

# **EXAMINING MEDIATING ROLE OF JOB PERFORMANCE BETWEEN SKILLS AND ORGANIZATIONAL PERFORMANCE OF SMEs IN MYANMAR\***

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## **Abstract**

The objectives of the study are to analyze the effect of hard skills and soft skills on organizational performance and to examine the mediating effect of job performance between skills and organizational performance of SMEs in Myanmar. The different skills of owners of SMEs play an essential role in achieving job performance of owners and organizational performance. Moreover, the mediating role of job performance is an unavoidable requirement to support organizational performance. Structural Equation Modeling (SEM) with LISREL 8.72 is used to prove the objectives. The target population is 47,642 owners of SMEs in Myanmar. Among them, 440 owners are selected as the respondents by using simple random sampling method. As the final analysis, 215 owners of SMEs are included. The results revealed that soft skills and hard skills have significant direct effects on job performance. Soft skills have significant direct effect on organizational performance. Hard skills have no significant direct effect on organizational performance. Job performance has significant direct effect on organizational performance. Job performance is a full mediating variable for hard skills and partial mediating variable for soft skills. The importance of both skills is seriously emphasized by the owners of SMEs to enhance job performance and also organizational performance.

**Keywords:** Hard skills, Soft skills, Job performance, Organizational performance, SMEs, Myanmar

## **Introduction**

The development of small and medium enterprises (SMEs) is the back bone for the development of a country. More broadly, Small and Medium Enterprises (SMEs) play the crucial role for economics contribution at the global, national, local and individual levels (Azari et al., 2017; Gamidullaeva et al., 2020). Because of Covid 19 pandemic, the decline of SMEs is suffered in the world including Myanmar. To achieve the overall performance of SMEs, the job performance of owners is critical requirement. The different skills of owners are the key success factor to upgrade the job performance of owners. The owners of SMEs need to build up their capacity for enhancing the growth of businesses with different skills related to their management. In Myanmar, the development of SMEs is strongly demanded and the government provides SMEs with advanced technology and other resources. The skills of owners of SMEs are the basic requirements for innovation, creativity, learning, and promoting business functions to achieve the organizational performance. The skills of owners are important to manage business effectively and to stand successfully in the strong competition among SMEs. Thus, the important role of hard skills and soft skills of owners is the area to be examined with the help of job performance of owners.

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The hard and soft skills of business owners can achieve not only the long-term operation of business but also a smooth relationship with suppliers, customers and other stake holders. The present study mainly focuses on hard skills and soft skills of owners of SMEs and the effects of these skills on job performance of owners and organizational performance. Hard skills are considered as the abilities of a person that support in performing the professional area and are often used as a measurement of a person's ability or the expertise of the quality. Soft skills are mainly based on interpersonal skills, problem-solving skills, communication skills, etc. which are applied in the daily business activities of the owners of SMEs.

The objectives of the study are to analyze the effect of hard skills and soft skills on organizational performance and to examine the mediating effect of job performance between hard skills, soft skills and organizational performance of SMEs in Myanmar.

### **Literature Review**

The development from the industrial era to the information age brings significant changes. Human capital is a fundamental component for any enterprise and the quality of it deeply affects the results that the company can achieve (Cimatti, 2016). The owners of SMEs need to build up their capacity for enhancing the growth of businesses with management related skills. Bridgstock (2009) observes that, in the context of rapidly changing information and knowledge-intensive economies, individuals must have skills. In order to do so, they must not only maintain and develop knowledge and skills that are specific to their own discipline or occupation, but must also possess generic skills, dispositions and attributes that are transferable to many occupational situations and areas. The skill development is strongly demanded from both employers and employees.

SMEs can accept new technologies, adopting management methods and styles, develop and learn quickly, which encourages the competition strengthening those results in the improvement of products quality, services and lower prices (Gordana & Biljana, 2021). Not only employees but also employers need to acquire both hard skills and soft skills in performing the tasks and in achieving overall performance of organization. Hard skills are learned abilities that can be acquired and improved by means of practice, recurring, and education (Hasanah et al., 2020) and are those needed by a skilled person to successfully handle a role. The quality of the industry, in terms of quality of the product, of the organization, of the services and of the workers' life, strongly depends on the soft skills possessed by responsible persons at any level.

### **Hard Skills**

Hard skills include a person's ability to perform the specific type of tasks and can be created, written and transferred between company activity units (Lombardi, 2019). Hard skills can be assessed from technical tests or practical tests. Hard skills can be described in general and are also based on the specific context in which these skills are used. Rainsbury et al. (2002) defined hard skills as skills related to technical aspects to perform several tasks in work. Basically, hard skills are cognitive and are influenced by intellectual quotient (IQ) (Muhammad et al., 2019). Discipline-specific skills are critical in many technical positions and employers continue to value knowledge in a specific career field. Hard skills are technical skills that are inherent or required for certain professions. Additionally, hard skills are the knowledge and technical abilities of a

person and also include knowledge of concepts related to the scientific field, mastery of as well as analyzing and identifying new ideas regarding products or services (Marzuki et al., 2024). Because of hard skills, technical advances and operational experiences are effectively handled by SMEs.

**H1a: Hard skills have direct effect on job performance.**

**H1b: Hard skills have direct effect on organizational performance.**

### **Soft Skills**

Soft skill is an implementation of a person's emotional intelligence which is the requirement of a job. Every business organization must utilize several soft skills to share knowledge and keep learning among employees. Among the soft skills, the interpersonal skills involve the ability to communicate and build relationships with others and it is also called 'people skills.' The interpersonal skills are the cooperative learning behaviors of people as well as communicative skills that connect them to express, communicate, help, share and giving compliments to others effectively (Abid et al., 2021). Problem-solving skill is closely related with personal characteristics. People who possess good problem-solving skills can have better lives than others as they are more successful in figuring out the best possible solutions and know how to behave in problematic situations (Coskun et al., 2014). Adaptability, teamwork and creativity are also required to manage effectively. Effective communication can lead to enhanced productivity, heightened customer and employee satisfaction, new business deals, and significant cost savings and can help to build teamwork in the organization (Kalogiannidis, 2020). Lack of effective communication is one of the major reasons that can lead to confusion and poor planning in many organizations.

**H2a: Soft skills have direct effect on job performance.**

**H2b: Soft skills have direct effect on organizational performance.**

### **Job Performance**

According to Campbell (1990), job performance is the value of all activities of employees that contribute both directly and indirectly to the accomplishment of organizational goals and later with colleagues as "goal-relevant actions that are under the control of the individual, regardless of whether they are cognitive, motor, psychomotor, or interpersonal." In order to achieve continuous improvement, the job performance of individual must be regularly evaluated and monitored. Deadrick and Gardner (1999) defined job performance as the achieved work outcomes for each job function during a specified period of time. El-Sabaa (2001) explained that job performance is related to the willingness and openness to try and achieve new aspects of the job, which will bring an increase in the individual's productivity. Borman and Motowidlo (1997) classified job performance into task performance and contextual performance. Task performance is defined as in-role behavior, in which employees achieve the expected goal by adopting the behavior prescribed by the organization. Contextual performance is an extra-role behavior, which refers to activities that show special enthusiasm, during the course of work, to complete tasks, cooperate with others, and actively perform tasks above and beyond organizational requirements.

**H3a: Job performance mediates between hard skills and organizational performance.**

**H3b: Job performance mediates between soft skills and organizational performance.**

## **Organizational Performance**

According to Kalogiannidis (2020), organizational performance is associated with the actual results or outcomes registered by an organization based on its total input or based on the set goals and objectives. According to Agarwal et al. (2003), organizational performance has two dimensions comprises of judgmental and objective performance. Judgmental performance covers the employees and customers perceptions such as service quality, organizational performance and retention. On the other hand, objective performance includes financial and market-based assessments such as sales growth, profit, market share and efficiency. Organizational performance is defined as an assessment activity that allows organizations to make judgments and comparisons on goals, patterns, past decisions, and other processes and products. Abu-Jarad et al. (2010) added that even though organizational performance has become the most important issue for every organization, it is still not easy to conceptualize the performance measurement. The expected organizational performance is influenced by several conditions. The types of organizational performance, financial and non-financial performance based on the perception of owners are examined in this study.

## **Methodology**

### **Research Instrument and Key Respondents**

The study analyzes the effect of hard skills and soft skills on organizational performance with the mediating effect of job performance of SMEs in Myanmar. There are 47,642 owners of SMEs in Myanmar. According to Kline (2011), an ideal sample size-to-parameters ratio would be 20:1. Twenty-two measured variables were used and thus, the required sample size is 440. The owners were selected as the respondents to meet the sample size. They were selected by using simple random sampling method. In the final analysis, 215 owners of SMEs were included. Structured questionnaire with five-point Likert scale was used to collect primary data. The data collection period was in August, 2024. This study used structural equation modeling (SEM) with LISREL 8.72 to test the direct effects of hard skills and soft skills on job performance and organizational performance and the direct effect of job performance on organizational performance and the mediating effect of job performance. The internal consistency among the variables was checked with the Cronbach's Alpha.

## **Results**

As the demographic factors of respondents, most respondents are male with the age of 51 years and above. They got bachelor and master degree. They established the business more than twelve years ago. Most of them are food processing, consumer goods, wood-based (not include furniture), garment and clothing and machinery firms. According to the recommendations of several researchers, including Hair et al., 2010; Bentler, 1990; Yankovenko and Holton, 2010, the model fit was assessed by examining several goodness-of-fit (GFI) statistics indices: ratio of  $\chi^2$  which is the most direct and obvious test of model fit, normed Chi-square ( $\chi^2/df$ ), Incremental Fit Index (IFI), Comparative Fit Index (CFI), standardized root mean residual (SRMR), and the root mean squared error of approximation (RMSEA). A well-fitting model will have the  $\chi^2/df$  smaller than 2, IFI, and CFI values that are 0.9 or higher, RMSEA value below 0.06 and SRMR value less than or equal to 0.08 to indicate appropriate goodness-of-fit. Model fit statistics are presented in

Table (1). The mean values, standard deviation, reliability estimates, and correlation matrix of all variables are shown in Table (2).

**Table 1: Models and fit statistics**

| Models         | $\chi^2$ | df  | IFI  | CFI  | SRMR | RMSEA |
|----------------|----------|-----|------|------|------|-------|
| Proposed model | 903.91   | 204 | 0.93 | 0.93 | 0.15 | 0.09  |
| Revised model  | 170.45   | 143 | 1.00 | 1.00 | 0.04 | 0.02  |

Source: Survey data (August, 2024)

df = degree of freedom, IFI = incremental fit index, CFI = comparative fit index;

NNFI = non-normed fit index; SRMR = standardized root-mean-square residual; RMSEA = root-mean-square error of approximation

**Table 2: Means, standard deviations, reliability, and correlation matrix**

| Variables | Mean | SD   | HS     | SS     | JP     | OP | Alpha | Item |
|-----------|------|------|--------|--------|--------|----|-------|------|
| HS        | 4.22 | .508 | -      |        |        |    | .821  | 5    |
| SS        | 4.13 | .457 | .542** | -      |        |    | .747  | 6    |
| JP        | 4.24 | .452 | .771** | .613** | -      |    | .779  | 6    |
| OP        | 4.35 | .345 | .601** | .624** | .705** | -  | .756  | 5    |

Source: Survey data (August, 2024)

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

SD = Standard deviation; HS = Hard skills, SS = Soft skills, JP = Job performance,

OP = Organizational performance

According to Table (2), the respondents agreed that they always acquired hard skills and soft skills through the different types of learning such as trainings, workshops, seminars, etc. They also accepted that the better job performance is achieved based on their hard and soft skills. The latent variables are under the acceptable reliability level with the Alpha values of 0.7 and above (Cronbach, 1951). The correlation analysis results show that hard skills and soft skills have positive correlation with both job performance and organizational performance. Job performance also has positive correlation with organizational performance. The more the hard and soft skills are acquired by owners, the more the job performance and organizational performance can be expected by the owners. Moreover, because of job performance, the organizational performance is achieved. It is important to find the means to promote their skills. The results of the direct and indirect effects of hard skills, soft skills and job performance on organizational performance are shown in Table (3).

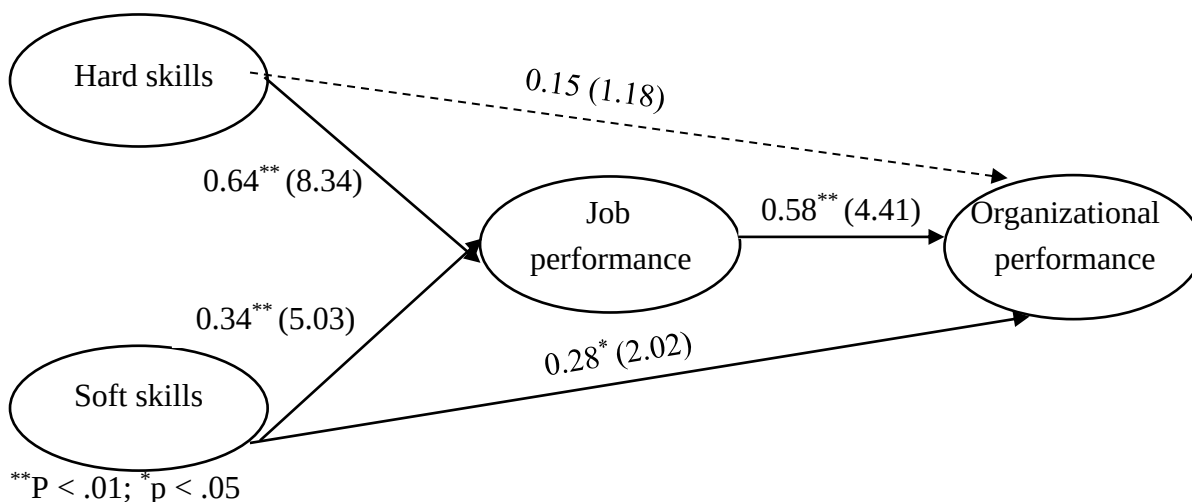
**Table 3: Summary of effects**

|                 | Job performance |          |       | Organizational performance |          |       |
|-----------------|-----------------|----------|-------|----------------------------|----------|-------|
|                 | Direct          | Indirect | Total | Direct                     | Indirect | Total |
| Hard skills     | 0.64**          | -        | 0.64  | 0.15                       | 0.43**   | 0.58  |
| Soft skills     | 0.34**          | -        | 0.34  | 0.28*                      | 0.20     | 0.48  |
| Job performance | -               | -        | -     | 0.57**                     | -        | 0.57  |

Source: Survey data (August, 2024)

According to the LISREL results, hard skills have significant direct effect on job performance ( $\gamma = 0.64$ ,  $p < .01$ ), supporting hypothesis 1a. The direct effect of hard skills on organizational performance was not significant ( $\gamma = 0.15$ ,  $p > .05$ ). The result did not support hypothesis 1b. The direct effects of soft skills on job performance and organizational performance were significant ( $\gamma = 0.34$ ,  $p < .01$ ) and ( $\gamma = 0.28$ ,  $p < .05$ ). The results supported hypothesis 2a and hypothesis 2b. The direct effect job performance on organizational performance was statistically significant ( $\beta = 0.57$ ,  $p < .01$ ). According to the results, hard skills had significant indirect effect on organizational performance through job performance. This indirect effect of hard skills on organizational performance through job performance revealed that job performance fully mediated between hard skills and organizational performance. Hypothesis 3a was supported.

It is concluded that, hard skills alone cannot provide the overall performance of organization without the excellent job performance of owners. Job performance plays an essential role in achieving organizational performance by acquiring hard skills by owners. Because of the significant direct effect of (a) soft skills on job performance, and (b) soft skills on organizational performance, and (c) job performance on organizational performance, job performance partially mediated between soft skills and organizational performance. Soft skills are sure to upgrade both job performance of owners and the organizational performance. Gaining soft skills by owners is the area to be emphasized more for job performance and organizational performance. This result partially supports hypothesis 3b. The final results are presented in Figure (1).



**Figure 1:** Hypothesized model with final results (t value in bracket)

## Discussion

The study mainly emphasizes the hard skills and soft skills of owners of SMEs in Myanmar. The objectives are to analyze the effect of hard skills and soft skills on organizational performance and to examine the mediating effect of job performance between hard skills, soft skills and organizational performance of SMEs in Myanmar. As respondents, 215 SMEs owners are included in this study. The advanced technology and strong competition demand the different skills from both management and employees. The descriptive statistics results showed that the owners have both hard skills and soft skills. The respondents agreed that they have learned to gain several skills

from the different sources. They understand their management related to the operations, employees, markets and distribution. Their hard skills are essential for them to run their business smoothly. They also emphasize their soft skills. Because of the soft skills such as communication skill, interpersonal skill, critical thinking skill, adaptability skill, leadership skill, etc., they understand their strengths to sustain their business in the future and weaknesses to remedy.

The owners accepted that the hard skills are obtained from their different learning sources and they can manage their business to be an effective production. The technology related knowledge is also learned for their smooth operations. Furthermore, the owners prefer to learn job related skills to fit their present demand of the market and customers. The soft skills are also applied in their daily activities by owners. The effective communication is built with stakeholders. The decision-making skill, leadership skills and problem-solving skills are also used in their work effectively. The adaptability skills are demanded with advanced technology.

The correlation analysis results revealed that hard skills and soft skills have positive correlation with job performance and then, organizational performance and job performance has positive correlation with organizational performance. The more the hard skills and soft skills are acquired by the owners, the better job performance and organizational performance will be achieved in SMEs. The LISREL results showed that both hard skills and soft skills have significant direct effects on job performance. Job performance is a full mediator between hard skills and organizational performance and a partial mediator between soft skills and organizational performance. According to the results, hard skills and soft skills play an essential role in promoting job performance of owners of SMEs. The only hard skills are not significant to create and promote organizational performance without the help of job performance. The job performance of owners is fulfilled by their hard skills in achieving organizational performance. For soft skills, the owners achieve both job performance and organizational performance with their own soft skills. Thus, hard skills and soft skills are the requirements for owners in achieving their job performance and organizational performance.

### **Conclusion**

The study mainly focuses on hard skills and soft skills of the owners of SMEs in Myanmar. According to the results, hard skills have direct effect on job performance and indirect effect on organizational performance. Without job performance, the skills cannot create the excellent organizational performance of SMEs. Soft skills can significantly influence job performance and organizational performance. It can be said that skills, both hard skills and soft skills, can significantly improve job performance. Those skills transform job performance into organizational performance. This study concluded that job performance plays the central role in enhancing organizational performance by acquiring hard and soft skills by owners. Because of the significant mediating effect of job performance between hard skills, soft skills and organizational performance, the owners should emphasize more on achieving these skills for job performance improvement and organizational performance.

In the near future, the hard skills and soft skills of owners will be more important factor because of the strong competition among SMEs and the use of advanced technology. The changing work environment and technology driven productions and operations are needed to be handled by

owners. Thus, learning hard skills and soft skills is the tool to overcome the challenges of 21<sup>st</sup> century and to achieve competitive advantage. Thus, the results of the study suggest the owners of SMEs to emphasize the hard and soft skills in shaping their future success in the industry 4.0 era.

Some limitations of the study are discussed to be fulfilled by further research. The scope of the study is the owners of SMEs in Myanmar. The skills of owners of large business organizations can be focused in further research. Only hard skills and soft skills were analyzed to prove job performance and organizational performance. Other skills and other factors should be examined as further studies to prove their importance for both job performance and organizational performance in SMEs and other service sectors.

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