles: lack of skilled employees, brutal domestic and international competition in the business setting, failure in satisfying the needs of internal and external market, price and quality of products, obstacles in reaching global market, lack of access to finances to expand and enhance business, and failure in implementing

new and improved ideas to achieve innovativeness (Malkawi and Rumman, 2016). For both organisations and small businesses, innovation is a core strategic mandate not only to achieve, but also to preserve competitive edge. As such, innovativeness is crucial as it enables SMEs to adapt to changes that occur within the business environment. Limaj and Bernroider (2019) highlighted the importance of innovation for enabling SMEs to join in the global market with new product development. Innovation permits SMEs to adopt new processes and embark on structural changes in the business setting, while exploring new markets. Academicians have been showing interests towards innovativeness among SMEs, as many studies (see Rahman and Mendy, 2019; Zakaria, 2013) have assessed the need for SMEs in developing innovation habit.

For Jordanian SMEs, innovation demands human capital and competence (Al-Jinini *et al.*, 2019), as HR entails the integral strategic resources that firms deploy in meeting business goals. Chen and Huang (2009) reported that the practices of HR have been the main method applied by firms to influence the skills, attitudes, and behaviour of employees, mainly because these aspects facilitate employees in performing their tasks, while simultaneously helping achieve organisational goals. The development of competences of human capital can strengthen the SME segment, thus the importance of deploying appropriate HR practices (Sardi *et al.*, 2020). Depicted that a combination of HR practices can enhance innovation in organisations.

The link between human resource management (HRM) and innovation has been vastly explored (see Jiménez-Jiménez and Sanz-Valle, 2008; Sanders and Lin, 2016; Seeck and Diehl, 2017; Shipton, West *et al.*, 2006). However, the HRM subject lacks investigation in the context of Jordan and other Arab countries (Al-Athari and Zairi, 2002; Aladwan *et al.*, 2014; Altarawneh, 2009). Among businesses especially SMEs, HR issues have garnered much interest as SMEs are obliged to gain competitive advantage for long term survivability. It is crucial for SMEs in Jordan to have more profound knowledge in managing HR.

Overview of HRM and innovation link in the context of Jordanian SMEs

Across companies, innovative performance encompasses the amassing of the overall

organisational undertakings that result from efforts to renew and improve innovation, which involve several elements such as products, processes, and organisational function (Gunday *et al.*, 2011). Innovative performance includes novelty and use, wherein novelty is integral upon considering that the phase of innovation embeds technology use, new invention, and new manufacturing or managerial methods. Equally important, value denotes products that are usable or productive financially. Within the global marketplace, a firm can be recognised through its innovation. For such companies, their products are viewed as unique and consistently fresh in the market. According to Lopez-Cabrales *et al.* (2009) and Al-Sa'di *et al.* (2017), product differentiation is a crucial factor for firms to enhance their competitiveness.

The correlation between large and smaller firms enables the application of theories in both new and smaller firms (Barrett and Mayson, 2007). Tansky and Heneman (2003) highlighted the significance of such linkage in determining HRM practices across large and small firms. For SMEs, Martinaityte (2014) emphasised on the need to increase their level of performance considering the current global economic situation, which forces SMEs to deliver 'added value' services or generate 'added value' products. Wright *et al.* (1994) claimed that through the use of strategic development, firms can produce high quality and innovative products and services that are rare and matchless, while employing non-substitutable internal resources that are literally entrenched within its workforce. These are achieved via systematic and logical selection of HR practices (Boxall, 2012).

Within the context of SMEs, the aforementioned practices have been related to internal and external knowledge-related competencies to innovation (Rahman and Mendy, 2019). Notably, within the domain of SMEs; Tansky and Heneman (2003) and Zakaria (2013) highlighted the scarcity of studies addressing the topics of internal organisation, internal system, and internal strengths. In addition, the manner in which the practices of HRM could improve the enduring innovation of SMEs remains largely unexplored. In fact, studies that have looked into the impact of HRM on innovation among SMEs are insufficient (Sardi *et al.*, 2020), including those within the context of Jordan

(Obeidat *et al.*, 2018). Such research work is, therefore, indeed necessary.

According to Darwish *et al.* (2013), and Altarawneh (2009), HRM practices in Jordanian firms would be useless without the knowledge of applicable HRM and its applicability in the cutting-edge business undertakings. Markedly, within the Arab nation (e.g., Jordan, Egypt, Oman, Qatar, and Saudi Arabia), studies on such topic are in deprivation (Altarawneh, 2009; Al-Athari and Zairi, 2002), ascribed to the lack of systematic analysis that can illustrate the dynamics of HRM amidst Arabic organisations (Al-Athari and Zairi, 2002; Altarawneh, 2009; Bisharat *et al.*, 2017). The HRM has been plagued with several challenges. Among the organisations operating in Jordan, Aladwan *et al.* (2014) reported the uncommonness of recruitment and adoption of processes. Effective implementation of HRM in Jordan has been noted only among very few organisations. Altarawneh (2009) and Shehadeh *et al.* (2016) reported the efficacy of training programs and positioning of strategies in Jordan, which displayed their positive impact on the competitiveness of organisations. In increasing efficacy, Shehadeh *et al.* (2016) claimed that firms need to focus more on their practice and plan of compensation. As such, periodical scrutiny needs to be performed. Among organisations within the Arab countries, particularly those in Jordan, training and development have been regarded as pointless, aside from being a waste of time and resources (Altarawneh, 2009).

Considering the discussion above, the practices of HRM system that significantly contribute to innovative performance need to be explored. Besides, the integral mechanism of these practices needs to be identified. Hence, this mechanism that enables the practices of HRM to positively impact innovative performance underpins the framework proposed in this study.

Development of an HR system for innovation in SMEs

The configurational model demonstrates a match between an HRM system and the strategy of a firm in general, so as to enhance firm performance. Accordingly, two types of fit are depicted in the HRM literature, namely internal fit and external fit. Internal fit (or horizontal fit) denotes individual HRM practices articulately arranged in “bundles,”

“systems” or “clusters” (Delery and Doty, 1996; MacDuffie, 1995) whereby each practice is supportive of one another. On the other hand, external fit (or vertical fit) forms alignment between varying HRM practices relating to organisations, as exemplified by the organisational strategy (Becker and Gerhardt, 1996; Delery, 1998).

In impact testing, the non-reflected practices may inhibit the impact of each HRM practice on innovation (Laursen, 2002; Laursen and Foss, 2003). Notably, considering that HRM practices are more conducive to innovation upon being adopted as a system of reciprocally reinforcing practices rather than as practices in isolation, Laursen (2002) specified on the need to analyse bundles of HR practices (or HRM system). In terms of internal fit, various potential effects have been listed, such as the additive effect if two similar HRM activities result in the sum of discrete effects of each HRM activity (Kepes and Delery, 2009). Meanwhile, mutually dependent HRM practices may result in a synergistic effect (Tansky and Heneman, 2003).

The Ability-Motivation-Opportunity (AMO) model stresses that the overall firm performance is equally applicable to innovation as the final goal. As implied by the system of this model, the efficiency displayed by an employee is generated by three primary components; ability, motivation, and opportunity. Specifically, ability denotes the Knowledge, Skills, and Abilities (KSA) that will enable one to outperform, whereas motivation is the significant desire to outperform, whereas opportunity postulates a setting or climate support for outperformance (Jiang *et al.*, 2012). As upheld by the AMO model, a component on its own is inadequate to achieve performance outcomes. Therefore, the components should be perceived as co-dependent components that complement one another. Details of each component are discussed in the following.

Ability (A) refers to practices in assuring that proficient employees are recruited. Recruitment and selection is one such example. Improving knowledge, skills, and abilities of employees, while simultaneously expanding their capabilities, training, and development, has been commonly practiced by organisation (Jiang *et al.*, 2012). Next, Motivation (M) denotes practices, including performance appraisal, which entail the provision of

developmental feedback or performance reviews. Performance appraisal stresses on employee learning while also motivating them to meet organisational goals. Meanwhile, compensation presents incentives for fresh ideas. It also signifies rewarding employees intrinsically (e.g., interesting work) and extrinsically (e.g., financial reward). Relevantly, teamwork allows sharing of knowledge and skills, apart from increasing the generation of new ideas that leads to innovation or new product development. The component of Opportunity (O) involves practices, including teamwork that enables free communication amongst the team members, thus resulting in improved task performance. It enables job rotation that allows employees to work at different tasks while simultaneously learning various skills, knowledge, and outlooks (Laursen and Foss, 2003). Performance appraisal may be carried out as team members can review one another (e.g., giving feedback) and offer suggestions of measures for evaluation and later, application (Boselie, 2010).

Several practices of HRM have exerted impact on various components. For instance, teamwork has been perceived to impact Opportunity (O) and Motivation (M). According to Boselie (2010), HR activities should be integrated to develop ability, motivation, and opportunity. Jiang *et al.* (2012) asserted that motivated employee with ability to perform well but not allowed to make decisions, may likely be inhibited in terms of performance. Boxall *et al.* (2016) mentioned that internal organisation impacts the successful deployment of evidence-based practices.

Considering the lack of resources among SMEs in addition to their size, the likelihood of SMEs to adopt the AMO model of the HRM system was doubted. However, as depicted by Shahzad *et al.* (2019), some SMEs do indeed adopt such system. For instance, Kroon *et al.* (2013) discovered the deployment of HRM systems in SMEs. They added that despite being smaller in regard to the number of adopted practices as opposed to large firms, the adopted systems by SMEs included coherent bundles of practices. Additionally, the authors reported that successful small firms utilised innovative HR practices that are supportive of their business philosophy, and these practices are akin to HRM system that involves practices

related to increasing ability, motivation, and opportunity (AMO).

The resource-based view (RBV) of the firm is a dominant theory in the debate on the added value of HRM (Boselie *et al.*, 2010). The RBV describes how SMEs fully utilise their bundle of resources and capabilities in order to achieve competitive advantage, thus improving their innovativeness. Even though HR is considered as the basis to attain competitive advantage, its potential is absent without the implementation of an effective HRM system (Jackson and Schuler, 1995; Schuler & MacMillan, 1984). The HRM system can be unique, causally ambiguous, and synergistic for firms to improve their competencies. It is impossible to imitate such a resource (Lado and Wilson, 1994; Wright *et al.*, 2001).

The Role of Absorptive Capacity in The Relationship Between HRM System and Innovation in SMEs

Promising findings have been reported by some scholars upon assessing the correlation between specific HR practices and absorptive capacity. According to Laursen and Foss (2014), these findings mostly revolved around the impact of individual HR practices on knowledge creation, sharing, and transfer. On the other hand, some findings emphasised on the importance of individual HR practices, including staffing, training, compensation, and performance appraisal, to enhance knowledge sharing and transfer (Laursen and Foss, 2003; Minbaeva *et al.*, 2003; Zhou *et al.*, 2020).

Zahra and George (2002) outlined four discrete but harmonising learning capabilities, which are essential for a firm to enhance its performance from knowledge sources. They are acquisition (the capability of identifying and acquiring important knowledge), assimilation (the capability of analysing, processing, interpreting, and comprehending external knowledge), transformation (the capability of merging new and present knowledge to grasp fresh insights), and exploitation (the capability of instilling the newly attained and transformed knowledge into the firm's operations). The dimensions have varied but harmonising role in generating dynamic organisational capability (Sciascia *et al.*, 2014; Saad *et al.*, 2017).

The success of acquisition and assimilation is dictated by the capacity of SMEs in establishing cognitive routines and processes that can facilitate them to analyse, interpret, understand,

and internally disseminate newly attained knowledge (Flatten *et al.*, 2011). Hence, new skills are formed and learning changes, which can facilitate organisations in dealing with new requirements. In light of this situation, Chen and Huang (2009) exemplified that newly acquired communication skills allow the effective dispersal of new knowledge, while learning is shifted towards organisational learning. Nonetheless, such adaptation or developmental process may be challenging, costly, and time consuming. Organisational learning, which entails a social process, relies on a network of both intra- and inter-organisational relationships that establish itself as time that passes between individuals and organisations (Rangus and Slavec, 2017).

Transformation primarily associates new knowledge with the needs and context of SMEs by increasing its feasibility and usefulness (Saad *et al.*, 2017). Flatten *et al.* (2011) asserted that the success of transformation demands rather considerable degree of competences, especially in restructuring, altering, and preparing knowledge for additional use. This, according to Saad *et al.* (2017), is within grasp by deploying new combinations or interpretations, which, according to Hotho and Champion (2011), incorporates restructuring of new resources, as well as development of new management and organisational practices, that are also impacted by several organisational factors such as organisational structures, incentive systems, leadership, and governance. For SMEs, knowledge exploitation eases their understanding about the business environment. It enables SMEs to deal with the intricacy and requirements of their environment, while simultaneously forming new routines, which, according to Rangus and Slavec (2017), can prod individuals to not only transform their behaviour, but also adopt actions and attitudes that contribute to innovation and performance improvement.

While forming the absorptive capacity of the recipient units, this present study hinges upon past studies on the role of HRM practices (Minbaeva *et al.*, 2003), apart from identifying the specific adoptable HRM system for the development of absorptive capacity in acquisition. As stated by Lane and Lubatkin (1998, p. 474), “as competition becomes more knowledge-based, a firm must develop a thorough understanding of its own knowledge, the processes by which it converts knowledge

to capabilities, and the capacity of those capabilities to meet the demands of its environment.” Essentially, obtaining or sourcing external knowledge may lead to internal tensions, thus calling for efforts and practices of HRM.

In light of SMEs, Laursen and Foss (2014) reported on the significance of recruitment, training, compensation, and teamwork to form absorptive capacity for innovation. MacDuffie (1995) asserted that clear systems of reciprocally reinforcing practices of HR may offer superior support to sustainable performance outcomes, in comparison to individual practices. Nevertheless, the manner in which common configurations (patterns and bundles) of HR practices can be strategically deployed remains untapped, despite their impacts on absorptive capacity. According to Chang *et al.* (2013), understanding the role of certain HR practices is crucial in forming absorptive capacity of a firm. Soo *et al.* (2017) highlighted on the importance of intellectual capital in enhancing HR practices, in addition to the mediating role of absorptive capacity on its linkage with innovation performance of organisation.

This brings about a significant research potential considering that the HRM system should facilitate innovative performance by affecting the absorptive capacity of the firm in obtaining, assimilating, redeploying or reconfiguring its new and present knowledge, as well as resources (Minbaeva *et al.*, 2003; Zhou *et al.*, 2020). The four dimensions of absorptive capacity are both equivalent and interdependent, or in other words, they do not have discrete and linearly subsequent capacity (Todorova and Durisin, 2007). Comparatively, Sciascia *et al.* (2014) found that SMEs with poor acquisition and integration of external knowledge may find transforming the acquired knowledge to better address their needs a highly challenging task.

Among the SMEs established in Jordan, knowledge is confidential. Exposing knowledge to the public is detrimental to a company's competitiveness and sustainability. Nonetheless, Chang *et al.* (2013) and Soo *et al.* (2017) emphasised on the importance of knowledge distribution in attaining success amongst most innovative firms. In the context of Jordanian SMEs, knowledge reflects power in regard to respect, prestige, and promotion; signifying reluctance in sharing knowledge as

many view knowledge as a source of superiority over others (Shrafat, 2018). Internal knowledge hardly diverges from the core abilities of firm, and for this reason, Tushman and Anderson (1986) claimed that members of organisation may find internal knowledge easier to integrate and exploit. As depicted by Jones (2006), the amassment and multiplicity of past knowledge from individuals or agents at diverse levels are often omitted in the midst of structural issues in absorptive capacity.

DISCUSSION AND CONCLUSION

This study adds to the knowledge pertaining to the effect of an inimitable HRM system on the innovative performance of SME manufacturing companies established in Jordan. Apparently, the SMEs in Jordan do not effectively practice HRM in their business, despite the significant contribution of HRM practices towards the innovative performance of organisations (Mashal, 2018). Hence, it is crucial SMEs in Jordan to identify their own capabilities, especially in regard to their internal strength (e.g., their HR and HRM practices) as such capabilities are bound to facilitate them in their competitiveness and innovativeness (Altarawneh, 2009; Obeidat *et al.*, 2018).

This study adds to the knowledge of HR practices from the theoretical lens of RBV, and AMO. This study had looked into the impact of unique HRM systems on innovative performance, as well as the impact of absorptive capacity on the link between HRM systems and innovative performance. In precise, SMEs that are resource-scarce must take advantage of their existing assets so as to flourish in the competitive business environment.

Theories of management have progressed over the years, but the manner in which common configurations (patterns and bundles) of HR practices impact absorptive capacity is still vague. On top of that, the exact mechanisms through which HRM practices impact innovation remains largely untapped.

The organisational concepts found to be strongly impacted by people have been reviewed in this study. Marked by fresh demands and rapid organisational change, these concepts drive sustainable competitive advantage. The contributions of this study are listed in the following:

1. Addressed the significance of the practices of HRM to SMEs in Jordan, mainly because

these practices are crucial for SMEs to persist and maintain their competitiveness – ultimately pointing towards innovative performance.

2. Defined the distinctive bundles of HR practices that are potentially crucial to the growth of SMEs, primarily by exploring the concept of absorptive capacity as depicted in the literature.
3. Shed some light on the correlation between the constructs reviewed.
4. Adds to the body of knowledge regarding the specific mechanisms by which the practices of HRM impact innovative performance.

The framework proposed in this study is composed of several related factors and their links, which lack investigation in terms of people management. The human factor in absorptive capacity is particularly addressed in this study. However, a comprehensive model that describes the specified relationships among all the studied concepts of organisation, particularly within the context of Jordanian SMEs, is in scarcity or almost unavailable.

Limited key resources and management practices can affect the adoption and the integration of new knowledge. Hence, SMEs need to reposition themselves through effective development of knowledge-based resources attainable via practices of HRM and collaboration, primarily to address the challenges of the shifting and innovative manufacturing sector (Saad *et al.*, 2017). Policy and management strategies of HRM are, beyond doubt, efficient in promoting innovation.

The HRM in Jordan has been largely neglected. In this regard, the Ministry of Industry and Trade has reported that in some Jordanian organisations, the HRM departments lack initiative. On top of that, these HRM departments have been forsaking their duties and activities, thus leading to major problems in human capital development, such as high turnover rates and lack of skilled employees.

In comprehending the predictors of innovation, it is crucial for SMEs to identify the impact of HRM practices on innovative performance. As for SMEs, the practices of HRM can facilitate them towards attaining their goals, apart from enhancing their innovativeness. The HRM, as a matter of fact, is crucial for SMEs. This reason is sufficient to amplify the importance of extending the exploration of this topic.

According to Darwish *et al.* (2013), SMEs are not a scaled-down version of large firms. Therefore, it is inappropriate to generalise HRM-related findings of large firms to SMEs. In a nutshell, SMEs established in Jordan should make the effort to improve their HR and skills development abilities, so as to increase their chances of succeeding in their business undertakings at greater height (Aladwan *et al.*, 2014). Evidently, both the value and the best practices of HRM should be ascertained to assure performance enhancement, which is both innovative and sustainable. As the number of SMEs in Jordan appears to be expanding, more employment opportunities are offered to the citizens. It is, therefore, important that the Jordanian government to place more focus on this segment of business establishment.

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